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11 September 2014

ASX Market Announcements
ASX Limited
Level 4, 20 Bridge Street
Sydney NSW 2000

Dear Sir/Madam

Dick Smith Holdings Limited 2014 Notice of Meeting & Annual Report

The following documents have been dispatched to shareholders:

- 2014 Notice of Meeting
- 2014 Proxy form
- 2014 Annual Report

Yours sincerely



David Cooke
Company Secretary

Enc.

NOTICE OF MEETING

Notice is hereby given that the 2014 Annual General Meeting of Dick Smith Holdings Limited ('Dick Smith' or 'the Company') will be held at Museum of Sydney, corner Bridge & Phillip Streets, Sydney, NSW on Wednesday 15 October 2014 at 11:00am.

AGENDA ITEMS

1. Financial Statements and Reports

To receive and consider the Financial Report, the Directors' Report and the Report of the Independent Auditor for the year ended 29 June 2014.
There is no vote on this item.

2. Appointment of Auditor

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:
"That Deloitte Touche Tohmatsu be appointed as the auditor of the Company."
An explanatory note to this item appears on page 3.

3. Remuneration Report

To consider and, if thought fit, to pass the following resolution as an advisory resolution:
"To adopt the Remuneration Report of the Company for the year ended 29 June 2014 as set out on pages 34 to 43 of the Company's 2014 Annual Report."
Under the Corporations Act 2011 (Cth), the vote on this resolution is advisory only and does not bind the Directors or the Company. An explanatory note to this item appears on page 3. Voting exclusions for this item appear on page 2.

4. Re-election of Directors

To re-elect as Directors:

- a) Ms Lorna Raine, who having been appointed as a Director of Dick Smith on 25 October 2013 in accordance with the Company's Constitution, offers herself for re-election as a Director of Dick Smith.
- b) Mr Robert Ishak, who having been appointed as a Director of Dick Smith on 25 October 2013 in accordance with the Company's Constitution, offers himself for re-election as a Director of Dick Smith.
- c) Mr Robert Murray, who having been appointed as a Director of Dick Smith on 12 August 2014 in accordance with the Company's Constitution, offers himself for re-election as a Director of Dick Smith.
- d) Mr Michael Potts, who having been appointed as a Director of Dick Smith on 12 August 2014 in accordance with the Company's Constitution, offers himself for re-election as a Director of Dick Smith.

Each resolution will be voted on separately. The non-candidate Directors unanimously support the re-election of all the Director candidates. An explanatory note to this item appears on page 3. Voting exclusions for this item appear on page 2.

5. Grant of Options under the Long Term Incentive Plan to the Executive Directors

To consider, and if thought fit, to pass the following resolutions as an ordinary resolutions:

- a) "That the grant to the Managing Director and CEO, Mr Nick Abboud, under the Company's Long Term Incentive Plan of 1,705,966 options to acquire ordinary shares, on the terms and conditions set out in the Explanatory Notes, be approved."
- b) "That the grant to the Finance Director and CFO, Mr Michael Potts, under the Company's Long Term Incentive Plan of 524,913 options to acquire ordinary shares, on the terms and conditions set out in the Explanatory Notes, be approved."

Each resolution will be voted on separately. An explanatory note to this item appears on page 4. Voting exclusions for this item appear on page 2.

By order of the Board



David Cooke
Company Secretary
11 September 2014

HOW TO VOTE

Pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth), the Directors of Dick Smith have determined that for the purpose of the meeting, the shares in the Company shall be taken to be held by the persons who were registered as shareholders at 7:00pm on Monday, 13 October 2014.

PROXIES

A shareholder entitled to attend and vote at the Annual General Meeting is entitled to vote directly or appoint a proxy:

- a proxy need not be a shareholder of the Company and may be either an individual or a corporation. A corporation appointed as a proxy will need to appoint an individual as its corporate representative, with evidence of the appointment of a corporate representative in accordance with section 250D of the *Corporations Act 2001* (Cth) and lodged with the Company before the Meeting or at the registration desk on the day of the Meeting;
- a member entitled to cast 2 or more votes may appoint 2 proxies; and
- where more than one proxy is appointed, each proxy may be appointed to represent a specified proportion of the member's voting rights. If a member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes each proxy may exercise, each proxy may exercise half the votes. Additional hard copy proxy forms will be supplied by the Company's share registrar, Link Market Services Limited, upon request for the purpose of appointing a second proxy, or the second proxy can be appointed online at linkmarketservices.com.au.

If you are not able to attend the Meeting, we encourage you to lodge your vote electronically at linkmarketservices.com.au or return your Proxy Form in the envelope provided. To log in you will need your holder number and postcode for your shareholding. These can be found on the top right hand corner of your Proxy Form. For your proxy to be valid, you will need to ensure that it is lodged by no later than 11:00am on Monday, 13 October 2014.

You are also able to lodge questions relating to items of business electronically at linkmarketservices.com.au or return your Question Form in the envelope provided. All questions should be received no later than Tuesday, 7 October 2014.

The Chairman of the meeting intends to vote undirected proxies in favour of the resolutions set out in this Notice to the extent permitted by law. If you appoint the Chairman of the meeting as your proxy and you do not direct the Chairman how to vote on a resolution, you authorise the Chairman to exercise the proxy and vote as the Chairman sees fit, even if the resolution is connected directly or indirectly with the remuneration of:

- a member of the key management personnel of the Company details of whose remuneration are included in the Remuneration Report; or
- any other member of the key management personnel.

VOTING EXCLUSIONS

The *Corporations Act 2001* (Cth) and the ASX Listing Rules require that certain persons must not vote, and the Company must disregard any votes cast by or on behalf of certain persons, on three of the resolutions to be considered at the Meeting. These voting exclusions are described below.

Resolution 3 (Remuneration Report)

The Company will disregard any votes cast on the resolution by or on behalf of a member of the key management personnel (KMP) or a KMP's closely related party or as a proxy by a member of the KMP or a KMP's closely related party.

However the Company need not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person entitled to vote, in accordance with a direction on the proxy form to vote as the proxy desires.

Resolution 4 (Re-election of Directors)

The Company will disregard any votes cast on the resolution by the individual Director proposed for re-election or by her/his closely related party or as a proxy by a member of the Director proposed for re-election or by her/his closely related party.

However the entity need not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person entitled to vote, in accordance with a direction on the proxy form to vote as the proxy desires.

Resolution 5 (Grant of Options under the Long Term Incentive Plan to the Executive Directors)

The Company will disregard any votes cast on each resolution by the Executive Director subject to the grant or by his closely related party or as a proxy by a member of the Director subject to the grant or by his closely related party.

However the entity need not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person entitled to vote, in accordance with a direction on the proxy form to vote as the proxy desires.

EXPLANATORY NOTES TO THE AGENDA ITEMS

1. Financial Statements and Reports

In accordance with the requirements of the *Corporations Act 2001* (Cth) the Financial Statements, Directors' Report and Auditor's Report of the Company for the most recent financial year (being the 52 week period ended 29 June 2014), which are included in the Company's Annual Report, will be laid before the Annual General Meeting ('Meeting'). Shareholders will be provided with the opportunity to ask questions about the reports or about the Company generally, but there will be no formal resolution put to the meeting. A representative of the Company's external auditor will be present at the Meeting and will be able to answer questions about the Auditor's Report.

2. Appointment of Auditor

In accordance with the *Corporations Act 2001* (Cth), the directors of a public company can only appoint an auditor of the company for the period until the first annual general meeting, at which time a resolution as to the auditor must be made. Deloitte has consented to act as the Company's auditor. As required by the *Corporations Act 2001* (Cth), notice in writing nominating Deloitte has been given to the Company by a shareholder. This resolution proposes that Deloitte Touche Tohmatsu ('Deloitte') be appointed as the auditor of the Company from the date of the Meeting.

3. Remuneration Report

The Company's Remuneration Report for the year ended 29 June 2014 is set out on pages 34-43 of the 2014 Annual Report, which is available on the Company's website: dicksmithholdings.com.au.

The Company recognises the important role all employees play in achieving the Company's financial performance and shareholder wealth creation and has adopted a remuneration strategy which attracts, appropriately rewards, incentivises and retains high caliber individuals. The Remuneration Report outlines the Company's remuneration policy, strategy and framework and the remuneration conditions for Directors and other KMP.

A resolution for the adoption of the Remuneration Report is required to be considered and voted on in accordance with the *Corporations Act 2001* (Cth). The vote on the adoption of the Remuneration Report resolution is advisory only and does not bind the Directors or the Company. However, the Board will take the outcome of the vote into consideration when reviewing the Company's remuneration practices and policies.

Directors' Recommendation: The Directors unanimously recommend that shareholders vote in favour of the adoption of the Remuneration Report.

4. Re-election of Directors

The Board is comprised of seven Directors. The Directors have been selected for their relevant experience and expertise. They bring to the Board a variety of skills and experience, including industry and business knowledge, financial management, accounting, legal, operational and corporate governance experience.

The Directors believe it is in the interest of the shareholders that each Director subject to re-election be re-elected as a member of the Board and unanimously support (with the individual director abstaining in respect of their own re-election) the re-election of the Directors.

Further background on each Director seeking re-election is provided as follows.

a) Lorna Raine, Independent Non-Executive Director B.Comm (Hons) Acc., CA

Lorna was appointed as an Independent Non-Executive Director of the Company on its formation. Lorna is a Senior Finance Executive at Fairfax Media Limited, with her most recent role as Operations Director of Australian Publishing Media Division. Prior to this, Lorna was Transformation Program Director and CFO Metro Media Division at Fairfax. She previously held senior management roles with Yum! Restaurants International (Australia) including General Manager Operations – KFC, KFC Market Manager (NSW), Chief Financial Officer and Strategic Planning Director. Before relocating to Australia, Lorna was Chief Financial Officer for McDonald's South Africa where she was instrumental in the formulation and execution of the McDonald's Corporation strategic plan including the implementation of best practice in reporting and analysis through its period of rapid expansion. Lorna is Chair of the Remuneration Committee and Member of the Finance and Audit Committee.

b) Robert Ishak, Independent Non-Executive Director B.Com(Acc) LLM GAICD

Robert was appointed as an Independent Non-Executive Director of the Company on its formation. Robert is Chairman, Principal and co-founder of international law firm William Roberts Lawyers. Robert's areas of practice are corporate and commercial law advice and litigation. He regularly acts for and advises some of Australia's largest corporate institutions. Robert is responsible for key practice areas at William Roberts Lawyers which include directors' duties, management liability and banking and finance litigation. Robert has invested time in teaching final year law students at the University of Western Sydney in the areas of corporations law and commercial law. Robert is a Notary Public and is admitted to the Supreme Court of New South Wales and the High Court of Australia. Robert is on the NSW Starlight Star Ball Committee and has done pro-bono work for a number of charities. Robert is a Member of the Finance and Audit Committee and Member of the Remuneration Committee.

c) Robert Murray, Independent Non-Executive Director BA Hons Economics, MA Hons (Cantab)

Rob was appointed an Independent Non-Executive Director of the Company in August 2014. Rob has extensive knowledge of fast moving consumer goods, sales and marketing. Rob served as Managing Director and CEO of Lion Limited and predecessor Lion Nathan Limited from October 2004 to October 2012 prior to which he was Chief Executive Officer of Nestle Oceania. Rob was a Non-Executive Director of Lion Nathan Limited from September 2002 to October 2004. Rob has been an Independent Non-Executive Director at Super Retail Group Limited since April 2013. Rob is as an Independent Non-Executive Director of ASX listed Super Retail Group Limited, Lion Pty Limited, Linfox Pty Limited and the Kirin Limited International Advisory Board.

d) Michael Potts, Finance Director and CFO B.Comm, CPA

Michael was appointed an Executive Director of the Company in August 2014. Michael joined Dick Smith in September 2013 and is the Finance Director and CFO. He was, prior to being appointed to the Board, the Company Secretary. Michael previously served as the Chief Financial Officer and Company Secretary of Nick Scali Limited and has more than 20 years of experience in senior finance roles with major retail companies, including the Sussan Group, Bunnings and Myer. Michael is responsible for the financial management of Dick Smith Holdings Limited.

Directors' Recommendation: The Directors (with the individual Director abstaining in respect of their own re-election) unanimously recommend shareholders vote in favour of each resolution to re-elect the Directors.

EXPLANATORY NOTES TO THE AGENDA ITEMS (continued)

5. Grant of Options under the Long Term Incentive Plan to the Executive Directors

The Company believes a close alignment between shareholder interests and executive incentive awards is beneficial and best achieved through the issuance of options over shares through a Long Term Incentive Plan. ASX Listing Rule 10.14 prohibits a Director acquiring securities under an employee incentive scheme without the approval of shareholders by ordinary resolution. The purpose of the resolutions in relation to item 5 is to have shareholders approve the proposed grants of options to acquire ordinary shares under the Dick Smith Long Term Incentive Plan to the Company's Executive Directors.

Resolution 5(a) is to approve the granting of 1,705,966 options to acquire ordinary shares to the Managing Director and CEO, Mr Nick Abboud and Resolution 5(b) is to approve the granting of 524,913 options to acquire ordinary shares to the Finance Director and CFO, Mr Michael Potts.

Subject to approval by shareholders, the Board (with the Executive Directors abstaining with respect to their grant) proposes that under the plan in respect of the 2014 financial year, that Mr Abboud be granted 1,705,966 options to acquire ordinary shares and Mr Potts be granted 524,913 options to acquire ordinary shares. If approved, the options will be issued effective 1 July 2014 and, in any case, no later than 12 months after the Company's AGM. Performance hurdles which apply to the options are summarised below. The Board believes the hurdle that must be satisfied before the options can be exercised strongly align the ultimate value of the options with sustainable growth in the Company and shareholder returns and therefore provide significant incentives to both Mr Abboud and Mr Potts to ensure the Company achieves superior performance.

Price of Options: The Options are issued at no cost to Mr Abboud and Mr Potts.

Exercise Price: Each option has an exercise price of \$1.9456, calculated as the volume weighted average price of the Company's ordinary shares for the 5 trading days prior to and including 1 July 2014.

Vesting and Exercise Period: The Options are proposed to vest in two tranches: 50% on 1 July 2017 (three years from issue) and 50% on 1 July 2018 (4 years from issue). Subject to the Exercise Conditions being satisfied, and in accordance with the Rules, the Options may be exercised at any time during the Exercise Periods as follows:

1. For the 50% of Options with a performance period concluding on 1 July 2017, the exercise period commences on 1 July 2017 (First Exercise Date) and concludes at 5.00pm (Sydney time) on 30 June 2018 (Last Exercise Date).
2. For the remaining Options granted pursuant to the Offer and that have a performance period concluding on

1 July 2018, the exercise period commences on 1 July 2018 (First Exercise Date) and concludes at 5.00pm (Sydney time) on 30 June 2019 (Last Exercise Date).

Exercise Conditions: 50% of the Options granted will vest subject to the achievement of a relative total shareholder return (TSR) performance hurdle over the Performance Period. The remaining 50% of the Options granted will vest subject to the achievement of an earnings per share (EPS) performance hurdle over the Performance Period.

The Company's TSR will be assessed against the relative performance of the constituent companies in the S&P/ASX 300 Index and the S&P/ASX 300 Consumer Discretionary Index (weighted 50% each) over the Performance Period. The relative TSR performance targets and corresponding vesting percentages are as follows:

- below the 51st percentile TSR growth – 0%;
- at the 51st percentile TSR growth – 50%;
- between the 51st percentile and the 75th percentile TSR growth – pro-rata straight-line between 50% and 75%;
- above the 75th percentile TSR growth – 100%.

The Share price baseline for TSR calculation was \$1.9456, calculated by reference to the volume weighted average price for the Shares from the last five days of trading on ASX in June 2014.

The EPS performance targets (being the compound annual EPS growth over the Performance Period from 1 July 2014) and corresponding vesting percentages are as follows:

- less than 7.5% EPS growth per annum – 0%;
- at 7.5% EPS growth per annum – 20%;
- between 7.5% and 12.5% EPS growth per annum – pro-rata straight-line between 20% and 100%; and
- above 12.5% EPS growth per annum – 100%.

The Options will not vest unless at the time of satisfaction of the applicable performance criteria or hurdles, the volume weighted average price of Shares traded on ASX calculated over the last 5 trading days on which sales in the Shares are recorded, is 105% or more of the Exercise Price, or such other percentage as determined by the Board.

Mr Abboud and Mr Potts (who are the only Directors eligible to participate in the Company's Long Term Incentive Plan) received, on completion of the Company's 2013 initial public offering, 1,726,519 and 375,691 options, respectively. These options, which were also granted under the Company's Long Term Incentive Plan, are subject to various performance and vesting conditions full details of which can be found in the Company's prospectus dated and lodged with the Australian Securities and Investments Commission on 21 November 2013.

The Options the subject of this Resolution 5 will be granted to Mr Abboud and Mr Potts following receipt of shareholder approval (and in any event, will be granted by no later than 15 October 2015). No loan will be provided to these two Directors either in connection with the initial grant of Options the subject of Resolutions 5(a) or 5(b) or in order to fund the Exercise Price per Options.

Details of any shares awarded to the Executive Directors under the LTIP will be published in each Annual Report of the Company relating to the performance period in which the shares have been awarded.

Directors' Recommendation: The Non-Executive Directors unanimously recommend that shareholders vote in favour of each of Resolution 5(a) and Resolution 5(b) granting options to acquire ordinary shares to the Executive Directors under the Dick Smith Long Term Incentive Plan. Each Executive Director makes no recommendation on the resolution in which he has a personal interest.



By mail:
Dick Smith Holdings
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia



By fax: +61 2 9287 0309



All enquiries to: Telephone: +61 1800 129 386 (free call within Australia)

VOTING FORM

STEP 1 Please mark either Box A or Box B

I/We being a member(s) of Dick Smith Holdings and entitled to attend and vote hereby:

A VOTE DIRECTLY	OR	B APPOINT A PROXY
<input type="checkbox"/> elect to lodge my/our vote(s) directly (mark box)		<input type="checkbox"/> the Chairman of the Meeting (mark box)
<p>i in relation to the Annual General Meeting of the Company to be held at 11:00am on Wednesday, 15 October 2014, and at any adjournment or postponement of the Meeting. You should mark either "for" or "against" for each item. Do not mark the "abstain" box.</p>		<p>OR if you are NOT appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy below.</p> <div style="border: 1px solid black; height: 20px; width: 100%;"></div> <p>Failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to vote on my/our behalf (including in accordance with the directions set out below or, if no directions have been given, to vote as the proxy sees fit, to the extent permitted by the law) at the Annual General Meeting of the Company to be held at 11:00am on Wednesday, 15 October 2014 at the Museum of Sydney, Corner of Phillip and Bridge Streets, Sydney (the Meeting) and at any postponement or adjournment of the Meeting.</p> <p>I/we expressly authorise the Chairman of the Meeting to exercise my/our proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the key management personnel.</p>

The Chairman of the Meeting intends to vote undirected proxies in favour of all items of business.

Voting Directions will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting. Please read the voting instructions overleaf before marking any boxes with an

STEP 2 VOTING DIRECTIONS

Resolutions	Proxy Only				Proxy Only		
	For	Against	Abstain*		For	Against	Abstain*
2 Appointment of Auditor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	4(c) Re-election of Robert Murray	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	4(d) Re-election of Michael Potts	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4(a) Re-election of Ms Lorna Raine	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	5(a) Grant of 1,705,966 Options under the Long Term Incentive Plan to the Managing Director and CEO, Mr Nick Abboud	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4(b) Re-election of Mr Robert Ishak	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	5(b) Grant of 524,913 Options under the Long Term Incentive Plan to the Finance Director and CFO, Mr Michael Potts	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

i * If you are voting under Box B and mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 3 SIGNATURE OF SHAREHOLDERS - THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Sole Director and Sole Company Secretary

Joint Shareholder 2 (Individual)

Director/Company Secretary (Delete one)

Joint Shareholder 3 (Individual)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the Corporations Act 2001 (Cth).

DSH PRX403R



HOW TO COMPLETE THIS VOTING FORM

Your Name and Address

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

Voting under Box A

If you ticked the box under Box A you are indicating that you wish to vote directly. Please only mark either "for" or "against" for each item. Do not mark the "abstain" box. If you mark the "abstain" box for an item, your vote for that item will be invalid.

If no direction is given on all of the items, or if you complete both Box A and Box B, your vote may be passed to the Chairman of the Meeting as your proxy.

Custodians and nominees may, with the Share Registrar's consent, identify on the Voting Form the total number of votes in each of the categories "for" and "against" and their votes will be valid.

If you have lodged a direct vote, and then you attend the Meeting, your attendance will cancel your direct vote.

The Chairman's decision as to whether a direct vote is valid is conclusive.

Voting under Box B - Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Box B. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person in Box B. If you appoint someone other than the Chairman of the Meeting as your proxy, you will also be appointing the Chairman of the Meeting as your alternate proxy to act as your proxy in the event the named proxy does not attend the Meeting.

Votes on Items of Business - Proxy Appointment

You should direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each of the first Voting Form and the second Voting Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- return both forms together.

Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must have already lodged the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

Corporate Representatives

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

Lodgement of a Voting Form

This Voting Form (and any Power of Attorney under which it is signed) must be received at an address given below by **11:00am on Monday, 13 October 2014**, being not later than 48 hours before the commencement of the Meeting. Any Voting Form received after that time will not be valid for the scheduled Meeting.

Voting Forms may be lodged using the reply paid envelope or:



ONLINE > www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Voting Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Voting Form).



by mail:

Dick Smith Holdings
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia



by fax:

+61 2 9287 0309



by hand:

delivering it to Link Market Services Limited, 1A Homebush Bay Drive, Rhodes NSW 2138.

If you would like to attend and vote at the Annual General Meeting, please bring this form with you.
This will assist in registering your attendance.



By mail:
Dick Smith Holdings
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia



By fax: +61 2 9287 0309



All enquiries to: Telephone: +61 1800 129 386 (free call within Australia)



X99999999999

Please use this form to submit any questions about Dick Smith Holdings (“the Company”) that you would like us to respond to at the Company’s 2014 Annual General Meeting. Your questions should relate to matters that are relevant to the business of the meeting, as outlined in the accompanying Notice of Meeting and Explanatory Memorandum. If your question is for the Company’s auditor it should be relevant to the content of the auditor’s report, or the conduct of the audit of the financial report.

This form must be received by the Company’s share registrar, Link Market Services Limited, by **Tuesday, 7 October 2014**.

Questions will be collated. During the course of the Annual General Meeting, the Chairman of the Meeting will endeavour to address as many of the more frequently raised shareholder topics as possible and, where appropriate, will give a representative of the Company’s auditor, the opportunity to answer written questions submitted to the auditor. However, there may not be sufficient time available at the meeting to address all topics raised. Please note that individual responses will not be sent to shareholders.

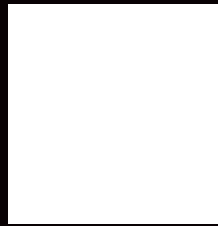
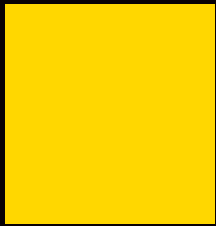
Question(s)

My question relates to *(please mark the most appropriate box)*

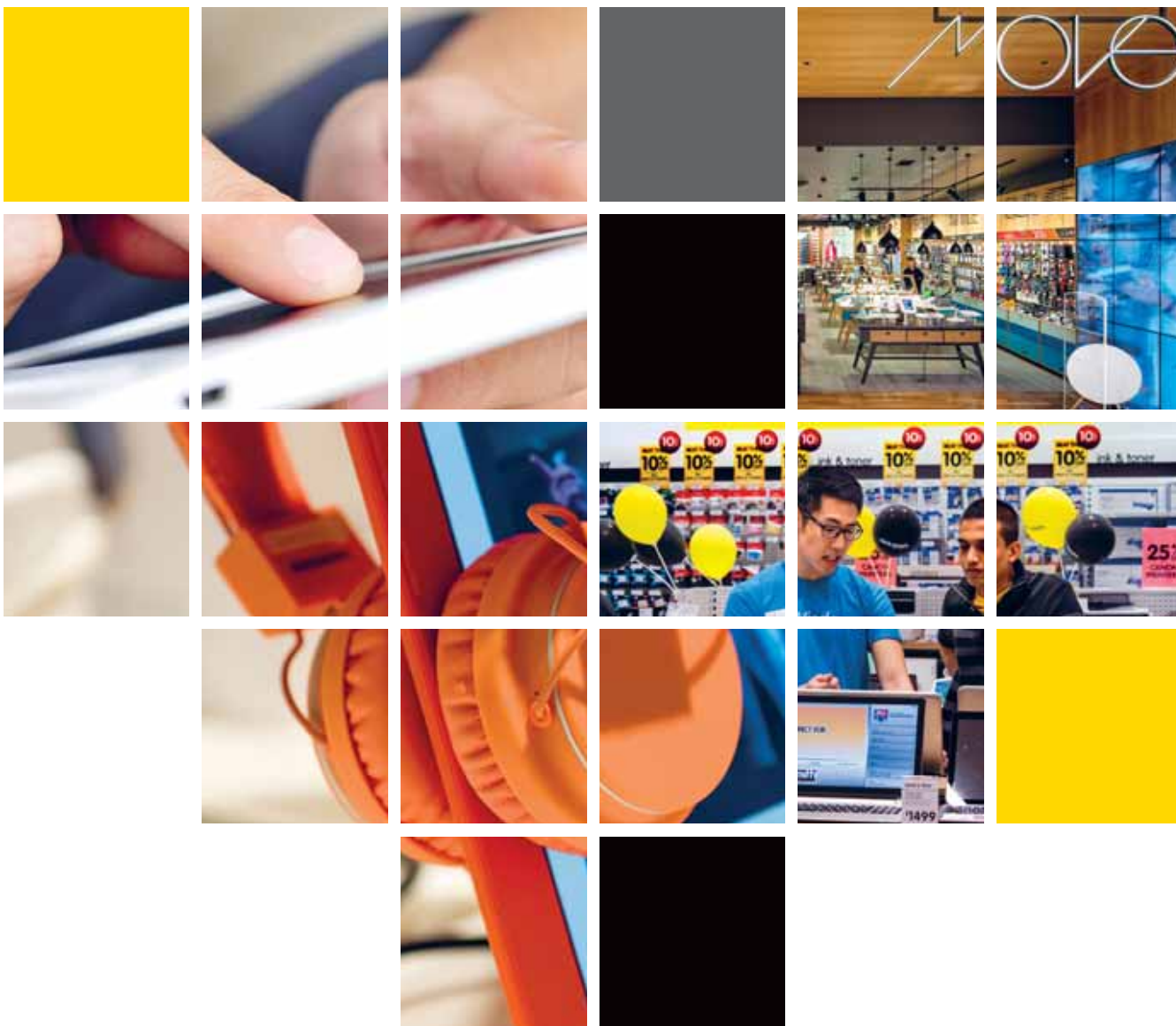
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| <input type="checkbox"/> Performance or financial reports | <input type="checkbox"/> A resolution being put to the AGM | <input type="checkbox"/> General suggestion |
| <input type="checkbox"/> Remuneration Report | <input type="checkbox"/> Sustainability/Environment | <input type="checkbox"/> Other |
| <input type="checkbox"/> My question is for the auditor | <input type="checkbox"/> Future direction | |

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| <input type="checkbox"/> Remuneration Report | <input type="checkbox"/> Sustainability/Environment | <input type="checkbox"/> Other |
| <input type="checkbox"/> My question is for the auditor | <input type="checkbox"/> Future direction | |

ANNUAL
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Company Store Locator IBC



Dick Smith is an iconic, trusted and well-known consumer electronics brand. It is renowned for its convenient store locations, range of leading brands, competitive prices, customer service and knowledgeable staff.



CHAIRMAN'S AND CEO'S LETTER



Phil Cave AM

Dear fellow shareholders

On behalf of the Board and the entire team at Dick Smith, we are proud to present our Annual Report for the 52 week period ('year') to 29 June 2014.

Dick Smith has delivered consistent growth in 2014 across all facets of the business. Underlying sales, store growth, online and category expansion have all exceeded our expectations. Our Company is well placed to deliver ongoing strong growth in 2015.



Nick Abboud

In this, our first year as an independently listed Company, we have enjoyed a number of highlights. These include:

- Our successful listing on the Australian Stock Exchange on 4 December 2013;
- Fulfilling our financial obligations outlined in the Prospectus;
- Launching two new store formats;
- A return to store growth with net 54 stores opened;
- Expanding our leading omni-channel capabilities; and
- Further developing growth opportunities.

The positive momentum experienced in 2014 will deliver strong profitable growth in 2015 and future years.

We exceeded our 2014 Prospectus forecasts in all key measures, despite challenging consumer trading conditions, particularly in the June quarter.

Pro-forma net profit after tax (NPAT) of \$42.1 million was 5.3% above the pro forma forecast contained in the Prospectus and \$35.4 million better than 2013. Pro forma adjusted sales grew 4.2%, with Australian like-for-like (LFL) sales growth of 0.8%. Sales growth improved in the second half to 9.5% on a pro forma adjusted basis, with Australia growing 13.6%. Pro forma earnings before interest, tax, depreciation and amortisation (EBITDA) of \$74.4 million exceeded the Prospectus forecast by 3.6% and was over three times more than 2013, testimony to the further development of the Company's strong culture of 'continuous improvement driving profitable growth'.

Dick Smith's key focus is providing consumers with what they want, when and how they want it and this contributed significantly to the improvement in our profit performance.

Instrumental to helping us achieve our 2014 results were:

- An extensive range of new products and categories, including fitness, post-paid mobile phones as well as an improved TV range;
- net 54 new stores, better pricing and an increase in store productivity;
- Improved trading terms and support from our suppliers;
- A world-class efficient distribution model; and
- The commitment and performance of our 3,500 team members.

Our strategy is to be the leading consumer electronics retailer in Australia and New Zealand, assisting our customers in achieving the most from technology at the right price. Profitable growth is integral in achieving our strategy. In 2014 we introduced two new formats catering to different and complementary consumer demographics, Electronics Powered by Dick Smith in David Jones and a new 'fashtronics' concept in Move. We opened net 54 stores, including 21 Dick Smith, 29 David Jones Electronics Powered by Dick Smith and 4 Move stores, with 377 stores at 29 June 2014 (Australia 316; New Zealand 61). Our store network complements our leading online offer, providing conveniently located and efficient Click & Collect and store fulfilment capabilities. This has driven 55% online sales growth, with recent online sales representing over 5% of retail sales. With up to 450 stores envisaged in Australia and New Zealand, we anticipate several years of strong store growth to come.

The Board declared a **fully franked dividend of 8cps**, representing 66% of the pro forma profit earned for the seven months from the date of completion of the Offer to 29 June 2014. This is consistent with the Board's intention to pay dividends of approximately 60% to 70% of the Company's annual after tax profit.

We are delighted to inform our shareholders that Dick Smith is the recipient of the 'Best New Employee Share Plan 2014' award, issued by Employee Ownership Australia and New Zealand.

Our new concept store, Move, has been nominated for three design awards. Considered one of the most innovative store concepts globally, Move is a finalist for 'Best New Retail Concept' at the World Retail Awards 2014, which will be judged in September, and was recently a finalist for two other awards: 'Retail Design', Australian Interior Design Awards and 'Retail Interior', IDEA Awards 2014.

We exceeded our 2014 Prospectus forecasts in all key measures, despite challenging consumer trading conditions, particularly in the June quarter.

The Board would like to thank the Managing Director and CEO and all staff for their contributions and commitment during this exciting year. The transition to a listed and highly profitable consumer electronics retailer has required a significant amount of dedication which has been appreciated by the Board.

The Board is delighted with Dick Smith's performance in 2014, achieving a five-fold increase in NPAT and believes the Company is well positioned for further strong growth.

We would also like to thank our suppliers and other stakeholders for their support and look forward to continuous growth in 2015.

We were pleased to recently announce the appointments, subsequent to year end, of two new Board members, Rob Murray and Michael Potts. Rob has extensive managerial, sales and marketing experience in fast moving consumer goods and will further enhance and add a strong complementary skill set to the existing Board. Michael, who is the Company's CFO, was also appointed to the Board and his expertise and skills, with more than 20 years in retail-related finance, is a welcome addition.

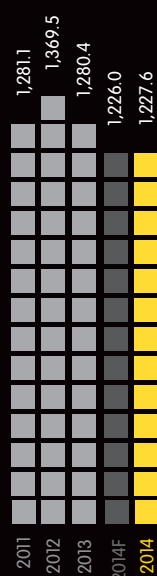
Fellow shareholders, your Board are extremely pleased with the operational performance achieved by our Company in 2014 and we are grateful to you for your continued support of Dick Smith. We are confident that our Company will enjoy another year of strong performance in 2015, facilitating appropriate reward for your loyalty and patience.

Phil Cave AM
Chairman

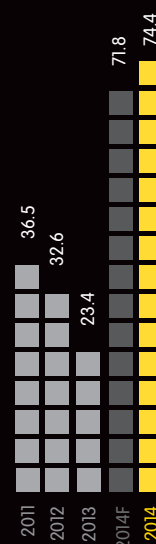
Nick Abboud
Managing Director and CEO

PRO FORMA FINANCIAL HIGHLIGHTS

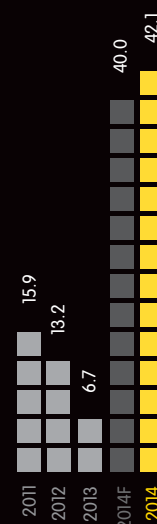
Sales \$m



EBITDA \$m



NPAT \$m



	2011	2012	2013	2014F	2014
Sales	1,281.1	1,369.5	1,280.4	1,226.0	1,227.6
GP	335.2	340.0	303.6	307.8	308.0
CODB	298.8	307.4	280.1	236.0	233.6
EBITDA	36.5	32.6	23.4	71.8	74.4
EBIT	23.9	20.1	10.9	58.7	61.6
NPAT	15.9	13.2	6.7	40.0	42.1

2014F reflects the pro forma forecast in the Prospectus dated 21 November 2013. Refer to page 29 for a reconciliation of statutory financial statements to pro forma results.

GROWTH

54 stores opened

TOTAL SALES¹
GREW

+4%

IN 2014

AUSTRALIAN
LFL SALES¹

+4%

IN Q4FY2014

2014 WAS
THE START
OF OUR
GROWTH
STRATEGY

NEW
store
formats

2

Online sales
grew 55% to

4.1%

of retail sales

Top 20 SKUs
sales grew

48%

Grew
computer sales
by over

25%

FUTURE GROWTH

Grow LFL Sales:

1-2%

455

New private
label products
by October
2014

Online sales
to grow to

10%

of retail sales in
3 years

Private label
share to grow to

15%

of sales in
3 years

Future STORE
GROWTH
by 2017

450

1. Pro forma adjusted sales.

IN THE COMMUNITY

**2013 READER'S
DIGEST MOST
ICONIC AND
TRUSTED
BRAND**

HIGHLY COMMENDED

**WINNER
BEST
EMPLOYEE
SHARE PLAN
2014**

EMPLOYEE OWNERSHIP AUSTRALIA
AND NEW ZEALAND

**FINALIST:
BEST NEW
RETAIL
CONCEPT**

Retail Awards 2014 which
will be judged in September
in Paris

**FINALIST:
RETAIL DESIGN**

Australian Interior Design
Awards

**FINALIST:
RETAIL INTERIOR**

IDEA Awards 2014



“One of the
most
innovative
store
concepts
globally”

REVIEW OF OPERATIONS SELLING

Dick Smith is Australasia's largest and most convenient consumer electronics store network, providing customers with three distinct formats and a comprehensive omni-channel platform. Its 377 stores in Australia and New Zealand (as at 29 June 2014) are designed to maximise convenience for our customers, whether they shop in-store, on the go or at home.

During the year, the Company significantly expanded its store network, adding net 54 new stores in locations optimising customer convenience. In addition to opening 21 Dick Smith stores, the Company acquired David Jones' electrical department and operates 29 Electronics Powered by Dick Smith stores within David Jones. The Company launched a new fashion-fused consumer electronics offer in Move, with four stores now open.

The Company intends opening approximately 20 additional stores across its network in 2015 and has identified opportunities to grow to 450 stores in Australia and New Zealand.

DICK SMITH

Dick Smith's flagship store network consists of 344 stores with 283 in Australia and 61 in New Zealand. Dick Smith stores have a broad appeal across the market, selling an extensive brand and product range, with a key focus on

computing, mobility products and accessories, as well as an entertainment offer.

Dick Smith has strong relationships with all of its suppliers. The Company has a number of strategic partnerships with suppliers, including Apple, Samsung, Sony and Vodafone. A feature of these partnerships is a dedicated store-in-store environment with custom built features in which suppliers often contribute to operating costs. Throughout Australia and New Zealand Apple has a dedicated selling space in 186 stores which includes a number of store-in-store environments. Samsung has 62 store-in-store areas and Vodafone presently has dedicated staff serving in 50 stores throughout Australia.

MOVE

Dick Smith launched Move in October 2013. A unique 'fashtronics' concept, Move combines consumer electronics with fashion.

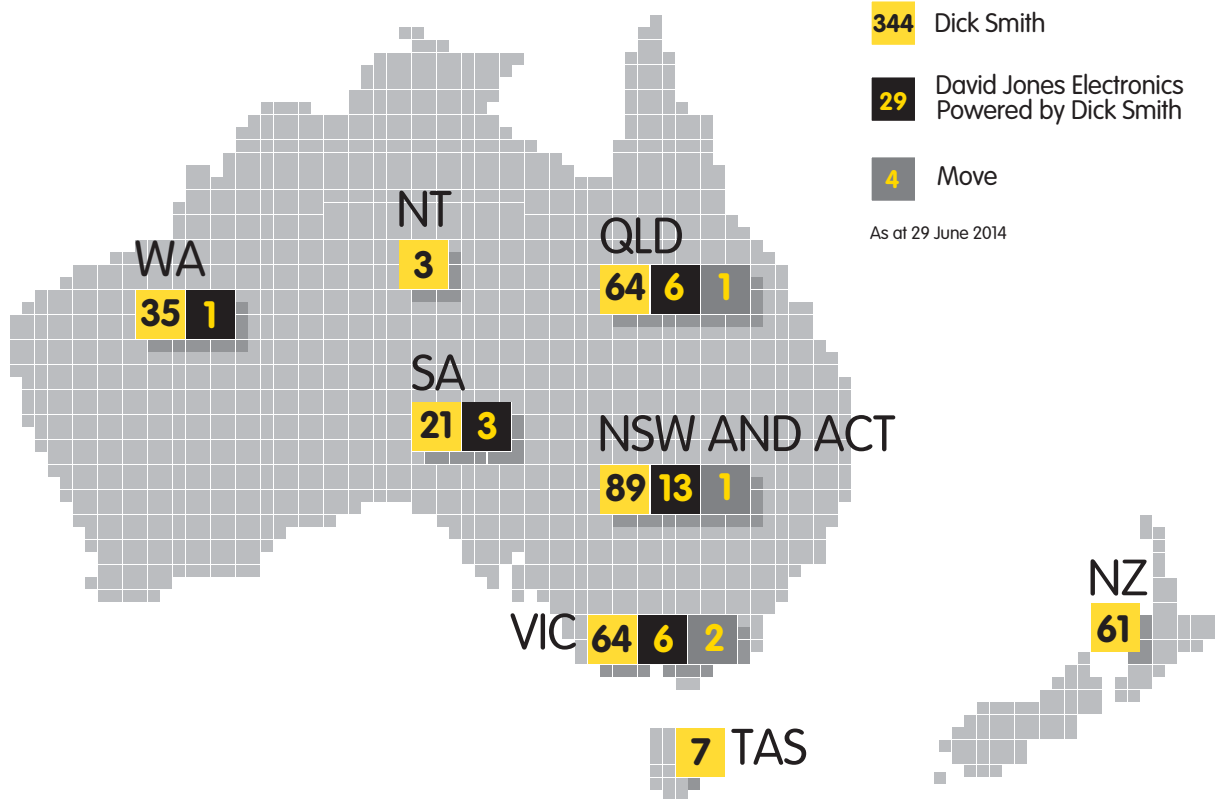
Move focuses on connectivity and offers customers an extensive range of computers, mobile phones and fashionable accessories, including handbags and clutches which can recharge your phone, bluetooth headsets and cameras. Move's range is frequently updated, providing customers with the latest in consumer electronics fashion accessories.

Considered one of the most innovative store concepts globally, Move has been nominated for the following awards:

- 'Best New Retail Concept', World Retail Awards 2014;
- 'Retail Design', Australian Interior Design Awards; and
- 'Retail Interior', IDEA Awards 2014.

The Company currently has four Move stores with plans to expand the network to up to 30 in the medium term.

Australasia's most comprehensive consumer electronics store network continues to grow



DAVID JONES ELECTRONICS POWERED BY DICK SMITH

Dick Smith operates the consumer electronics division of David Jones which presently consists of 29 stores and an online offering under the brand 'Electronics Powered by Dick Smith'.

The product range offered by David Jones Electronics Powered by Dick Smith is primarily mid to premium price aspirational consumer electronics products, with a focus on televisions, high-end audio, computers and mobility. Since commencing operations on 1 October 2013,

Dick Smith has increased the depth and breadth of products, introduced an extensive array of accessories and implemented Dick Smith's customer-focused staff training principles to improve the consumer experience and store performance.

OMNI-CHANNEL

Complementing Dick Smith's extensive store network is a comprehensive consumer electronics omni-channel platform. Consisting of Dick Smith transactional websites in Australia and New Zealand, the consumer electronics platform of David Jones (David Jones Electronics

Powered by Dick Smith), Ebay, Catch of the Day (Catch of the Day Powered by Dick Smith) and transactional apps available on Apple iOS and Android operating systems, the full range of Dick Smith products is available to consumers when it's most convenient to them.

All Dick Smith websites are content rich, allowing customers to extensively research products before they purchase.

Reflecting the strong customer convenience offer, online sales represented 4.1% of total retail sales in 2014 and over 5% in the second half. The omni-channel strategy

underpins the Company's expectation to grow online sales to approximately 10% of retail sales during the next three years.

All Dick Smith and David Jones Electronics Powered by Dick Smith stores have Click & Collect capability whereby consumers can buy online and pick up at a store conveniently located to them. Dick Smith's operating model for delivering product to our customers' homes is highly efficient and well managed, maximising online operating margins. At 29 June 2014, 57 of our stores were designated online fulfilment centres with store staff picking

and dispatching product for delivery to the customer, improving in-store sales efficiency. Employing local fulfilment minimises customer delivery time and cost, whilst ensuring maximum product availability. The Company anticipates all stores will be capable of online fulfilment in the medium-term.

Dick Smith continues to develop its Commercial operations, launching a gift card in May 2013, enhancing its corporate partner program in February 2014 and maintaining a strong trading platform.



REVIEW OF OPERATIONS BUYING

Dick Smith is recognised for its comprehensive range of merchandise in key categories: office (computers, tablets, laptops, inks), mobility (handsets, mobile phone plans) and accessories and for its entertainment offer (TVs, headphones and cameras). The Company is extremely pleased with the performance achieved in 2014 across the buying team with the ability to profitably sell product heavily influenced by the terms at which it is bought.

2014 highlights:

- Reinforced consumers' perception that Dick Smith is the place to go for value and competitive prices, achieved whilst improving trading margins;
- A significant increase in market share during the year in computers, including Apple and Windows notebooks;
- Strong growth in ultra-book computers, tablets and cameras;
- Launching new categories including fitness with Jawbone Up and Fitbit, and mobile post-paid plans with a full suite of Vodafone plans;
- Introducing brands such as Bose, Lifeproof, Sonos, Think Mobile, JVC and Zagg;
- Unveiled new products including Apple Macbooks, iPhone 5 and iPad Air, Samsung Galaxy Note 3 and S5, Ultra HD and curved TVs and Google Chromecast;
- A return to unit pricing growth in key products including computers, phones and TVs; and
- Move provided customers with access to a new world of wearable electronics from leading fashion designers Romance was Born, Dion Lee and Nicole Miller.

Wearable technology

In 2014 we saw the emergence of wearable technology such as smart watches and activity trackers. Smartwatches allow users to access and download apps, play songs and send and receive messages, through Bluetooth connections.

Dick Smith sells an extensive range of smart watches from Samsung, Sony and Pebble, and is the exclusive Australian and New Zealand retailer of the Pebble Smartwatch.

Dick Smith is a leader in the fitness category through brands like Jawbone Up, Fitbit and Misfit Shine.



With wearable technology likely to grow exponentially, Dick Smith is well placed to be the retailer of choice. Dick Smith branded products have long been an integral division of the business, representing 11.5% of sales in 2014. Brand extensions with Move and Tandy will facilitate 'good, better, best' ranging. New packaging, improved sourcing and over 600 additional products will drive further private label growth to approximately 15% of sales mix within three years.

Ethical sourcing of our private label product is critical to maintaining and enhancing consumers' trust in the Dick Smith brand. The Company's ethical sourcing policy program encompasses contractual requirements on labour rights, discrimination and environmental requirements, which are audited annually.

KEY BRANDS

Category	Products	Brands
Office	<ul style="list-style-type: none"> Computers/monitors Ultrabooks/laptops/notebooks Tablets Security products E-readers Related accessories and services 	Acer Apple Asus Belkin Canon Dick Smith HP Logitech Microsoft Samsung Sony Swann Toshiba Uniden
Mobility	<ul style="list-style-type: none"> Mobile handsets Pre- and post-paid mobile plans Satellite networks Related accessories and services 	Amazon Apple Garmin Huawei LG Nokia Pivotal Samsung Sony Vodafone Telstra Optus
Entertainment	<ul style="list-style-type: none"> Televisions Audio products Visual components Digital cameras Gaming and movies Related accessories and services 	Bang & Olufsen Beats by Dre Bose Dick Smith GoPro JVC LG Nikon Olympus Samsung





Phillip Cave AM
 Non-Executive Chairman
 B.Bus, FCPA
Member of the Remuneration Committee
 Age: 65

Phil was appointed Non-Executive Chairman of the Company on its formation and was Non-Executive Chairman of Dick Smith Sub-holdings Pty Limited from November 2012.

Phil is a Founding Partner and Chairman of Anchorage Capital Partners, a turnaround and special situations private equity firm. He is Chairman of the Bissalloy Steel Group Limited, and of the not-for-profit organisations Ability First Australia and Wesley Institute. Phil is also a Director of Acrow Formwork & Scaffolding Pty Limited, Total Eden Pty Limited and First Engineering Limited. His experience combines a mixture of operational management expertise across a wide variety of industries with an in-depth knowledge of finance and banking. This includes a track record of over 25 years of successful turnaround investments.

Prior to embarking on his turnaround investment career, Phil was an Executive Director of Macquarie Bank. Phil was appointed a Member of the Order of Australia in 2007 for service to the community, particularly through the provision of support services to children and young adults with disabilities, and to business as a company director.



Nicholas Abboud
 Managing Director and CEO
 Age: 44

Nick was appointed Managing Director and CEO of the Company on its formation and was Managing Director and CEO of Dick Smith Sub-holdings Pty Limited from November 2012.

Prior to his current role, Nick held various roles over a 19 year period with Myer. Most recently, Nick was Executive General Manager of National Store Operations leading a team of approximately 12,000 people.

Prior to this, Nick was Director of Retail Stores at Myer, managing the regional management team and the execution of the strategy. In these roles, his leadership and innovation were integral to the turnaround of Myer.

Nick has spent 25 years in retail and is a highly regarded senior executive within the Australian retail industry. He has extensive experience and a consistent track record of performance within retail operations and turnaround situations, and has strong analytical and strategic experience.



William Wavish
 Independent Non-Executive Director
 ACA (NZ) (RET)
Chair of the Finance and Audit Committee
 Age: 66

Bill was appointed as an Independent Non-Executive Director of the Company on its formation and was a Non-Executive Director of Dick Smith Sub-holdings Pty Limited from November 2012.

Bill is currently Chairman of Bendon Limited and has over 30 years of experience covering retail, property development, acquisitions, consulting, manufacturing and fast moving consumer goods. He has held a range of director positions and executive and senior management roles in companies operating in Australia, New Zealand and Hong Kong.

Bill is actively involved in charities and research as a Director of Australian Age of Dinosaurs Limited, Chairman of National Indigenous Culinary Institute and advisor to the Juvenile Diabetes Research Foundation. He is also actively involved in sports as Chairman of the New Zealand Warriors, shareholder in the Sydney Kings and Patron of the Trans-Tasman Business Circle – Sports Connect. He was previously Chairman and shareholder of the Newcastle Falcons Pty Ltd and Sydney Kings and Secretary of the Hong Kong Race Horse Owners Association Limited.



Lorna Raine
 Independent Non-Executive Director
 B.Comm (Hons) Acc., CA
Chair of the Remuneration Committee
Member of the Finance and Audit Committee
 Age: 44

Lorna was appointed as an Independent Non-Executive Director of the Company on its formation.

Lorna is a Senior Finance Executive at Fairfax Media Limited, with her most recent role as Operations Director of Australian Publishing Media Division. Prior to this, Lorna was Transformation Program Director and CFO Metro Media Division at Fairfax. She previously held senior management roles with Yum! Restaurants International (Australia) including General Manager Operations – KFC, KFC Market Manager (NSW), Chief Financial Officer and Strategic Planning Director.

Before relocating to Australia, Lorna was Chief Financial Officer for McDonald's South Africa where she was instrumental in the formulation and execution of the McDonald's Corporation strategic plan including the implementation of best practice in reporting and analysis through its period of rapid expansion.

BOARD OF DIRECTORS



Robert Ishak

Independent Non-Executive Director
B.Com(Acc) LL.M GAICD
Member of the Finance and Audit Committee
Member of the Remuneration Committee
Age: 37

Robert was appointed as an Independent Non-Executive Director of the Company on its formation.

Robert is Chairman, Principal and co-founder of international law firm William Roberts Lawyers. Robert's areas of practice are corporate and commercial law advice and litigation. He regularly acts for and advises some of Australia's largest corporate institutions.

Robert is responsible for key practice areas at William Roberts Lawyers which include directors' duties, management liability and banking and finance litigation. Robert has invested time in teaching final year law students at the University of Western Sydney in the areas of corporations law and commercial law.

Robert is a Notary Public and is admitted to the Supreme Court of New South Wales and the High Court of Australia.

Robert is on the NSW Starlight Star Ball Committee and has done pro-bono work for a number of charities



Robert Murray

Independent Non-Executive Director
BA Hons Economics,
MA Hons (Cantab)
Age: 51

Rob was appointed an Independent Non-Executive Director of the Company in August 2014.

Rob has extensive knowledge of fast moving consumer goods, sales and marketing. Rob served as Managing Director and CEO of Lion Limited and predecessor Lion Nathan Limited from October 2004 to October 2012 prior to which he was Chief Executive Officer of Nestle Oceania. Rob was a Non-Executive Director of Lion Nathan Limited from September 2002 to October 2004. Rob has been an Independent Non-Executive Director at Super Retail Group Limited since April 2013.

Rob is as an Independent Non-Executive Director of ASX listed Super Retail Group Limited, Lion Pty Limited, Linfox Pty Limited and the Kirin Limited International Advisory Board.



Michael Potts

Finance Director and CFO
B.Comm, CPA
Age: 47

Michael was appointed an Executive Director of the Company in August 2014.

Michael joined Dick Smith in September 2013 and is the Finance Director and CFO and was, prior to being appointed to the Board, the Company Secretary.

Michael previously served as the Chief Financial Officer and Company Secretary of Nick Scali Limited and has more than 20 years of experience in senior finance roles with major retail companies, including the Sussan Group, Bunnings and Myer.

Michael is responsible for the financial management of Dick Smith Holdings Limited.

Dick Smith has chosen to measure its governance practices against the ASX Recommendations defined in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd Edition). Although implementation of these Recommendations is not required until the financial year commencing 1 July 2014, the Company has elected to implement them with the financial year that commenced 1 July 2013.

RECOMMENDATIONS		Comply?	Reference
PRINCIPLE 1 – Lay solid foundations for management and oversight			
A listed entity should establish and disclose the respective roles and responsibilities of its board and management and how their performance is monitored and evaluated.			
1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	Yes	Page 16 See Board Charter at dicksmithholdings.com.au
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	Yes	Page 16
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Yes	Page 16
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	Yes	Page 16
1.5	A listed entity should: (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy or a summary of it; and (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either: (1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or (2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.	Yes	Page 16 See Diversity Policy at dicksmithholdings.com.au
1.6	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Yes	Page 17
1.7	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Yes	Page 17

RECOMMENDATIONS		Comply?	Reference
PRINCIPLE 2 – Structure the board to add value			
A listed entity should have a board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively.			
2.1	The board of a listed entity should: (a) have a nomination committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.	No, function conducted by Board	Page 17 See Board Charter at dicksmithholdings.com.au
2.2	A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	Yes	Page 18
2.3	A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 (generally relating to non-independent activity within the prior three years, a material contract or a substantial security holding) but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.	Yes	Page 18
2.4	A majority of the board of a listed entity should be independent directors.	Yes	Page 18
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	No	Page 18
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	Yes	Page 17
PRINCIPLE 3 – Act ethically and responsibly			
A listed entity should have a board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively.			
3.1	A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	Yes	Page 18 See Code of Conduct Policy at dicksmithholdings.com.au

RECOMMENDATIONS		Comply?	Reference
PRINCIPLE 4 – Safeguard integrity in corporate reporting			
A listed entity should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.			
4.1	The board of a listed entity should: (a) have an audit committee which: (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the board, and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	Yes	Page 18 See Finance and Audit Committee Charter at dicksmithholdings.com.au
4.2	The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	Yes	Page 19
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	Yes	Page 19
PRINCIPLE 5 – Make timely and balanced disclosure			
A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.			
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	Yes	Page 20 See Continuous Disclosure Policy at dicksmithholdings.com.au
PRINCIPLE 6 – Respect the rights of security holders			
A listed entity should respect the rights of its security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	Yes	Page 20
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	Yes	Page 20 See Shareholder Communications Policy at dicksmithholdings.com.au
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	Yes	Page 20 See Shareholder Communications Policy at dicksmithholdings.com.au
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Yes	Page 21

RECOMMENDATIONS		Comply?	Reference
PRINCIPLE 7 – Recognise and manage risk			
A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.			
7.1	The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	Yes	Page 21
7.2	The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place.	Yes	Page 21
7.3	A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	Yes	Page 22
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	Yes	Page 22
PRINCIPLE 8 – Remunerate fairly and responsibly			
A listed entity should pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for security holders.			
8.1	The board of a listed entity should: (a) have a remuneration committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	Yes	Page 22 See Remuneration Committee Charter at dicksmithholdings.com.au
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	Yes	Page 23 See Remuneration Committee Charter at dicksmithholdings.com.au
8.3	A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.	Yes	Page 23 See Securities Trading Policy at dicksmithholdings.com.au

PRINCIPLE 1:

LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

1.1 Roles and Responsibilities of the Board and Management

The Board has adopted a written Charter to provide a framework for the effective operation of the Board. The Charter outlines the Board composition, its role and responsibilities, relationship with management and delegation of authority to Board committees and management. The Charter may be viewed in full at the Investor Centre at dicksmithholdings.com.au under the heading 'Corporate Governance', with the key elements summarised below.

1. The Board has key responsibility for representing and serving the interests of shareholders. It achieves this by approving, assessing and appraising the strategies, procedures, policies and performance of the Company.
2. The Board recognises the integrity and performance of the Company is significantly determined by the culture of the Board and senior executives. The Board monitors the composition and effectiveness of Board members at least annually and is responsible for nominating and appointing the Chairman and Directors, including the Managing Director and CEO. The Board assesses the performance of and succession planning for senior executives through regular and appropriate contact throughout the year, including evaluations from the Managing Director and CEO.
3. The Board is responsible for reviewing and assessing the Company's risks and their management, including internal compliance and control, codes of conduct and compliance with the law and accounting standards to ensure appropriate compliance frameworks and controls are in place. Financial performance, including the operational and financial position of the Company, are regularly assessed against budgets approved by the Board.
4. Management of the Company is conducted by, or under the supervision of, the Managing Director and CEO as directed by the Board and senior executives as delegated by the Managing Director and CEO. Management provides the Board with information in a form, timeframe and quality that enables the Board to discharge its duties effectively. Directors are entitled to access management and to request additional information at any time they consider it appropriate. The Board collectively, and individual Directors, may seek independent professional advice at Dick Smith's expense, subject to the reasonable approval of the Chairman of the Board and the advice received is made available to the Board as a whole.

1.2(a) Background checks on Directors

As stated in the Board Charter, one of the responsibilities of the Board is identifying and assessing the necessary and desirable competencies and characteristics for Board membership. The process includes undertaking checks as to character, experience, education and bankruptcy

history. Such checks have been undertaken in relation to all current Board members, and will be undertaken prior to appointment or election of any new Board candidate.

1.2(b) Information to be given for election of Directors

The Board recognises the importance for investors in understanding the collective and individual skill sets the Board provides the Company. Board member biographies are available on the corporate website at dicksmithholdings.com.au/directors-and-management. Board members are required to submit themselves for re-election every three years or at the third annual general meeting following that Director's appointment, whichever is the longer.

The Company will provide sufficient information to shareholders so as to enable them to make an informed decision on the (re-)election of a Director. This information will be provided in the Notice of Meeting (and the Annual Report for current Directors) regarding candidate(s) standing for (re-)election as a Director, including a biography summarising their relevant qualifications, experience and skills, details of material directorships presently held, whether the candidate, if (re-)elected, is considered to be an Independent Director and a statement as to whether the Board supports their (re-)election, for candidates standing for re-election, the term presently served as a Director.

Additional information will be provided as required. For candidates standing for the first time, this will include details of interests, positions, associations or relationships which might materially influence their capacity to act in the best interests of the Company. For candidates standing for re-election, it will include the term of office currently served by the Director.

1.3 Written contracts of appointment

The Board recognises the benefits for Directors and senior executives to have clearly defined roles and responsibilities. Each Director and senior executive has been, and in accordance with the Company's appointment and remuneration policies, will be, appointed by way of formal written agreement setting out the terms of their appointment, including role, responsibilities and remuneration.

1.4 Company Secretary

Each Director is able to communicate directly with the Company Secretary and vice versa. The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

1.5 Diversity

Dick Smith is committed to ensuring equal opportunity employment based on merit, ability, performance and potential. The Company has established and implemented a diversity policy, designed to contribute to the achievement of its corporate objectives, including diversity of gender, age, ethnicity, cultural backgrounds and disability and to progressively developing measurable objectives.

The diversity policy is overseen by the Board, and includes a requirement for the Company to establish measurable objectives for achieving gender diversity within the organisation, with management to report to the Board annually on progress against the objectives established. Formal measurable objectives for the next three years will be updated by the Board before the anniversary of listing.

As at the date of listing and balance date the percentage of women at each of the following levels within Dick Smith was:

Level	December 2013	June 2014
Board (including Managing Director and CEO)	20%	20%
Executive Leadership Team (direct reports to Managing Director and CEO)	8%	11%
Senior Management (second level below Managing Director and CEO)	23%	22%
All employees	27%	27%

The Diversity Policy states that Dick Smith is committed to achieving the goals of:

- providing access to equal opportunities at work based on merit; and
- fostering a corporate culture that embraces and values diversity.

The Company is committed to increasing diversity in the workplace and to increase the participation of women in the Company in order to broaden the talent pipeline where future leaders can be drawn.

Actions taken to date comprise:

- the development of systems for monthly gender diversity reporting;
- a review of personnel policies and processes to ensure they are inclusive and do not operate in a manner contrary to the Diversity Policy;
- organising events to highlight workplace diversity, such as support office participation in “A Taste of Harmony” to celebrate diversity held in March 2014 to raise awareness of diversity of cultures in the workplace; and
- implemented a new communication platform to assist with learning and communication.

Dick Smith’s “Gender Equality Indicators” assessed by the Workplace Gender Equality Agency may be viewed at the Investor Centre at dicksmithholdings.com.au under the heading ‘Corporate Governance’.

The Diversity Policy may be viewed at the Investor Centre at dicksmithholdings.com.au under the heading ‘Corporate Governance’.

1.6, 2.6 Board reviews, induction and professional development

The Board acknowledges the benefits of evaluating its performance on an individual and collective basis and has implemented a process for self and peer evaluation at least annually. The evaluation includes a detailed questionnaire covering key Board functions including the appropriateness of Company and Board objectives and performance covering such topics as corporate governance, Company strategies, risk and its relationship with key stakeholders. The Board intends supplementing its self-evaluation process with an external review on an appropriate basis, anticipated to be not more than every three years.

A performance evaluation was completed by the Board in 2014, with the Chairman’s evaluation undertaken by the Independent Directors. The evaluation indicates the Board’s performance is appropriate and efficient with respect to the Board Charter.

The Board regularly reviews its skill base and whether it remains appropriate for the Company’s operational, legal and financial requirements. New Directors are obliged to participate in the Company’s induction process, which provides a comprehensive understanding of the Company, its objectives and the broader market in which the Company operates.

Directors are encouraged to avail themselves of resources required to fulfil the performance of their duties.

1.7 Management reviews

The Company develops senior executive performance plans annually and undertakes formal reviews of its senior executives on a semi-annual basis, with informal reviews conducted as and when required. These reviews are conducted by the Managing Director and CEO and the Board in the case of the Managing Director and CEO and were conducted bi-annually in 2014. The reviews assess the performance of the senior executive against their performance plan, which encompasses key performance and key behavioural indicators, including profit performance, the Company’s strategic objectives and personal objectives.

PRINCIPLE 2:

STRUCTURE THE BOARD TO ADD VALUE

2.1 Nomination Committee

Reflecting the size and composition of the Board and the Company, the Board has elected to retain responsibility for the functions that would have otherwise been delegated to a separate Nomination Committee. These functions include Board renewal, succession planning, induction and evaluation. As such the Board believes a separate committee is not required. These functions are incorporated in the Board Charter, which is available at the Dick Smith Investor Centre at dicksmithholdings.com.au under the heading ‘Corporate Governance’.

The Board Charter contains details of the Director selection and appointment procedures, which sets out the processes the Company employs to address Board succession issues and to ensure that the Board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

2.2, 2.3 Board skills

The Directors have been selected for their extensive relevant experience and expertise. They bring to the Board a variety of skills and experience, including industry and business knowledge, financial management, accounting, legal, operational and corporate governance experience.

The Board has considered and is satisfied that the composition of the Board reflects an appropriate range of skills and experience for the Company as at the date of this report.

The experience and expertise of each of the Directors, and their length of service, as at the date of this report is set out in the Directors' Report.

2.3, 2.4, 2.5 Director Independence

The Board is comprised of a majority of Independent Directors. The Board consists of 7 Directors, 4 of whom are considered to be independent, having regard to the factors relevant to assessing independence set out in Recommendation 2.3 of the ASX Recommendations. This recommendation states that an Independent Director should not have any material interest or association in the last three years with any entity that may interfere with the Director's capacity to convey an independent judgement on issues before the Board and to act in the best interests of shareholders.

The Board considers that each of William (Bill) Wavish, Lorna Raine, Robert Ishak and Robert (Rob) Murray is an Independent Director, free from any business or any other relationship that could materially interfere with, or reasonably be perceived to interfere with the independent exercise of the Directors' judgement and each is able to fulfil the role of an Independent Director for the purposes of the ASX Recommendations.

As at the date of this report, Phil Cave, Nick Abboud and Michael Potts are considered by the Board not to be independent. Phil Cave is not considered to be independent given his position as Chairman of Anchorage, the holder of 20% of the Shares in the Company as at the date of this report. Nick Abboud as the Managing Director and CEO and Michael Potts as an Executive Director and CFO of the Company are not independent.

The Board acknowledges the ASX Recommendation that the Chair should be an Independent Director. However, as at the date of this report, the Board believes that compliance is not in the best interests of the Company, particularly since the Board is confident that Phil Cave brings objective judgement to the Board's deliberations and that Phil makes invaluable contributions to Dick Smith through his deep understanding of Dick Smith's business.

The roles of Chairman and CEO are exercised by different individuals, being Phil Cave and Nick Abboud, respectively.

PRINCIPLE 3:

ACT ETHICALLY AND RESPONSIBLY

3.1 Code of Conduct

The Board recognises the need to observe the highest standards of corporate practice and business conduct. Accordingly, the Board has adopted a formal Code of Conduct to be followed by all employees and officers. The Code of Conduct sets out Dick Smith's policies on various matters including ethical conduct, business conduct, compliance, privacy, security of information, integrity, and conflicts of interest and is available at the Investor Centre at dicksmithholdings.com.au under the heading 'Corporate Governance'.

The key aspects of this code are to:

- act with honesty, integrity and fairness and in the best interests of Dick Smith and within the reasonable expectations of shareholders;
- act in accordance with all applicable laws, regulations, policies and procedures;
- have responsibility and accountability for individuals for reporting and investigating reports of unethical practices; and
- use Dick Smith's resources and property properly.

All employees are required, upon induction, to understand and acknowledge the Code of Conduct via an electronic sign off. Employees are also asked to declare and provide details regarding any conflicts of interest.

Staff performance in key functional areas is measured through dashboard results across a key set of business imperatives to ensure compliance with expected business conduct, as outlined in the Code of Conduct.

The Company has adopted a Whistleblower Policy which is available at the Investor Centre at dicksmithholdings.com.au under the heading 'Corporate Governance'.

PRINCIPLE 4:

SAFEGUARD INTEGRITY IN CORPORATE REPORTING

4.1 Finance and Audit Committee

The Board has established the Finance and Audit Committee, the primary purposes of which are to assist the Board in carrying out its accounting, auditing and financial reporting responsibilities and obligations.

Under its Charter, this committee must have at least three members, a majority of whom must be independent and all of whom must be Non-Executive Directors. Also, all members of this committee must be financially literate and have familiarity with financial and accounting matters, with at least one member a qualified accountant or other financial professional with appropriate expertise of financial and accounting matters.

The current members of this committee are Bill Wavish, Lorna Raine and Robert Ishak, each of whom is a Non-Executive Director considered by the Board to be independent. Each committee member is financially literate and Bill Wavish and Lorna Raine are both qualified accountants. The Chairman of the Finance and Audit Committee is Bill Wavish who is not the chair of the Board.

Set out below is a table showing Finance and Audit Committee membership, qualifications and attendance at meetings during the reporting period:

Member	Qualifications	Meetings eligible to attend during 2014 while in office	Meetings attended during 2014 financial year
Bill Wavish, Chairman	ACA (NZ) (RET)	2	2
Lorna Raine	B.Comm (Hons) Acc., CA	2	2
Robert Ishak	B.Com(Acc) LLM GAICD Notary Public	2	2

Note: Each member of the Finance and Audit Committee was appointed to that committee on 25 October 2013. Bill Wavish has been Chairman of the committee since his appointment to it.

The role of the Finance and Audit Committee include ensuring the integrity, adequacy, completeness and timeliness of the Company's financial and disclosure regime, including:

- financial reporting to key stakeholders such as ASIC, the ASX and shareholders;
- financial reporting risks;
- the Company's accounting policies, practices and disclosures; and
- the scope and outcome of external audits.

The Committee is responsible for assessing any significant estimates or judgements in Dick Smith's financial reports, reviewing all half yearly and annual reports with management, advisers, and the external auditors (as appropriate) and recommending the applicable accounts' adoption by the Board, overseeing the establishment and implementation of risk management and internal compliance and control systems and ensuring that there is a mechanism for assessing the ongoing efficacy of those systems, approving the terms of engagement with the external auditor at the beginning of each financial year, approving policies and procedures for appointing or removing an external auditor and for external audit engagement partner rotation and meeting periodically with the external auditor and inviting them to attend committee meetings to assist the committee to discharge its obligations.

Under the Charter of the Finance and Audit Committee, it is the Company's policy that its external auditing firm must be independent of it. The committee reviews and assesses the independence of the external auditor on an annual basis. In the Committee's opinion, the external auditing firm is considered independent and has received a declaration from the auditors that they have not received fees for services other than the external audit and Initial Public Offering (IPO) of equal or greater value than the audit fees.

The Charter of the Finance and Audit Committee may be viewed at the Investor Centre at dicksmithholdings.com.au under the heading 'Corporate Governance'.

4.2 Managing Director and CEO and Finance Director and CFO certification of financial statements

Prior to approving the Company's financial statements for the 2014 reporting period, the Board received from each of the Managing Director and CEO and the Finance Director and CFO a written declaration under section 295A of the *Corporations Act 2001* (Cth) that, in their opinion, the financial records of the Company have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company (see the Directors' Report on page 26).

The Managing Director and CEO and the Finance Director and CFO have each given a written assurance to the Board that the opinion forming the basis for the declaration made by each of them and referred to above, was formed on the basis of a sound system of risk management and internal control which is operating effectively.

4.3 External auditor available at AGM

The Company's external auditor will be represented at the AGM by a suitably qualified member of the audit team who is in a position to answer questions about the audit.

Shareholders are entitled, and encouraged, to submit a written question to the auditor that is relevant to the content of the auditor's report or the conduct of the audit. They may submit questions online at linkmarketservices.com.au by 8 October 2014.

The Chairman is required to, and will, allow a reasonable opportunity for the shareholders as a whole at the AGM to ask the auditor's representative questions relevant to the conduct of the audit, the preparation and content of the auditor's report, the accounting policies adopted by the Company in relation to the preparation of the financial statements, and the independence of the auditor in relation to the conduct of the audit. Shareholders are encouraged to take advantage of this opportunity.

PRINCIPLE 5:

MAKE TIMELY AND BALANCED DISCLOSURE

5.1 Disclosure Policy

The Company is committed to observing its disclosure obligations under the Listing Rules and the *Corporations Act 2001* (Cth). Subject to the exceptions contained in the Listing Rules, the Company is required to disclose to the ASX any information concerning the Company that is not generally available and which a reasonable person would expect to have a material effect on the price or value of the shares.

The Company has established a continuous disclosure policy which establishes processes and procedures designed to ensure compliance with, and Board and senior executive responsibilities and accountabilities for, its continuous disclosure obligations under the Listing Rules and the *Corporations Act 2001* (Cth). The aim of the policy is to ensure all investors have equal and timely access to material information concerning the Company.

Under the continuous disclosure policy, the Managing Director and CEO has been authorised by the Board to have responsibility for compliance with continuous disclosure requirements, including delegation of that responsibility. The Board maintains overriding authority in relation to continuous disclosure and, in relation to major matters, the Board must consider and approve any announcement to be made to the ASX by the Company.

The Company Secretary is the appointed 'Disclosure Officer' under the Continuous Disclosure Policy, whose role includes being the primary point of contact between the Company and the ASX, and ensuring officers and employees of the Company are aware of and adequately understand the Company's continuous disclosure obligations, their responsibilities in relation to those obligations and to protect the confidentiality of information.

Under the continuous disclosure policy, if an employee or officer of the Company becomes aware of any information at any time that should be considered for release to the market, it must be reported immediately to the Disclosure Officer or the Managing Director and CEO.

The Continuous Disclosure Policy may be viewed at the Investor Centre at dicksmithholdings.com.au under the heading 'Corporate Governance'.

Announcements pursuant to the requirements for continuous disclosure are made available at the Investor Centre on the Company's website at dicksmithholdings.com.au under the heading 'ASX Announcements'.

PRINCIPLE 6:

RESPECT THE RIGHTS OF SECURITY HOLDERS

6.1 Information on website

The Board's aim is to ensure that shareholders are provided with sufficient information to assess the performance of Dick Smith and are informed of all major developments affecting the affairs of the Company in accordance with all applicable laws.

The Company has a website, dicksmithholdings.com.au, within which there is a 'Corporate Governance' section where all relevant corporate governance information can be accessed, via the Investor Centre. The information available on the website includes the Company's Shareholder Communications Policy, which supports the Company's commitment to effective communication with shareholders and encourages participation by shareholders at general meetings, among other things.

The Company's website also contains other information about the Company, including:

- the Board and senior management team;
- key Policies and the Charters of the Board and its committees;
- ASX announcements;
- annual reports, financial statements;
- notices of meetings and accompanying documents; and
- media releases.

6.2 Investor relations program

The Company is committed to facilitating effective two-way communication with investors, with the aim of allowing shareholders and other financial market participants to gain a greater understanding of the Company's business, governance, financial performance and prospects. The Company welcomes and encourages shareholder participation at the AGM, results briefings, and shareholder and investor enquiries. Matters of concern or interest raised in this way will be regularly communicated to the Board.

The Company's Shareholder Communications Policy may be viewed at the Investor Centre at dicksmithholdings.com.au under the heading 'Corporate Governance'.

6.3 Facilitating participation at meetings of security holders

The Company views the AGM as an important forum for two-way communication between the Company and its shareholders. The AGM is an opportunity for shareholders to hear from and put questions to the Board, management and the external auditor. In order to maximise Shareholder participation at the AGM, the Company will host a webcast to communicate its financial and operational overview for 2014 and its expectations for 2015.

Shareholders who are unable to attend the AGM to exercise their right to ask questions about, or make comments on, the management of the Company, are encouraged to provide questions or comments ahead of the AGM. Such questions or comments can be received at linkmarketservices.com.au or by mail prior to 8 October 2014 and will, where appropriate, be answered or responded to at the AGM, either verbally or in writing.

The Company's Shareholder Communications Policy may be viewed at the Investor Centre at dicksmithholdings.com.au under the heading 'Corporate Governance'.

6.4 Facilitating electronic communications

The Company provides shareholders with the option to receive communications from, and send communications to, the Company and the Share Registry electronically, for reasons of speed, convenience, cost and environmental considerations.

Annual reports are provided electronically via the Investor Centre section of the Company's website, under the 'Reports and Results' section, unless a Shareholder elects to receive a printed copy.

Announcements made by the Company to the ASX are made available on the Investor Centre section of the Company's website, under the ASX Announcements section and on the ASX website.

Shareholders are able to access information relevant to their holding via the Share Registry website linkmarketservices.com.au.

The Company's Shareholder Communications Policy may be viewed at the Investor Centre at dicksmithholdings.com.au under the heading 'Corporate Governance'.

PRINCIPLE 7:

RECOGNISE AND MANAGE RISK

7.1 Risk Management framework

The Company views effective risk management as key to achieving and maintaining its operational and strategic objectives. The identification and management of Dick Smith's risks are an important priority of the Board.

The Company's risk management is assessed and managed by the Finance and Audit Committee and governed by the Finance and Audit Committee Charter, which may be viewed at the Investor Centre at dicksmithholdings.com.au under the heading 'Corporate Governance'. The Board considers the oversight and approval of risk management strategies and procedures by the Finance and Audit Committee is appropriate for Dick Smith's business at this time.

Dick Smith has in place a system whereby management is responsible for active identification of risks and implementation of mitigation measures, and may be required to report as to its adherence to policies and guidelines approved by the Board for the management of risks.

Management regularly monitors and evaluates the effectiveness of its risk management processes and plans, and the performance of employees implementing them, as well as promotes and monitors the culture of risk management within the Group and compliance with internal risk systems and processes by employees.

Management reports regularly on risk management to the Board and the Finance and Audit Committee, identifying the Group's material risks and the extent to which the Company's ongoing risk management program effectively identifies, manages, tests and addresses risk management issues.

The Company's risk management framework encompasses all facets of the business, including governance, integrity, stores, human resources, financial information and compliance.

Material business risks identified include:

- management reporting and control systems;
- financial and operational risk management control;
- business continuity;
- adequacy of insurance;
- asset protection;
- fraud and malfeasance;
- corporate governance, compliance and legal;
- work health and safety;
- financial processes and internal controls;
- solvency;
- competition and consumer laws;
- information technology;
- supply chain/operations/warehouse;
- customer relations/reputational; and
- sustainability/environment/community.

The risk management process comprises the likely impact of these risks through risk assessment, primarily risk identification, analysis and treatment, monitoring and review.

7.2 Annual risk review

Dick Smith regularly reviews its risk management procedures to ensure that it complies with its legal obligations. The purpose of the review is to assist the Managing Director and CEO and Finance Director and CFO in providing declarations required under section 295A of the *Corporations Act 2001* (Cth). The review encompasses financial, legal, regulatory, workplace health and safety and personnel risks.

A review of the Company's risk management framework has been conducted by the Finance and Audit Committee. No significant changes to the framework or policy were identified.

7.3 Internal audit

The Company does not have a separate internal audit function. The Board believes that specific responsibilities for risk management are clearly communicated, understood and managed by it, the Finance and Audit Committee and management, as appropriate.

The reporting obligations of management ensure that the Board and the Finance and Audit Committee are regularly informed of material risk management issues and actions. This is supplemented by the Finance and Audit Committee:

- receiving reports from management concerning the Group’s material risks in order to assess the internal processes for determining, monitoring and managing these risks and to monitor the risk profile for the Group; and
- reviewing management’s processes for ensuring and monitoring compliance with all laws, regulations and other requirements relating to the external reporting of financial and non-financial information.

7.4 Economic, environmental and social sustainability risks

The Company is exposed to a number of macro risks, including economic, environmental and sustainability risks.

Economic risks include impacts to consumers’ willingness to spend, including on discretionary retail and consumer electronics in particular. The Company mitigates this risk through constant monitoring of the macro-economic environment and adjusting its buying, marketing and selling activity accordingly. The Company experienced a challenging Australian and New Zealand retail environment in 2014, with lower consumer sentiment impacting overall retail demand. The Company was able to mitigate this impact through robust selling activity, undertaken in conjunction with its suppliers.

Exchange rate volatility can impact the Company’s ability to grow margins, particularly with respect to its Private Label offering. The Board has implemented a hedging policy of hedging up to 100% of the Company’s transactional exchange rate exposure up to three months forward and between 30% and 70% between three to six months forward. The Board believes this mitigates the Company’s exchange rate volatility risk to an economically acceptable level.

Environmental risks include impacts on the Company’s supply chain, from suppliers through to stores. These risks can be reputational and regulatory, as well as financial. The Board assesses its primary exposure to be in the production of the Company’s private label product. The Company has developed a detailed ethical sourcing policy, in which the Company is committed to upholding human rights, fair working conditions and environmental protection.

The Company, throughout its supply chain, operates responsibly within the community and expects the same from its suppliers. Our suppliers must commit to complying with the following requirements, many of which are drawn from the Ethical Trading Initiative and International Labour Organisation Conventions. These requirements represent minimum standards the Company will accept, based on the principles of the United Nations Universal Declaration of Human Rights.

The Company conducts audits of all private label suppliers, at least annually. These audits cover requirements incorporating bribery and corruption, labour rights, freedom of association, working conditions, child labour, living wage, working hours, discrimination, harsh and inhumane treatment, entitlement to work and environmental compliance. Non-compliant suppliers are encouraged to adjust their practices to conform, within a required timeframe, with non-compliance subject to further action including supply termination.

The Company endeavours to reduce the use of packaging in all products and actively encourages its suppliers to minimise primary and secondary packaging where appropriate.

The Board is not aware of any material environmental non-compliance at the date of this report.

Sustainability risks include workplace health and safety, as well as personnel management and corporate conduct. The Company has an extensive workplace health and safety policy, incorporating the early identification and correction of potential risks, both in-store and at the support office. The Board is informed of all incidents and material potential risks at each Board meeting and the appropriate action taken.

The Remuneration Committee is responsible for managing personnel risk. Refer to Sections 2 and 8 of the Corporate Governance section.

Corporate conduct risk could impact regulatory, reputational and financial performance. It includes stock loss and theft. The Company has a dedicated loss prevention team to monitor and regularly assess store related risks. The Company undertakes regular inventory counts and analysis of store performance to reduce the risk of material loss.

PRINCIPLE 8:

REMUNERATE FAIRLY AND RESPONSIBLY

8.1 Remuneration Committee

The Board has established a Remuneration Committee, the primary purpose of which is to assist the Board to fairly and responsibly remunerate Directors and senior executives, evaluate the performance of Directors and senior executives and attract and retain suitable candidates for senior positions within the business.

Under its Charter, the Remuneration Committee must have at least three members, a majority of whom (including the Chair) must be Independent Directors and all of whom must be Non-Executive Directors.

The Remuneration Committee is currently comprised of three Non-Executive Directors, being Phil Cave, Lorna Raine and Robert Ishak. Lorna Raine and Robert Ishak are considered by the Board to be Independent Directors. The Chair of the Remuneration Committee is Lorna Raine.

Set out below is a table showing Remuneration Committee membership, qualifications and attendance at meetings during the reporting period:

Member	Qualifications	Meetings eligible to attend during 2014 while in office	Meetings attended during 2014 financial year
Lorna Raine, Chair	B.Comm (Hons) Acc., CA	1	1
Phillip Cave AM	B.Bus, FCPA	1	1
Robert Ishak	B.Com(Acc) LLM GAICD Notary Public	1	1

Note: Each member of the Remuneration Committee was appointed to that committee on 25 October 2013. Lorna Raine has been Chair of the committee since her appointment to it.

The primary role of the Remuneration Committee is to assist the Board in discharging its responsibilities to shareholders and other stakeholders by ensuring the Company:

- has coherent remuneration policies and practices which enable Dick Smith to attract and retain Directors and senior executives who will create value for shareholders, through appropriate short and long-term incentives schemes;
- fairly and responsibly remunerates Directors and senior executives, having regard to the performance of Dick Smith, the performance of the executives and the general remuneration environment, irrespective of gender;
- has policies to evaluate the performance of the Board, individual Directors and executives on (at least) an annual basis;
- has effective policies and procedures to attract, motivate and retain appropriately skilled and diverse persons to meet Dick Smith's needs; and
- will integrate human capital and organisational issues into the overall business strategy.

The Charter of the Remuneration Committee may be viewed at the Investor Centre at dicksmithholdings.com.au under the heading 'Corporate Governance'.

8.2 Remuneration Policy

Details of the Company's remuneration policies and practices are included in the 'Remuneration Report' within this Annual Report.

Details of compensation for Non-Executive Directors and Executive Directors and senior management are also separately disclosed within the 'Remuneration Report'. The structure of remuneration for Non-Executive Directors is clearly distinguished from that of Executive Directors and senior executives, including in relation to termination entitlements of the Managing Director and CEO and senior management.

The Company does not currently have in place any schemes for retirement benefits for Non-Executive Directors, other than the compulsory superannuation guarantee levy.

8.3 Policy on hedging equity incentive schemes

Under the Company's Securities Trading Policy, employees are prohibited from entering into transactions or arrangements which could have the effect of limiting their exposure to risk relating to an element of their remuneration that has not yet vested.

Further, all employees are prohibited from entering into margin loan arrangements to fund the acquisition of any of the Company's securities or from entering into arrangements whereby their securities in the Company are used as collateral. Breaches of this policy are considered serious and may lead to disciplinary action, up to and including dismissal.

The Securities Trading Policy may be viewed at the Investor Centre at dicksmithholdings.com.au under the heading 'Corporate Governance'.

Being a good corporate citizen is more than just achieving financial targets.

Being a good corporate citizen is more than just achieving financial targets. The Board believes it encompasses social, ethical and environmental responsibilities and this forms an integral component of Dick Smith's DNA.

Safety and Wellbeing

Dick Smith is highly dedicated to ensuring its employees' safety and wellbeing. It is a key performance measure across our business and integral in performance assessments in our stores, warehouse and support office.

The Company is pleased to have been recognised by QBE for its Excellence in Safety Prevention and Injury Management in reducing workers' compensation claim costs.

In 2014, the Company achieved a lost time incident frequency rate (LTIFR) of 2.67 per one million hours worked. This compares favourably to the broader retail trade, as measured from Safe Work Australia data, of 4.4 per one million hours worked.

The ongoing reduction in injuries is driven throughout the Company by a focus on safety through implementation of performance measures as part of operational performance dashboards.

The introduction of a call centre based safety event reporting system allows immediate injury and potential injury notification to relevant managers. This provides an opportunity for early intervention, engagement with treating physicians and the identification of suitable duties, so as to allow the employee to return to work in a safe and timely manner.

Employee ownership

Dick Smith recognises the contribution its employees provide to the profitability of the business. As a result, Dick Smith was delighted to offer Australian and New Zealand eligible employees at the time of the Initial Public Offering 300 shares as an incentive for their dedication and enthusiasm. This initiative was recognised by Employee Ownership Australia and New Zealand, with Dick Smith awarded 'Best New Employee Share Plan 2014'.

We are pleased that 1,157 employees own 10% of the Company, as at the date of this report.

Ethical sourcing

Dick Smith acknowledges being a good corporate citizen extends to those significantly reliant on it, particularly suppliers of private label product.

The Board has developed a detailed ethical sourcing policy in which the Company is committed to upholding human rights, fair working conditions and environmental protection.

The Company, throughout its supply chain, operates responsibly within the community and expects the same from its suppliers. Our suppliers must commit to complying with a number of requirements, many of which are drawn from the Ethical Trading Initiative and International Labour Organisation Conventions. These requirements represent minimum standards the Company will accept, based on the principles of the United Nations Universal Declaration of Human Rights.

The Company conducts audits of all private label suppliers at least annually. These audits cover requirements incorporating bribery and corruption, labour rights, freedom of association, working conditions, child labour, living wage, working hours, discrimination, harsh and inhumane treatment, entitlement to work and environmental compliance. Non-compliant suppliers are encouraged to adjust their practices to conform within a required timeframe, with non-compliance subject to further action including supply termination.

The policy encompasses all suppliers and vendors wishing to trade with the Company. Our sourcing team conducts regular factory and manufacturing inspections to ensure compliance with our policy and has a rigorous program with Pro QC to provide quality assurance checks on our products across the range. This function is headed up by our Hong Kong Sourcing Office and overseen by a senior member of our management team based in Australia.

Sustainability

Dick Smith promotes sustainable environmental practices throughout our stores and supply chain. The Company's Code of Conduct, available at the Company's website in the Investor Centre at dicksmithholdings.com.au, requires all employees to conduct business in an environmentally responsible manner and report any actions that are not environmentally responsible. As part of its sustainable environmental practices, the Company has implemented the following initiatives:

- Mobile Muster is an initiative of the Australian Mobile Telecommunications Association introduced to facilitate mobile phone recycling. Dick Smith utilises this initiative in all stores to enable customers to take advantage of the postage-paid envelopes to return used mobile phones as they update to new models.
- Cartridges 4 Planet Ark recycling bins are used throughout the support office and in all stores.
- Product Efficiency labels: Minimum Energy Performance Standards require retailers to ensure that products for sale in Australia and New Zealand have energy efficiency labels. Dick Smith ensures this labelling is prominent on relevant products to assist customers making purchases regarding energy efficiency.
- Store recycling: stores utilise paper and cardboard recycling bins where possible.
- E-waste: *The Product Stewardship Act 2011* provides the framework to effectively manage the environmental, health and safety impacts of electronic products, primarily televisions and computers, and in particular those impacts associated with the disposal of products. Dick Smith supports and promotes the sustainable recycling of televisions and computers.
- Store Design: Dick Smith utilises LED Lighting in all stores for both our general and showcase requirements. Most joinery units use recycled materials and 80% of our fixtures can be and are recycled.

CORPORATE AND SOCIAL RESPONSIBILITY

Social involvement

Dick Smith is passionate about supporting the local community and building strong relationships in the communities in which we are a part. In 2014, Dick Smith has committed to donate more than \$1,000,000 to communities throughout Australia and New Zealand.

Ability First Australia is one of Australia's largest not-for-profit charities. It represents the national interests of some of Australia's oldest and most trusted disability service providers.

In 2014, Dick Smith supported Ability First Australia through donating management time, with the Chairman also the Chair of Ability First Australia. Dick Smith also sponsors the Dick Smith **Walk with Me Event**. Walks are non-competitive and are all about encouraging participation from people of all ages and ability levels. The Company also hosted a Gala Dinner for more than 600 guests which raised \$250,000 for Ability First Australia.

Variety Australia nationally provides more than \$1.2 million each month in assistance for children who are sick, disadvantaged or have special needs. Dick Smith is proud to be the naming rights sponsor for the Variety NSW Dick Smith Bash. In 2013, approximately 100 Bash cars made their way from the Dick Smith Support Office in Chullora, near Bankstown, to Ballarat. In 2014, the Variety NSW Dick Smith Bash will travel from Brisbane to Busby's Bore (Sydney) with senior executives taking part.

In 2014, Dick Smith allocated funds to each regional team to support **local community groups**. The key objective of our local community sponsorships is to develop strong relationships through community engagement and ensure we are being socially responsible and giving back to our local neighbourhoods. Through this program, Dick Smith has donated to hundreds of community appeals.

Computers in Homes – New Zealand has a vision to help all New Zealanders benefit from the opportunities of the new digital era. Dick Smith supports Computers in Homes by replacing the suite of laptops that are onboard the award-winning DORA bus. Dick Smith presented Computers in Homes with \$10,000 to commence digital literacy programs across schools on the waiting list. In addition to this, Dick Smith has provided the Computers in Homes head office with new computer equipment to allow the regional coordinators to better support their local community groups.



DIRECTORS' REPORT

Your Directors submit their report of Dick Smith Holdings Limited (Dick Smith or the Company) and its entities for the 52 week period ('year') ended 29 June 2014.

DIRECTORS

The following Directors held office during the period from the date of incorporation of the Company, 25 October 2013, to the date of this report:

Name	Position
Phillip Cave AM	Chairman
Nick Abboud	Managing Director and CEO
William Wavish	Director
Lorna Raine	Director
Robert Ishak	Director

Robert Murray and Michael Potts were appointed to the Board as Directors on 12 August 2014.

Details of the Directors and their qualifications are provided below.

DIRECTORS' QUALIFICATIONS AND EXPERIENCE

The qualifications and experience of the Directors are detailed below:

Phillip Cave AM

Non-Executive Chairman

B.Bus, FCPA

Member of the Remuneration Committee

Age: 65

Phil was appointed Non-Executive Chairman of the Company on its formation and was Non-Executive Chairman of Dick Smith Sub-holdings Pty Limited from November 2012.

Phil is a Founding Partner and Chairman of Anchorage Capital Partners, a turnaround and special situations private equity firm. He is Chairman of the Bisalloy Steel Group Limited, and of the not-for-profit organisations Ability First Australia and Wesley Institute. Phil is also a Director of Acrow Formwork & Scaffolding Pty Limited, Total Eden Pty Limited and First Engineering Limited. His experience combines a mixture of operational management expertise across a wide variety of industries with an in-depth knowledge of finance and banking. This includes a track record of over 25 years of successful turnaround investments.

Prior to embarking on his turnaround investment career, Phil was an Executive Director of Macquarie Bank. Phil was appointed a Member of the Order of Australia in 2007 for service to the community, particularly through the provision of support services to children and young adults with disabilities, and to business as a company director.

Nicholas Abboud

Managing Director and CEO

Age: 44

Nick was appointed Managing Director and CEO of the Company on its formation and was Managing Director and CEO of Dick Smith Sub-holdings Pty Limited from November 2012.

Prior to his current role, Nick held various roles over a 19 year period with Myer. Most recently, Nick was Executive General Manager of National Store Operations leading a team of approximately 12,000 people.

Prior to this, Nick was Director of Retail Stores at Myer, managing the regional management team and the execution of the strategy. In these roles, his leadership and innovation were integral to the turnaround of Myer.

Nick has spent 25 years in retail and is a highly regarded senior executive within the Australian retail industry. He has extensive experience and a consistent track record of performance within retail operations and turnaround situations, and has strong analytical and strategic experience.

William Wavish

Independent Non-Executive Director

ACA(NZ) (RET)

Chair of the Finance and Audit Committee

Age: 66

Bill was appointed as an Independent Non-Executive Director of the Company on its formation and was a Non-Executive Director of Dick Smith Sub-holdings Pty Limited from November 2012.

Bill is currently Chairman of Bendon Limited and has over 30 years of experience covering retail, property development, acquisitions, consulting, manufacturing and fast moving consumer goods. He has held a range of director positions and executive and senior management roles in companies operating in Australia, New Zealand and Hong Kong.

Bill is actively involved in charities and research as a Director of Australian Age of Dinosaurs Limited, Chairman of National Indigenous Culinary Institute and advisor to the Juvenile Diabetes Research Foundation. He is also actively involved in sports as Chairman of the New Zealand Warriors, shareholder in the Sydney Kings and Patron of the Trans-Tasman Business Circle – Sports Connect. He was previously Chairman and shareholder of the Newcastle Falcons Pty Ltd and Sydney Kings and Secretary of the Hong Kong Race Horse Owners Association Limited.

Lorna Raine

Independent Non-Executive Director
B.Comm (Hons) Acc., CA
Chair of the Remuneration Committee
Member of the Finance and Audit Committee
Age: 44

Lorna was appointed as an Independent Non-Executive Director of the Company on its formation.

Lorna is a Senior Finance Executive at Fairfax Media Limited, with her most recent role as Operations Director of Australian Publishing Media Division. Prior to this, Lorna was Transformation Program Director and CFO Metro Media Division at Fairfax. She previously held senior management roles with Yum! Restaurants International (Australia) including General Manager Operations – KFC, KFC Market Manager (NSW), Chief Financial Officer and Strategic Planning Director.

Before relocating to Australia, Lorna was Chief Financial Officer for McDonald's South Africa where she was instrumental in the formulation and execution of the McDonald's Corporation strategic plan including the implementation of best practice in reporting and analysis through its period of rapid expansion.

Robert Ishak

Independent Non-Executive Director
B.Com(Acc) LLM GAICD
Notary Public
Member of the Finance and Audit Committee
Member of the Remuneration Committee
Age: 37

Robert was appointed as an Independent Non-Executive Director of the Company on its formation.

Robert is Chairman, Principal and co-founder of international law firm William Roberts Lawyers. Robert's areas of practice are corporate and commercial law advice and litigation. He regularly acts for and advises some of Australia's largest corporate institutions.

Robert is responsible for key practice areas at William Roberts Lawyers which include directors' duties, management liability and banking and finance litigation. Robert has invested time in teaching final year law students at the University of Western Sydney in the areas of corporations law and commercial law. Robert is a Notary Public and is admitted to the Supreme Court of New South Wales and the High Court of Australia. Robert is on the NSW Starlight Star Ball Committee and has done pro-bono work for a number of charities.

Robert Murray

Independent Non-Executive Director
BA Hons Economics, MA Hons (Cantab)
Age: 51

Rob was appointed an Independent Non-Executive Director of the Company in August 2014.

Rob has extensive knowledge of fast moving consumer goods, sales and marketing. Rob served as Managing Director and CEO of Lion Limited and predecessor Lion Nathan Limited from October 2004 to October 2012 prior to which he was Chief Executive Officer of Nestle Oceania. Rob was a Non-Executive Director of Lion Nathan Limited from September 2002 to October 2004. Rob has been an Independent Non-Executive Director at Super Retail Group Limited since April 2013.

Rob is as an Independent Non-Executive Director of ASX listed Super Retail Group Limited, Lion Pty Limited, Linfox Pty Limited and the Kirin Limited International Advisory Board.

Michael Potts

Finance Director and CFO
B.Comm, CPA
Age: 47

Michael was appointed an Executive Director of the Company in August 2014.

Michael joined Dick Smith in September 2013 and is the Finance Director and CFO and was, prior to being appointed to the Board, the Company Secretary.

Michael previously served as the Chief Financial Officer and Company Secretary of Nick Scali Limited and has more than 20 years of experience in senior finance roles with major retail companies, including the Sussan Group, Bunnings and Myer.

Michael is responsible for the financial management of Dick Smith Holdings Limited.

David Cooke

B.Ec, CA

David was appointed Company Secretary in August 2014.

David is the Director of Investor Relations and Corporate Affairs. David has more than 25 years of experience with consumer-related companies, including over 16 years as an equities analyst covering listed retail and consumer companies in Australia.

Directors' meetings

The number of meetings of Directors (including meetings of committees of Directors) held since incorporation, 25 October 2013, to 29 June 2014 and the number of meetings attended is as follows:

	Directors' meetings		Remuneration		Finance and Audit	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Phillip Cave AM	6	6	1	1	-	-
Nicholas Abboud	6	6	-	-	-	-
William Wavish	6	4	-	-	2	2
Lorna Raine	6	6	1	1	2	2
Robert Ishak	6	6	1	1	2	2

Interest in Shares and Options of the Group

	Fully paid Ordinary Shares				Executive Share Options		
	Directly owned	Directly owned escrow ²	Indirectly owned	Total	Directly owned	Indirectly owned	Total
Phil Cave AM ¹	–	–	1,181,818	1,181,818	–	–	–
Bill Wavish	–	–	6,424,148	6,424,148	–	–	–
Lorna Raine	45,455	–	–	45,455	–	–	–
Robert Ishak	–	–	90,909	90,909	–	–	–
Nick Abboud ³	–	–	15,345,639	15,345,639	1,726,519	–	1,726,519
Michael Potts ³	727,988	–	18,182	746,170	375,691	–	375,691

- P. Cave AM is a Founding Partner and Chairman of Anchorage Capital Partners which has a beneficial interest in 47,302,273 fully paid ordinary shares in the Company. The Company does not consider that this relationship gives P. Cave AM a 'relevant interest' in the shares held by Anchorage under s9 of the *Corporations Act 2001* (Cth).
- The following shares are held in escrow until the release of the Company's 2014 results:
 Shares held by Anchorage Capital Partners: 47,302,273
 Shares held by LMA Investments as trustee for the NL Abboud Trust in which N. Abboud has a beneficial interest: 9,811,609 shares
 Shares held by M. Potts: 363,994
 The following shares are held in escrow until the release of the Company's 2015 results:
 Shares held by LMA Investments as trustee for the NL Abboud Trust in which N. Abboud has a beneficial interest: 5,519,030 shares.
 Shares held by M. Potts: 363,994
- Excludes any options which may be granted by the Board in respect of the 2014 results. The issue of any such options to N. Abboud and M. Potts, the Executive Directors of the Company, is also subject to approval by shareholders at the Company's Annual General Meeting on 15 October 2014.

PRINCIPAL ACTIVITIES

Dick Smith is a leading retailer of consumer electronics, operating in Australia and New Zealand. The Company has a large and convenient store network, with 377 stores operating across three different brands: Dick Smith, David Jones Electronics Powered by Dick Smith and Move and an extensive omni-channel presence.

OPERATING AND FINANCIAL REVIEW

Company background

Dick Smith is a leading retailer of consumer electronics products in Australia and New Zealand. With 377 stores across Australia and New Zealand, revenue of \$1.23 billion in FY2014, and approximately 3,700 employees, Dick Smith is the largest consumer electronics retailer in Australia and New Zealand by total number of stores and is one of the largest by total retail sales value. Dick Smith sells a wide range of products across four categories, being office, mobility, entertainment, and other products and services. Dick Smith offers approximately 6,800 SKUs from a wide selection of the leading consumer electronics brands, as well as its own Dick Smith private label brand. Dick Smith's network of stores has three formats:

Dick Smith branded stores (344 stores)

- Product range focused on the mobility and office categories and related accessories, with a broad range in the entertainment category; low, medium and premium price tiers; broad demographic appeal; and average store size of approximately 500 square metres.

David Jones Electronics Powered by Dick Smith stores (29 stores)

- Product range focused on aspirational products and brands; mid to premium price points; an affluent demographic; and average store size of approximately 300 square metres.

Move stores (4 stores)

- Product range focused on mobility products and related accessories with an emphasis on fashion; a younger, affluent demographic; and intended to be smaller than the average Dick Smith store at around 150 to 200 square metres.

Company re-organisation

On 4 December 2013 the Company undertook a corporate reorganisation process through which Dick Smith Holdings Limited (incorporated 25 October 2013) (the Company) acquired Dick Smith Sub-holdings Pty Limited, and commenced trading on the Australian Securities Exchange (ASX). The transaction has been accounted for as a reverse acquisition and therefore the results of the Company continue to be reported in a manner consistent with that recorded by Dick Smith Sub-holdings Pty Limited. The financial information presented in the 2014 statutory financial statements is for the 52 week period from 1 July 2013 to 29 June 2014. The comparative statutory financial information is for the 10 month period ended 30 June 2013 (which includes 7 months of trading).

FY2014 pro forma financial highlights

	FY14 statutory	FY14 pro forma	FY14 Prospectus	Variance pro forma to Prospectus
Sales (A\$m)	1,227.6	1,227.6	1,226.0	0.1%
Gross Profit (A\$m)	308.0	308.0	307.8	0.1%
Cost of Doing Business (A\$m)	264.1	233.6	236.0	(1.0%)
EBITDA (A\$m)	43.9	74.4	71.8	3.6%
Depreciation and Amortisation (A\$m)	12.8	12.8	13.1	
EBIT (A\$m)	31.0	61.6	58.7	5.0%
Net Interest Expense (A\$m)	2.3	1.4	1.4	
Profit before Tax (A\$m)	28.7	60.2	57.3	5.1%
Tax Expense (A\$m)	8.9	18.0	17.2	
NPAT (A\$m)	19.8	42.1	40.0	5.3%
Basic EPS (c)	8.0	17.8	16.9	5.3%
Key margins				
Gross margin	25.1%	25.1%	25.1%	(2bp)
Cash Cost of Doing Business	21.5%	19.0%	19.2%	(22bp)
EBITDA to Sales	3.6%	6.1%	5.9%	20bp

Non-IFRS financial measures

The financial measures included in the Directors' Report have been calculated to exclude the impact of various costs and adjustments associated with the Company re-organisation. These are explained below. The Directors believe the presentation of non-IFRS financial measures is useful for the users of this financial report

as they reflect the underlying financial performance of the business and can be directly compared to the forecasts given in the Prospectus issued on 21 November 2013. Given the change in structure of the business and reporting periods, comparison of the results to the forecasts per the Prospectus is considered to be of more use and relevance than the comparative statutory financial information.

Reconciliation of statutory financial statements to pro forma results

A reconciliation of the 2014 statutory to pro forma results is summarised as follows:

(A\$m)	Sales	EBITDA	EBIT	NPAT	Net Cash Flow
2014 statutory results	1,227.6	43.9	31.0	19.8	(16.9)
Restructuring costs ¹		2.7	2.7	2.7	2.7
Other costs ²		1.5	1.5	1.5	(0.9)
Share-based payments ³		4.1	4.1	4.1	(4.1)
Impact of the Offer ⁴		22.3	22.3	22.3	22.3
Repayment of borrowings					(26.5)
Acquisition price adjustment to pre-IPO owners ⁵					15.0
Repayment of Woolworths liability ⁶					24.0
Interest costs ⁷				1.0	1.0
Tax adjustments ⁸				(9.2)	
2014 pro forma results	1,227.6	74.4	61.6	42.1	16.7

Explanation of pro forma adjustments:

1. Restructuring costs: Includes restructuring and redundancy expenses incurred in 2014.
2. Other costs: Includes corporate restructure costs and full year impact of Board fees, listing costs and administration expenses relating to being a listed Company.
3. Share-based payments: Adjustment for non-cash impact of equity-based incentive schemes connected with the listing of the Company.
4. Impact of the offer: Adjustment to reflect the costs expensed by the Company in relation to the Offer.
5. Acquisition price adjustment to pre IPO owners: Represents the balance of proceeds of the Offer of \$344.5 million and the payment to the existing ordinary owners of \$359.5 million.
6. Repayment of Woolworths liability: Adjustment to reflect the \$24.0 million payment to Woolworths, representing the deferred purchase price consideration relating to the acquisition.
7. Interest costs: Reflects the costs associated with the facilities entered into in 2014 and adjustment to reflect full year impact of interest expense.
8. Tax adjustments: This amount relates to the tax effect of the pro forma adjustments.

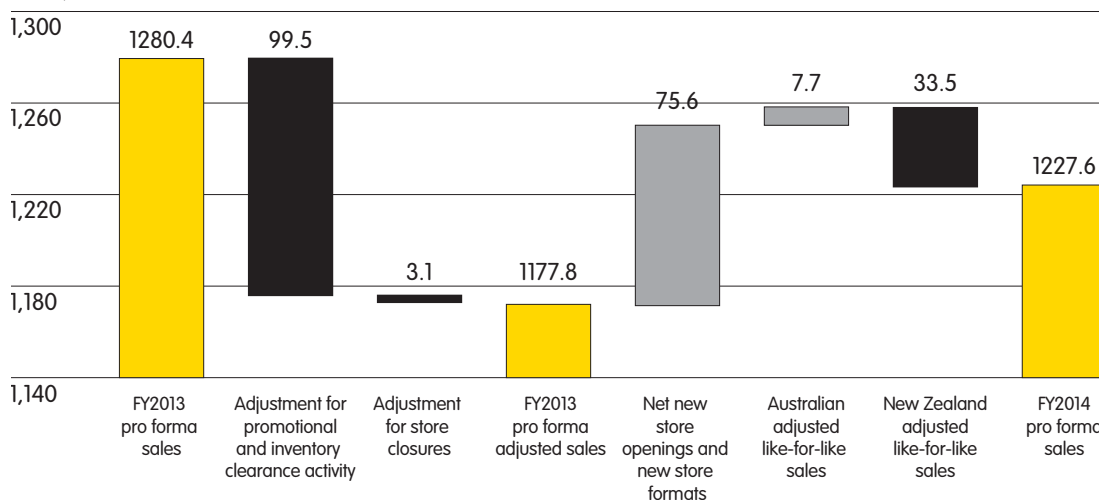
These non-IFRS financial measures have not been subject to review or audit.

Review of financial performance

The Company's consolidated net profit after tax attributable to the owners of Dick Smith (NPAT) on a pro forma basis for the 52 weeks to 29 June 2014 was \$42.1 million.

Total sales of \$1,227.6 billion was slightly above the Prospectus forecast. Sales benefited from a strong focus on profitably trading our key core categories of Office, Mobility and Accessories, as well as opening net 54 stores during the year. Private Label continues to perform well, representing more than 11.5% of total sales. Online sales grew 55%, representing 4.1% of retail sales in 2014 and over 5% in the second half of the year.

Sales \$m



Explanation of pro forma adjustments:

FY2013: FY13 pro forma sales reflect audited statutory sales for the 7 months trading since acquisition (26 November 2012 to 30 June 2013) of \$791.4 million and pro forma accounts for the 5 months trading pre acquisition (1 July 2012 to 25 November 2012) of \$489 million, adjusted for closed stores and the 53rd trading week.

Pro forma adjusted like-for-like (LFL) sales declined 1.9% in 2014 and grew 0.9% in the second half.

Pro forma gross margin of 25.1% was in-line with the Prospectus forecast, representing a 1.4 percentage point improvement on the gross margin achieved in 2013. This reflects a concerted focus on profitable sales growth, particularly in New Zealand, and further growth in the Company's accessories and private brand sales.

Pro forma EBITDA of \$74.4 million was a 3.6% improvement on the Prospectus forecast. This was primarily due to pro forma cost of doing business (CODB) being 20 basis points lower than the Prospectus forecast on cost savings achieved in the second half of the year, particularly the New Zealand Support Office restructure and further supply chain efficiencies in both countries. The stronger EBITDA resulted in a pro forma EBITDA to sales margin of 6.1%, 20 basis points ahead of the Prospectus forecast. With depreciation and amortisation slightly lower than Prospectus, the stronger operating performance translated into pro forma EBIT of \$61.6 million, 5.0% ahead of the Prospectus forecast. Dick Smith's pro forma net finance expense for 2014 was \$1.4 million, also consistent with the Prospectus forecast. A slightly lower pro forma effective tax rate of 30.0%, compared to the Prospectus forecast rate of 30.1%, largely offset the higher pre-tax profit, resulting in pro forma NPAT of \$42.1 million and pro forma Earnings per Share of 17.8 cents, both 5.3% ahead of the Prospectus forecast.

Segment Results

Dick Smith has two reportable segments, being Australia and New Zealand. The Australian operations consist of 316 stores operating under the Dick Smith (283 stores), Move (4 stores) and David Jones Electronics

Powered by Dick Smith (29 stores) banners. In New Zealand, the Company operates 61 Dick Smith stores. In addition to the customer-convenient store network, Dick Smith has an extensive omni-channel presence, with transactional websites and apps in Australia and New Zealand as well as with third party websites.

	FY14 statutory	FY14 pro forma	FY14 Prospectus	Variance FY14 pro forma to Prospectus
Australia				
Sales (A\$m)	1,048.6	1,048.6	1,047.2	0.1%
EBITDA (A\$m)	33.3	62.1	63.3	(1.8%)
New Zealand				
Sales (A\$m)	179.0	179.0	178.8	0.1%
EBITDA (A\$m)	10.5	12.3	8.5	44.4%

Australia sales performed ahead of Prospectus forecasts, despite the challenging trading conditions experienced in the second half. Australian pro forma adjusted LFL sales during the second half increased 3.2%, resulting in 0.8% growth in 2014 due to the strong trading mentality within the business. Whilst Australia's EBITDA was \$1.2 million below the Prospectus forecast, it reflects the additional costs associated with servicing New Zealand from Australia.

The February restructure of the support office impacted New Zealand sales, with LFL sales declining 14.3% in 2014 and 10.4% in the second half. Achieving sustainable improvements in New Zealand sales remains a high priority for the Company, with management confident of achieving LFL sales growth in 2015.

New Zealand's underlying (i.e. New Zealand Dollar) EBITDA performance was considerably stronger than the Prospectus forecast, reflecting a concerted and successful effort to improve gross margins and reduce COB.

Review of Financial Position and cash flows

The balance sheet at year end shows the Company in a healthy financial position with no drawn debt. This places the Company in a good financial position for future growth. The Company entered into a new facility agreement with Westpac Banking Corporation and Westpac New Zealand on 27 June 2014 which will provide the Company with \$82 million of facilities over a period of 12 to 36 months.

Net assets increased by \$10.4 million to \$166.9 million. Retained earnings increased by \$19.8 million due to the 2014 net profit and a positive increase of \$3.5 million on translation of the Company's operations in New Zealand. This was offset by a reduction of \$13.9 million in other reserves.

The movement in working capital during the year of \$6.6 million is largely due to the increase in inventory levels being partially offset by the improvement in trading terms with suppliers.

The increase in inventory levels to \$253.8 million reflects the opening of net 54 new stores during the year and a healthier stock position. The quality and ageing of inventory has also improved significantly during the year.

Dick Smith's statutory cash flow statement has been significantly impacted by non-recurring payments relating to the restructure and listing of the business and therefore is not directly comparable year on year. Pro forma cash flow from operations of \$79.6 million represents cash conversion of 107% of pro forma EBITDA.

Dividends

The Directors have declared a final dividend of 8 cents per share, fully franked, to be paid on 21 October 2014. The dividend represents approximately a 66% payout of NPAT earned from the date of listing to 29 June 2014. The record date is 5 September 2014.

The Board intends to maintain its dividend policy of paying out between 60% and 70% of the Company's annual pro forma net profit after tax. The Board believes the current Dividend Policy provides shareholders with a strong return while still allowing the Company to fund its plans for future growth.

Outlook

The Board believes the Company is well placed to deliver further strong growth in 2015.

Sales are expected to benefit from a continuation of the LFL sales momentum experienced in the fourth quarter of 2014, the full year impact of the net 54 stores which were opened in 2014, approximately 20 new stores management anticipates opening in 2015 (with 13 stores confirmed as opening) and other initiatives. Further improvements in Dick Smith's offer include:

- The introduction of Pay & Collect in August. This evolution of our Click & Collect offer will enable customers to pay online and collect, at their convenience, from their local Dick Smith store.
- Pick and ship online fulfilment from more than 100 stores offered across all our and our partners' websites by Christmas. This allows consumers to purchase online and receive their goods faster and more cost effectively.
- A new transactional Move website.
- New and growing ranges including an expanded post paid offer, wearable technology and private label products in pet, baby monitors, tablets and security.

The Company expects further cost savings to be achieved through a number of new operational initiatives. Gross margin is also anticipated to benefit from an increase in the penetration of private label product and the recent expansion of its post paid telecommunications offer. A number of initiatives to drive down the CODB are in place, including the restructure of the support function in New Zealand, other supply chain efficiencies and ongoing transformation initiatives, with the full year benefit to flow through in 2015.

Material business risks

Dick Smith operates in an ever-changing environment. There are a number of factors, both internal and external, which may impact the Company in future periods. Macro-economic factors such as inflation rates, interest rates, government policies, consumer spending levels and exchange rates may all influence the operating and financial performance of Dick Smith. Consideration of the specific material business risks facing the Company is as follows:

Retail environment and discretionary consumer spending

Dick Smith's financial performance is sensitive to the current state of, and future changes in, the retail environment in Australia and New Zealand and the cyclical trends of consumer spending. The Directors believe that they have a well established business model and a clear strategy which will ensure it remains highly competitive and appealing to consumers.

Changing consumer demands

The consumer electronic products which Dick Smith sells can be subject to sometimes unpredictable changes in customer preferences. Many of the products acquired by Dick Smith are from overseas and so there is also a time lag between the time products are purchased and when they are available for sale in stores. Dick Smith has a highly experienced buying team which has a very strong understanding of consumer preferences and a track record of anticipating changes in technology and new products. Dick Smith is not overly reliant on any one supplier and has introduced a number of highly successful selling products to the market, demonstrating the Company's ability to adapt to changes in consumer demands and technologies.

Competition

The Australian and New Zealand consumer electronics industry in which Dick Smith operates is highly competitive, has relatively low barriers to entry and is subject to ever-changing customer preferences. Dick Smith has a number of significant competitive advantages and strategic initiatives to grow its market share. Dick Smith operates an extensive omni-channel platform which complements its leading and large consumer electronics physical store network. The omni-channel platform includes transactional websites, transactional mobile websites and first-to-market transactional apps. Dick Smith also offers Click & Collect, which allows customers the convenience of local store collection, and has commenced delivering direct from store to customers to provide faster customer delivery.

Exchange rates

Dick Smith is exposed to exchange rate movements, in particular movements in the A\$/NZ\$ rate, A\$/US\$ rate and NZ\$/US\$ rate. Because a proportion of Dick Smith's payments for inventory is made in foreign currency, primarily US dollars, movements in exchange rates impact on the amounts paid for purchases. Also, because a proportion of Dick Smith's revenues and profits are earned in New Zealand, movements in exchange rates impact on the translation of account balances in Dick Smith's New Zealand operations. Dick Smith mitigates against movements in exchange rates by hedging a significant proportion of its inventory purchases made in foreign currencies through forward exchange contracts.

Increasing costs of doing business

There are a number of costs which are outside of the control of Dick Smith such as Fair Work pay awards whilst other costs such as leases have historically risen despite suppressed economic conditions. However, Dick Smith has demonstrated its ability to reduce its overall costs of doing business in 2014 and has a number of significant initiatives in place for 2015 and beyond which are expected to continue to deliver cost savings. These include investment in sustainable store labour hours with improved productivity, support office right-sizing, New Zealand buying and market integration, streamlining and right-sizing the distribution network, reduction in freight and handling costs, New Zealand warehouse management outsourcing, efficiencies in the Australian warehouse management and CODB/Sales benefiting from sales leverage.

Subsequent events

There are no material matters or events which have occurred subsequent to 29 June 2014 up to the date of this report that have not been disclosed in this Directors' Report which may significantly affect the Company's operations in future years or the results of those operations.

Remuneration Report

The Remuneration Report, which comprises part of this Directors' Report, is presented separately on pages 34 to 43.

Indemnification of officers and auditors

The Company has entered into deeds of indemnity, insurance and access with each Director which confirm each Director's right of access to certain books and records of Dick Smith for a period of seven years after the Director ceases to hold office. This seven year period may be extended where certain proceedings or investigations commence before that seven year period expires.

Pursuant to the Constitution, the Company indemnifies present and former Directors and employees against liabilities allowed under law. Under the deeds of indemnity, insurance and access, the Company indemnifies each Director and officer against all liabilities to another person that may arise from their position as a Director or Officer of the Company or its subsidiaries to the extent permitted by law. The deed stipulates that the Company will meet the full amount of any such liabilities, including reasonable legal costs and expenses.

During the year, the Company arranged and maintained Directors' and Officers' Insurance for its Directors and officers to the extent permitted by law. Under the deed of indemnity, insurance and access, the Company must obtain such insurance during each Director's period of office and for a period of seven years after a Director ceases to hold office. This seven year period can be extended where certain proceedings or investigations commence before the seven year period expires.

The Company has not paid any amounts or made any claims with respect to Directors' and Officers' indemnity during the period.

Auditor's independence declaration

The auditor's independence declaration is included on page 44 of the financial report.

Non-audit services

The Board recognises the importance of maintaining the independence of the statutory auditor, however, in certain circumstances, the benefits in terms of efficiency and effectiveness may result in the Company engaging the statutory auditor for non-audit services.

In 2014, the auditors provided non-audit services in relation to the corporate restructure and subsequent listing of the Company on the ASX along with tax compliance and consulting services. The amounts paid or payable to the auditor for non-audit services provided during the period is summarised in Note 23 to the financial statements.

The Directors are satisfied that the provision of these non-audit services by the auditor (or by another person or firm on the auditor's behalf) during the period is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* (Cth).

The Board is of the opinion, based on the advice of the Finance and Audit Committee, that the non-audit services provided by the auditor do not compromise the auditor's independence for the following reasons:

- all non-audit services are reviewed and approved to ensure they do not impact the integrity and impartiality of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in the Code of Conduct APES 110 Code of Ethics for Professional Accountants.

Rounding off of amounts

The Company is a company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors' Report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

Key executives are significantly driven to improving shareholder returns through a closely aligned incentive structure and substantial shareholding.

TO OUR SHAREHOLDERS

On behalf of the Board and the Remuneration Committee, I am pleased to present Dick Smith Holdings Limited's Remuneration Report for the 52 weeks to 29 June 2014. The Board recognises the importance of all the Company's personnel in achieving this year's results, which, as detailed in the Chairman's and CEO's letter, has exceeded the Prospectus pro forma EBITDA forecast despite a challenging retail environment, and congratulates all staff for their superb achievements this year.

The Remuneration Report outlines the remuneration strategy, framework and conditions of employment for Directors and other Key Management Personnel (KMP) of the Company.

The Company's remuneration strategy is to attract, appropriately reward, incentivise and retain high calibre employees. At the executive level, the Board aims to achieve this through an appropriate mix of fixed, short-term and long-term incentives, linked to the performance of the Company and incorporating specific individual objectives.

The underlying framework is to ensure a close alignment between shareholders' interests and executive incentive awards, with executives rewarded for the delivery of superior financial performance. The Board is of the opinion that this alignment is being achieved. In addition, KMP own approximately 11.5% of the Company's shares, with senior executives owning approximately 8.2% and Non-Executive Directors an additional 3.3%.

The Board recognised the importance of a successful restructure and listing of the Company to the development of sustainable shareholder value. Accordingly, achieving the Prospectus forecast was considered by the Board as the primary short-term incentive performance (STIP) metric for 2014, with a stretch target for significant overachievement, and a personal performance component overlay. The short-term incentive for the Managing Director and CEO was specified at 100% of his fixed remuneration for achievement of the target EBITDA, with an additional 50% of fixed remuneration payable upon achieving the stretch pro forma EBITDA target. For the other executive KMP, achievement of target EBITDA would deliver a short-term incentive equal to 50% of fixed remuneration and up to 75% if the stretch EBITDA was attained. KMP were awarded short-term incentives for exceeding the Prospectus pro forma EBITDA forecast as well as achievement of personal performance metrics.

The incentive framework for the 2015 incentive program proposed by the Board was designed with reference to the market place in which Dick Smith operates as a listed consumer electronics retailer. Under the proposal, the Board proposes a reduction in the target STIP opportunity relative to fixed remuneration from 100% to 75% for the Managing Director and CEO and from 50% to 40% for other executive KMP. In proposing this change, the Board has considered independent advice obtained from Egan Associates, including competitive market benchmarking. While considered motivating, these incentive opportunities represent a reduction to the corresponding 2014 opportunity.

Under the 2015 STIP the Managing Director and CEO STIP target is up to 75% of TFR, based on the realisation of specific financial targets and the successful achievement of agreed strategic and operational objectives. For other Executive KMP, the Board proposes a maximum STIP target of 40% of TFR for achieving financial, strategic and operational KPIs. It is proposed for financial objectives to comprise approximately 60% of the Managing Director and CEO's target and 70% of the other KMP targets with the balance comprising non-financial and personal objectives.

The Board proposes the 2015 STIP be primarily focused on financial KPIs, with the remaining KPIs allocated against key non-financial strategic and operational imperatives, as it believes such criteria most closely aligns incentive award with shareholder wealth creation.

Long-term incentives are aligned to shareholder wealth generation, with the two components being the achievement of total shareholder returns (TSR) and of EPS growth. In 2014, the Company introduced a long-term incentive plan to KMP, with vesting of the first tranche of options expected 1 July 2016. The Board proposes the long-term incentive structure to continue in 2015, with 50% of the allocation having a vesting period of three years and 50% having a vesting period of four years. The plan is discussed in more detail on page 38.

I trust you will agree the remuneration framework adopted by the Company strongly aligns our executives with the long-term success of the Company and its shareholders.



L. Raine
Chair, Remuneration Committee

REMUNERATION REPORT (AUDITED)

The Remuneration Report outlines Dick Smith's remuneration strategy, framework and conditions of employment for Directors and other KMP of the Company. The Remuneration Report is prepared in accordance with the requirements of the *Corporations Act 2001* (Cth) (the Act) and its regulations and has been audited as required by Section 308(3C) of the Act.

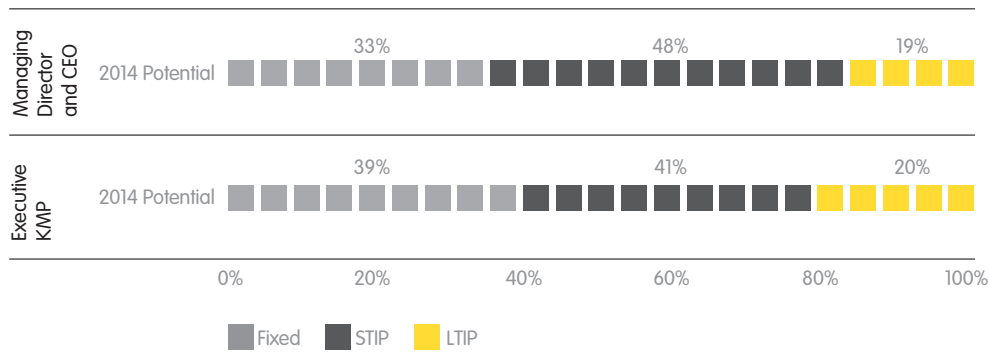
1. Remuneration Report Policy Summary

Dick Smith's Board has adopted and is committed to a remuneration framework designed to attract and retain a high quality executive team, incentivised and aligned to achieve sustainable increases in returns to shareholders and who are appropriately rewarded for such achievements. A significant proportion of executive remuneration is 'at risk' and subject to achieving the Company's and personal performance targets.

The Company's remuneration policy for executive KMP comprises:

- A fixed component, consisting of a base salary, superannuation contributions and, where relevant, relocation, car and other related allowances.
- A performance based, variable 'at risk' component, comprising cash short-term incentives (STIP) and equity-based longer-term incentives (LTIP).

For executive KMP (including the CEO), on average 61% of 2014 potential remuneration was at risk.



2. Key Management Personnel disclosed in this report

Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling activities of the Company and its subsidiaries, including the Directors (whether executive or otherwise) of the Company.

Name	Position
Non-Executive Directors	
Phillip Cave AM	Non-Executive Chairman
William Wavish	Independent Non-Executive Director
Lorna Raine	Independent Non-Executive Director (from 25 October 2013)
Robert Ishak	Independent Non-Executive Director (from 25 October 2013)
Executive Key Management Personnel	
Nicholas Abboud	Managing Director and CEO
Michael Potts	Chief Financial Officer and Company Secretary (from 18 September 2013)
Mark Scott	Director of Retail Operations (commenced 1 June 2014)
Neil Merola	Director of Buying and Marketing
John Skellern	Director of Property, Procurement and Supply Chain
Former Key Management Personnel	
Michael Briggs	Dick Smith Sub-holdings Pty Ltd Executive Director (to 4 December 2013)
Tim Fawaz	Chief Financial Officer and Company Secretary (to 18 September 2013, resigned effective 14 February 2014)
Armando Pedruco	Director of Operations (to 1 June 2014, resigned effective 27 June 2014)

Notes:

Phil Cave, Bill Wavish, Nick Abboud, Robert Ishak and Lorna Raine were appointed as Directors of the legal acquirer, Dick Smith Holdings Limited, on registration of the Company on 25 October 2013;

Phil Cave, Bill Wavish and Nick Abboud were also Directors of the legal subsidiary, Dick Smith Sub-holdings Pty Limited from the start of the financial year to the date of the corporate re-organisation and are thus considered KMP for the whole year;

Michael Briggs was a Director of the legal subsidiary, Dick Smith Sub-holdings Pty Limited from the start of the financial year to the date of the corporate re-organisation at which point he ceased to be considered a KMP; and

Other members of the group noted in the table were KMP for the financial year of the consolidated group under Dick Smith Sub-holdings Pty Limited prior to the corporate re-organisation, and of the consolidated group under Dick Smith Holdings Limited subsequent to the corporate re-organisation.

3. Remuneration governance

The Board is responsible for reviewing and evaluating remuneration, including Non-Executive Director remuneration, KMP and other executive leadership team salaries, benefits and total remuneration packages, staff incentive plans proposed for and by the Managing Director and CEO and substantial changes to superannuation arrangements.

The Board has established a Remuneration Committee (the Committee) to assist it in discharging these duties and ensure that Dick Smith:

- has coherent remuneration policies and practices which enable Dick Smith to attract and retain Non-Executive Directors and an Executive leadership team that will create sustainable value for shareholders;
- fairly and responsibly remunerate Directors, Executive KMP and other executive leadership team personnel, having regard to the performance of the Company, the performance of the Directors, Executive KMP and other executive leadership team personnel and the general remuneration environment;
- has effective policies and procedures to attract, motivate and retain appropriately skilled and diverse personnel to meet Dick Smith's present and future needs; and
- integrates human capital and organisational issues in the overall business strategy.

The Remuneration Committee comprises three independent Non-Executive Directors. The Committee meets as appropriate throughout the year. The Managing Director and CEO attend certain meetings of the Committee by invitation, where management input is required. He is not present during any discussions related to his own remuneration arrangements.

The Committee operates in accordance with its Charter, a copy of which is available on the Company's website at dicksmithholdings.com.au/corporate-governance/.

In carrying out its responsibilities, the Committee is authorised to obtain external professional advice as it determines necessary. Remuneration consultants are engaged by, and report directly to, the Committee.

During the financial year, the Committee approved the engagement of Egan Associates as remuneration consultants to provide remuneration recommendations regarding the design of incentive programs for the Company. The fees paid to Egan Associates for the remuneration recommendations and other advisory services, primarily relating to the IPO, were \$149,399.

The Committee and Board are satisfied that the advice received from Egan Associates has been made free from undue influence from the KMP to whom the remuneration recommendations apply as Egan Associates was engaged by and reported directly to the Chair of the Committee. Egan Associates also confirmed in writing to the Chair of the Committee that remuneration recommendations were made free from undue influence.

Non-Executive Director remuneration

The remuneration of Non-Executive Directors is determined taking the following into consideration:

- the level of fees paid to Board members of comparable publicly listed Australian companies;
- operational and regulatory complexity; and
- the responsibility and workload requirements of each Board member.

Non-Executive Director remuneration consists of the following components:

- Board and Committee fees; and
- Superannuation (compulsory contributions).

In 2014 additional services were provided by the Non-Executive Directors for consulting services throughout the year and related to the IPO.

Non-Executive Directors do not receive performance or incentive based pay. Nor do they receive lump sum retirement benefits. However, to promote further alignment with shareholders, the Non-Executive Directors are encouraged to hold shares in the Company.

All current Directors, with the exception of Rob Murray who was appointed to the Board on 12 August 2014, hold shares in the Company as outlined in the tables displayed in this report.

Non-Executive Directors' fees and payments are reviewed annually by the Board. Non-Executive Directors' fees are determined within an aggregate limit (including superannuation contributions) set by the Board, in accordance with the Company's constitution, at \$1,000,000 per annum.

The Board has reviewed the Directors' fees for the 2015 year and resolved that the fees will remain unchanged.

Base annual fees (including superannuation)	Chair	Member
Company	\$200,000	\$109,500
Audit and Finance Committee	\$20,531	\$13,688
Remuneration Committee	\$20,531	\$13,688

Bill Wavish, Robert Ishak and Lorna Raine were also engaged as consultants to the Company in October 2013 to assist the Company with preparations for the listing of the Company on the Australian Securities Exchange on 4 December 2013. Bill Wavish was paid \$100,000, Robert Ishak was paid \$130,475 and Lorna Raine was paid \$131,998 in total remuneration for these services up to that date.

4. Executive remuneration principles and strategy

The Board acknowledges that the performance of the Company is dependent on the calibre of its Directors, Executive KMP, other executive leadership team personnel and employees.

Dick Smith's executive reward strategy is designed to attract, motivate and retain top talent and appropriately reward their contribution towards shareholder wealth creation. The key principles that support the remuneration strategy are as follows:

- employees are rewarded fairly and competitively according to job level, market trends and individual skills, experience and performance;
- the reward strategy is in line with the overall business strategy in relation to acquisition, growth and retention of talent;
- the reward strategy encompasses elements of salary, benefits, recognition and incentives to support talent management for business and shareholder outcomes;
- it is simple, flexible, consistent and scalable across the business allowing for sustainable business growth; and
- it is regularly reviewed for relevance and reliability.

The remuneration of executives is structured taking into account the following factors:

- the principles highlighted above;
- the level and structure of remuneration paid to executives of other comparable publicly listed Australian companies of a similar size;
- the position and responsibilities of each senior executive; and
- appropriate benchmarks and targets to reward executives for the Company and individual performance.

Remuneration components

The components of the 2014 executive remuneration and link to performance outcomes are listed below. The aim of the Dick Smith Reward Strategy is to reward executives with a level and mix of remuneration appropriate to their position, responsibilities and performance within the Company and aligned with market practice.

The remuneration of Executive KMP and other executives of the Company was reviewed by the Board and its independent remuneration consultants. The components of executive remuneration following the reorganisation and associated listing on the ASX and their link to performance outcomes are summarised below.

Remuneration component	Vehicle	Purpose	Link to performance
Fixed remuneration	Base pay and appropriate benefits including superannuation	To provide competitive fixed remuneration which has been established with reference to position and responsibilities in the context of the market	Group and individual performance assessments are considered in annual remuneration review
Short-term Incentive Plan (STIP)	Cash bonus payment, with deferral component of up to 6 months	Rewards executives for their contribution to the achievement of financial and strategic outcomes	EBITDA, sales and strategic objectives need to be met with an overall EBITDA performance threshold
Long-term Incentive Plan (LTIP)	Awards in the form of share options and share rights, with vesting over a 30 month period	Rewards executives for their contribution to the creation of shareholder value over the longer term	EPS and TSR targets and VWAP of last 5 trading days exceeding 105% of the exercise price

Fixed remuneration

Fixed remuneration consists of base salary, superannuation contributions and other benefits. Other benefits include non-cash benefits such as car, travel and other allowances. The Company pays fringe benefits tax on these benefits where required. Fixed remuneration for executives is reviewed annually and on promotion and is benchmarked against comparable roles in the market, insights into remuneration trends, the performance of the Company and individual, and the broader economic environment.

Variable remuneration

Short-term Incentive Plan (STIP)

The incentives paid out to executives under the STIP are 'at risk' components of the employees' remuneration and are provided in cash. The quantum of any short-term incentive entitlement is dependent on the achievement of:

- Dick Smith's EBITDA performance; and
- performance criteria tailored to each respective role (where relevant).

The incentive payment for the Managing Director and CEO and other KMP is calculated as a percentage of TFR (total fixed remuneration). Incentive levels and targets are reviewed and determined annually by the Board on the recommendation from the Committee. On an annual basis, after consideration of performance against KPIs, the Board, in line with their responsibilities, determine the amount, if any, of the short-term incentive to be paid to each executive, seeking recommendations from the CEO as appropriate.

2014 STIP performance

In 2014, the Managing Director's STIP target opportunity percentage was 100% of TFR; and for the other KMPs, 50% of TFR.

For the period covered by this report the primary key STIP performance indicator common to all participants was pro forma EBITDA, with target STIP payable for performance at 100% of the Company's budgeted EBITDA (pre bonus). A stretch opportunity was instituted on a sliding scale for achievement in excess of budgeted EBITDA (pre bonus). For the Managing Director and CEO the stretch opportunity was 150% of TFR. For other Executive KMP it was 75% of TFR.

In determining the level of short-term incentives awarded to executives the Board took into consideration the strong EBITDA performance of the Company as well as the assessment of each individual's personal performance. In 2014, STIP entitlements will be paid in two tranches: 70% in September 2014 and 30% in December 2014.

Long-term Incentive Plan (LTIP)

Dick Smith has adopted a LTIP to encourage executives and employees to have a greater involvement in the achievement of Dick Smith's longer-term objectives. Under the LTIP, eligible employees (including executives, officers, employees and Executive Directors) selected by the Board, as recommended by the Committee, may be offered shares or granted Options or Rights to shares vesting subject to meeting performance conditions, with no opportunity to retest.

On 1 January 2014, each of the Executive KMP were issued share options. The Board has set the performance period for the first grant of options to executives as 30 months, being the period from 1 January 2014 to 1 July 2016. Thus no executives realised any financial benefits from LTIP in 2014.

All options issued to executives contain two equally weighted performance hurdles, being achievement of EPS growth and relative TSR performance.

The relevant EPS performance target is the Company's compound annual EPS growth over the performance period from 1 January 2014, adjusted to take into account one-off items associated with the Offer (if necessary). For practical purposes, the Board has determined the 2014 pro forma EPS forecast (calculated as the 2014 pro forma NPAT forecast divided by the number of shares on issue as a result of the Company re-organisation and listing), being 16.9cps, to be the base. The corresponding vesting percentages are as follows:

- Less than 7.5% EPS growth – 0%;
- At 7.5% EPS growth – 20%;
- Between 7.5% and 12.5% EPS growth – pro-rata straight line between 20% and 100%; and
- Above 12.5% EPS growth – 100%.

REMUNERATION REPORT (AUDITED)

The Company's relevant TSR performance from the date of listing will be measured against the performance of the constituent companies in the S&P/ASX 300 index and the S&P/ASX 300 Consumer Discretionary Index (weighted 50% each) over the performance period. This peer group was chosen as it reflects the Company's competitors for capital and executive talent. The Company's performance against the measure is determined according to the Company's ranking against the companies in the above peer group. The relative TSR performance targets and corresponding vesting percentages are as follows:

- Below the 50th percentile TSR growth – 0%;
- At the 50th percentile TSR growth – 50%;
- Between the 50th percentile and the 75th percentile growth – pro-rata straight line between 50% and 100%; and
- Above the 75th percentile TSR growth – 100%.

In addition, the Company's VWAP must exceed 105% of the exercise price for the five days prior to the vesting date. Performance rights, totalling 48,609 rights, were also issued to high potential staff. These performance rights have nil exercise price and are subject to the same performance conditions as the share options except the above requirement.

5. Remuneration structure and performance/shareholder wealth creation

The Company's annual financial performance and indicators of shareholder wealth for the current financial period are summarised below. As the Company listed on 4 December 2013, the corresponding performance measures for the financial periods prior to 2014 have not been included.

The Board believes it misleading to provide historical information prior to the acquisition of DSE Holdings Pty Limited from Woolworths Limited on 26 November 2012, with the exception of 2013 pro forma financial information as described in the Prospectus. The Board believes a comparison to the Prospectus pro forma forecasts and prior year (during which the KMP commenced managing the business) is more meaningful for assessing the performance of KMP and their remuneration relative to Dick Smith's performance.

	2014 Pro forma Actual	2014 Pro forma Prospectus	2013 Pro forma	2014 Statutory	2013 Statutory
Financial Performance					
Sales (\$m)	1,227.6	1,226.0	1,280.4	1,227.6	791.4
EBITDA (\$m)	74.4	71.8	23.4	43.9	147.2
EBIT (\$m)	61.6	58.7	10.9	31.0	139.9
Net profit attributable to owners of the Company (\$m)	42.1	40.0	6.7	19.8	140.2
Basic EPS (cents)	17.8	16.9	2.8	8.0	59.3

The Company listed on the ASX on 4 December 2014. As outlined in the Prospectus, no interim dividend was proposed or declared, with the final dividend, which was declared subsequent to the year end and payable in October 2014, reflecting the performance of the Company for the period from listing to 29 June 2014. There have been no returns of capital made or proposed by the Board since listing.

6. Details of KMP remuneration

Details of the remuneration received by the Directors and Executive KMP of the Company for the current financial period are set out below.

2014	Short-term employee benefits					Post employment benefits	Long-term benefits			Total	
	Cash salary and Fees \$	ASX Listing Payment \$	Cash Bonus \$	Non-monetary Benefits \$	Other ⁽ⁱ⁾ \$	Total Short-term benefits \$	Super-annuation \$	Share-based Payments ⁽ⁱⁱ⁾ \$	Long Service Leave \$	Total Long-term benefits \$	\$
Name											
Non-Executive Directors											
Phillip Cave AM	235,070	0	0	0	0	235,070	0	0	0	0	235,070
Michael Briggs	97,222	0	0	0	0	97,222	0	0	0	0	97,222
William Wavish	194,271	100,000	0	0	0	294,271	17,970	359	0	359	312,600
Lorna Raine	108,561	100,000	0	0	0	208,561	10,042	0	0	0	218,603
Robert Ishak	103,392	100,000	0	0	0	203,392	9,564	0	0	0	212,955
Executive Director											
Nicholas Abboud	1,200,670	0	1,250,000	0	57,568	2,508,238	25,000	89,384	0	89,384	2,622,621
Other Executive KMP											
Michael Potts	251,573	102,000	170,000	0	0	523,573	15,224	926,793	0	926,793	1,465,590
Mark Scott	25,185	0	0	0	17,167	42,352	1,481	0	0	0	43,833
Neil Merola	266,483	150,000	105,000	0	42,088	563,572	19,683	132,451	0	132,451	715,705
John Skellern	389,983	170,000	170,000	0	0	729,983	20,950	513,741	0	513,741	1,264,674
Tim Fawaz	178,211	120,000	0	0	11,657	309,869	12,961	115,427	0	115,427	438,257
Armando Pedruco	365,069	170,000	253,000	0	0	788,069	25,000	115,427	10,622	126,049	939,118
Total KMP	3,415,690	1,012,000	1,948,000	0	128,480	6,504,170	157,875	1,893,582	10,622	1,904,204	8,566,249

2013 ⁽ⁱⁱⁱ⁾	Short-term employee benefits					Post employment benefits	Long-term benefits			Total	
	Cash salary and Fees \$	ASX Listing Payment \$	Cash Bonus \$	Non-monetary Benefits \$	Other ⁽ⁱ⁾ \$	Total Short-term benefits \$	Super-annuation \$	Share-based Payments ⁽ⁱⁱ⁾ \$	Long Service Leave \$	Total Long-term benefits \$	\$
Name											
Non-Executive Directors											
Phillip Cave AM	155,555	0	0	0	0	155,555	0	0	0	0	155,555
Michael Briggs	136,110	0	0	0	0	136,110	0	0	0	0	136,110
William Wavish	180,769	0	0	0	0	180,769	16,269	495	0	495	197,533
Executive Directors											
Nicholas Abboud	515,193	0	1,200,000	0	42,574	1,757,767	15,064	989	0	989	1,773,819
Other Executive KMP											
Neil Merola	132,564	0	207,577	0	23,693	363,834	13,256	73	0	73	377,164
John Skellern	137,000	0	243,000	0	0	380,000	13,700	73	0	73	393,773
Tim Fawaz	132,567	0	188,226	0	14,183	334,976	13,257	73	0	73	348,306
Armando Pedruco	221,735	0	232,652	0	0	454,387	20,667	73	12,960	13,033	488,087
Total KMP	1,611,493	0	2,071,455	0	80,450	3,763,398	92,213	1,776	12,960	14,736	3,870,347

Notes:

- (i) Other includes motor vehicles and relocation expenses.
- (ii) Share-based payments represent the current year charge recognised in accordance with Australian Accounting Standards for options issued during the year and options granted prior to the IPO.
- (iii) 2013 amounts represent the 10 month period to 30 June 2013, including seven months of trading subsequent to the acquisition of DSE Holdings Pty Limited from Woolworths Limited.

REMUNERATION REPORT (AUDITED)

The following sets out the incentive achievement relative to target on the performance based component of remuneration.

	Performance based component of remuneration							
	Short-term employee benefits				Share-based payments			
	Target Potential STI		Actual STI		Maximum Potential LTI		Actual LTI	
	Bonus	% of total potential remuneration	Bonus	% of total remuneration	Options	% of total potential remuneration	Options	% of total actual remuneration
2014	\$		\$		\$		\$	
Executives								
Nick Abboud	\$1,875,000	48%	\$1,250,000	48%	\$716,505	19%	\$88,665	3%
Michael Potts	\$255,000	34%	\$170,000	12%	\$155,912	21%	\$19,293	1%
Neil Merola	\$225,000	34%	\$105,000	15%	\$137,569	21%	\$17,024	2%
John Skellern	\$255,000	34%	\$170,000	13%	\$155,912	21%	\$19,293	2%
Tim Fawaz	\$225,000	34%	\$0	0%	\$137,569	21%	\$0	0%
Armando Pedruco	\$255,000	34%	\$153,000	16%	\$155,912	21%	\$0	0%

Note: Share-based payments reflect the fair value of the securities granted, adjusted for non-market vesting conditions and amortised over the vesting period. Armando Pedruco was paid an additional STIP based on targets achieved prior to the Initial Public Offering.

Group share options plan

The Company has equity-based remuneration schemes for KMP and other executives. Under the provisions of the schemes, executives are granted options or performance rights to acquire ordinary shares in the Company at defined exercise prices (for options) or a zero exercise price (for performance rights). The options and performance rights issued in 2014 have the following features:

	Options	Performance rights
Issue price	Nil	Nil
Total issued	7,682,980	48,609
Issued to	KMP, senior executives	High potential staff
Exercise price	\$2.20	Nil
Performance conditions	Refer Section 4	Refer Section 4
Effective date	1 January 2014	1 January 2014
Vesting date	30 June 2016	30 June 2016
Expiry	Generally 1 year after vesting or on termination of employment (at Board's discretion)	Generally 1 year after vesting or on termination of employment (at Board's discretion)
Conversion	1:1 entitlement	1:1 entitlement

7. Executive KMP service agreements

Key details of the service agreement of Nick Abboud, Managing Director and CEO, is as follows:

- ongoing employment contract;
- contract may be terminated by Mr Abboud with 12 months' notice in writing and by the Company with six months' notice in writing or by making a payment in lieu of notice; and
- includes a restraint of trade for six months in respect of working at a competitor of Dick Smith and in respect of other matters eg solicitation, 12 months.

The key details of service agreements between the Company and Executive KMP during the year are set out below:

Name	Position	Contract Duration	Minimum notice period	
			Termination by Executive	Termination by Company
Nick Abboud	Managing Director and CEO	Ongoing	12 months	6 months
Michael Potts	Finance Director and CFO	Ongoing	6 months	6 months
Other Executive KMP			3 months	3 months

In no instance would a payment in lieu of notice exceed the termination payment limits set out in the *Corporations Act 2001* (Cth).

8. Details of Shares under Option

	Balance 30 June 2013	Converted to DSH Shares at time of IPO	Granted as compensation ¹	Lapsed	Balance 29 June 2014
Bill Wavish ²	2,500,000	(2,500,000)	0	0	0
Nick Abboud ³	5,000,000	(5,000,000)	1,726,519	0	1,726,519
Michael Potts	330,000	(330,000)	375,691	0	375,691
Mark Scott	0	0	0	0	0
Neil Merola	330,000	(330,000)	331,492	0	331,492
John Skellern	467,827	(467,827)	375,691	0	375,691
Former KMP					
Tim Fawaz	330,000	(330,000)	248,619	(248,619)	0
Armando Pedruco	330,000	(330,000)	375,691	(375,691)	0

1. These options were granted as part of the Long Term Incentive Plan.

2. Options granted at the date of acquisition and held as at 30 June 2013. These relate to Class B Preference Shares.

3. Options granted at the date of acquisition and held as at 30 June 2013.

All other executives held Class A Preference Shares.

Options converted to shares at the time of IPO relate to options held in Dick Smith Sub-holdings Pty Limited.

These were converted to ordinary Shares in Dick Smith Holdings Limited for each A and B Class Preference Share held in Dick Smith Sub-holdings Pty Limited. Refer to Section 9 for the shares in Dick Smith Holdings Limited issued under this arrangement. No KMP held vested options at the end of the year.

The following table details the options previously issued to KMP which lapsed during the year.

	No. of options lapsed	Grant date	Lapse date	Exercise price	Share price at lapse date
				\$	\$
Tim Fawaz	248,619	9 December 2013	18 February 2014	\$2.20	\$2.33
Armando Pedruco	375,691	9 December 2013	27 June 2014	\$2.20	\$1.93
	624,310				

9. KMP shareholding (number of shares)

2014	Balance at 30 June 2013	Converted to DSH Shares at the time of IPO	Acquired at time of IPO	Other movements	Balance at 29 June 2014	Balance held nominally
Name	No.	No.	No.	No.	No.	No.
Non-Executive Directors						
Phillip Cave AM	0	0	1,181,818	0	1,181,818	1,181,818
William Wavish	0	5,515,057	909,091	0	6,424,148	6,424,148
Lorna Raine	0	0	45,455	0	45,455	0
Robert Ishak	0	0	90,909	0	90,909	90,909
Executive Directors						
Nicholas Abboud	0	15,330,639	0	15,000	15,345,639	15,345,639
Michael Potts	0	727,988	18,182	0	746,170	18,182
Other Executive KMP						
Tim Fawaz	0	727,988	0	0	727,988	0
Armando Pedruco	0	727,988	0	0	727,988	0
Mark Scott	0	0	0	0	0	0
Neil Merola	0	727,988	136,364	(65,909)	798,443	70,455
John Skellern	0	1,032,037	45,455	0	1,077,492	45,455
	0	24,789,685	2,427,274	(50,909)	27,164,050	23,176,606

Notes:

Options converted to shares at the time of IPO relate to options held in Dick Smith Sub-holdings Pty Limited. They were converted to ordinary Shares in Dick Smith Holdings Limited for each A and B Class Preference Share held in Dick Smith Sub-holdings Pty Limited.

Michael Briggs resigned as a Non-Executive Director of Dick Smith Sub-holdings Pty Limited on the corporate re-organisation. As part of the IPO, he acquired 909,091 ordinary shares under the same conditions as ordinary investors.

10. Shares under option

Details of interests under option at 29 June 2014:

Employee	Grant Date	Effective Date	No. of options at 29 June 2014	Expiry Date	Exercise Price	Exercise Date	Maximum value of Award to vest (\$)	Fair Value per Option	Perfor- mance conditions
Executive Director									
Nick Abboud	9 Dec 13	1 Jan 14	863,260	30 Jun 17	\$2.20	30 Jun 16	310,773	\$0.36	TSR
	9 Dec 13	1 Jan 14	863,260	30 Jun 17	\$2.20	30 Jun 16	405,732	\$0.47	EPS
Key Management Personnel									
Michael Potts	9 Dec 13	1 Jan 14	187,846	30 Jun 17	\$2.20	30 Jun 17	67,624	\$0.36	TSR
	9 Dec 13	1 Jan 14	187,846	30 Jun 17	\$2.20	30 Jun 16	88,287	\$0.47	EPS
Neil Merola	9 Dec 13	1 Jan 14	165,746	30 Jun 17	\$2.20	30 Jun 17	59,669	\$0.36	TSR
	9 Dec 13	1 Jan 14	165,746	30 Jun 17	\$2.20	30 Jun 16	77,901	\$0.47	EPS
John Skellern	9 Dec 13	1 Jan 14	187,846	30 Jun 17	\$2.20	30 Jun 17	67,624	\$0.36	TSR
	9 Dec 13	1 Jan 14	187,846	30 Jun 17	\$2.20	30 Jun 16	88,287	\$0.47	EPS

The Group recognises the fair value at the grant date of equity settled securities above as an employee benefit expense proportionally over the vesting period with a corresponding increase in equity. Fair value is measured at grant date using a Monte-Carlo simulation option pricing model, performed by an independent valuer, and models the future share price of Dick Smith Holdings Limited shares. Non-market vesting conditions are determined with reference to the underlying financial or non-financial performance measures to which they relate. The total expense recognised during the year in relation to equity settled share-based payments under the LTIP and share right plans was \$320,405.

Key inputs to the pricing models include:

Volatility	34.6%;
Dividend yield	5.0%; and
Risk-free interest rate	2.95%.

No options or share rights were vested or exercisable as at 29 June 2014.

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The Board of Directors
Dick Smith Holdings Limited
2 Davidson Street
Chullora NSW 2190

18 August 2014

Dear Board Members

Dick Smith Holdings Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Dick Smith Holdings Limited.

As lead audit partner for the audit of the financial statements of Dick Smith Holdings Limited for the financial year ended 29 June 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely



DELOITTE TOUCHE TOHMATSU



David White
Partner
Chartered Accountants
Sydney

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Member of Deloitte Touche Tohmatsu Limited

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Independent auditor's report to the members of Dick Smith Holdings Limited

Report on the Financial Report

We have audited the accompanying financial report of Dick Smith Holdings Limited, which comprises the consolidated statement of financial position as at 29 June 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 47 to 84.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

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Member of Deloitte Touche Tohmatsu Limited

Deloitte

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

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Dick Smith Holdings Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Dick Smith Holdings Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 29 June 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 35 to 43 of the directors' report for the year ended 29 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Dick Smith Holdings Limited for the year ended 29 June 2014 complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



David White
Partner
Chartered Accountants
Sydney, 18 August 2014

DIRECTORS' DECLARATION

The Directors declare that:

- (a) in the Directors' opinion, there are reasonable grounds to believe that the Company and the consolidated entity will be able to pay its debts as and when they become due and payable;
- (b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001* (Cth), including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Company and the consolidated entity; and
- (c) in the Directors' opinion, the attached financial statements and notes thereto are in compliance with International Financial Reporting Standards as stated in Note 2 to the financial statements.

At the date of this declaration, the Company is within the class of companies affected by ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the Directors' opinion, there are reasonable grounds to believe that the Company and the companies to which the ASIC Class Order applies, will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

Signed in accordance with a resolution of the Directors made pursuant to s.295 (5) of the *Corporations Act 2001* (Cth).

On behalf of the Directors,



Phillip J Cave

Chairman

Sydney, 18 August 2014

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**CONSOLIDATED
STATEMENT OF
PROFIT OR LOSS
AND OTHER
COMPREHENSIVE
INCOME**

	Note	Year ended 29 June 2014 \$'000	10 month period ended 30 June 2013 \$'000
Revenue	3	1,227,604	791,385
Cost of sales		(919,602)	(606,988)
Gross profit		308,002	184,397
Other income	3	1,217	146,942
Marketing and sales costs		(130,544)	(104,692)
Occupancy and rental expenses	3	(79,257)	(46,374)
Administration costs		(45,173)	(35,747)
Finance costs		(2,854)	(2,311)
Other expenses	3	(22,710)	(3,472)
Profit before income tax (expense)/benefit		28,681	138,743
Income tax (expense)/benefit	5	(8,855)	1,447
Net profit for the period		19,826	140,190
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		3,522	2,798
Net fair value (loss)/gain on hedging instruments		(3,906)	3,496
Other comprehensive income, net of tax		(384)	6,294
Total comprehensive income for the period		19,442	146,484
Earnings per share			
Basic	13	\$0.08	\$0.59
Diluted	13	\$0.08	\$0.59

Notes to the financial statements are included on pages 53 to 84.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 29 June 2014 \$'000	As at 30 June 2013 \$'000
Current assets			
Cash and cash equivalents	15	29,944	46,538
Trade and other receivables	6	46,688	10,404
Inventories		253,814	170,796
Financial assets	19	–	5,633
Other current assets	7	5,460	7,834
Total current assets		335,906	241,205
Non-current assets			
Plant and equipment	8	78,764	60,259
Deferred tax assets	5	36,501	42,881
Total non-current assets		115,265	103,140
Total assets		451,171	344,345
Current liabilities			
Trade and other payables	9	247,691	153,299
Provisions	10	13,643	16,080
Financial liabilities	19	1,304	–
Current tax liabilities		11	–
Lease liabilities		1,368	–
Deferred income		2,790	2,908
Total current liabilities		266,807	172,287
Non-current liabilities			
Provisions	10	7,332	13,851
Lease liabilities		10,092	1,720
Total non-current liabilities		17,424	15,571
Total liabilities		284,231	187,858
Net assets		166,940	156,487
Equity			
Issued capital	11	346,111	10,000
Reserves	12	(339,187)	6,297
Retained earnings		160,016	140,190
Total equity		166,940	156,487

Notes to the financial statements are included on pages 53 to 84.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Issued capital \$'000	Retained earnings \$'000	Acquisition reserve \$'000	Employee Share reserve \$'000	Foreign exchange translation reserve \$'000	Cash flow hedge reserve \$'000	Share option reserve \$'000	Total \$'000
Balance at 30 June 2013		10,000	140,190	–	–	2,798	3,496	3	156,487
Profit for the year		–	19,826	–	–	–	–	–	19,826
Other comprehensive income	12	–	–	–	–	3,522	(3,906)	–	(384)
Total comprehensive income for the year		–	19,826	–	–	3,522	(3,906)	–	19,442
<i>Transactions with owners in their capacity as owners:</i>									
Issue of shares	11	346,111	–	–	–	–	–	–	346,111
Recognition of equity settled share based payments	12	–	–	–	5,694	–	–	317	6,011
Recognition of corporate reorganisation	12	(10,000)	–	(351,111)	–	–	–	–	(361,111)
Balance at 29 June 2014		346,111	160,016	(351,111)	5,694	6,320	(410)	320	166,940

	Note	Issued capital \$'000	Retained earnings \$'000	Foreign exchange translation reserve \$'000	Cash flow hedge reserve \$'000	Share option reserve \$'000	Total \$'000
Balance at 30 August 2012		–	–	–	–	–	–
Profit for the period		–	140,190	–	–	–	140,190
Other comprehensive income	12	–	–	2,798	3,496	–	6,294
Total comprehensive income for the period		–	140,190	2,798	3,496	–	146,484
<i>Transactions with owners in their capacity as owners:</i>							
Issue of shares	11	10,000	–	–	–	–	10,000
Recognition of equity settled share based payments	12	–	–	–	–	3	3
Balance at 30 June 2013		10,000	140,190	2,798	3,496	3	156,487

Notes to the financial statements are included on pages 53 to 84.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 29 June 2014 \$'000	10 month period ended 30 June 2013 \$'000
Cash flows from operating activities			
Receipts from customers		1,316,364	890,363
Payments to suppliers and employees		(1,261,131)	(772,397)
Interest and other costs of finance paid		(2,854)	(2,311)
Tax (paid)/received		(721)	858
Interest received		519	1,108
Net cash provided by operating activities	15(a)	52,177	117,621
Cash flows from investing activities			
Payments for plant and equipment		(30,523)	(2,492)
Proceeds on sale of plant and equipment		518	–
Payment for acquisition of business, net of cash acquired	15(b)	(24,000)	(78,591)
Net cash used in investing activities		(54,005)	(81,083)
Cash flows from financing activities			
Proceeds from issue of shares		343,611	10,000
Payment in relation to corporate reorganisation		(358,611)	–
Proceeds from borrowings		57,598	–
Repayment of borrowings		(57,598)	–
Net cash (used in)/provided by financing activities		(15,000)	10,000
Net (decrease)/increase in cash and cash equivalents		(16,828)	46,538
Effects of exchange rate changes on cash and cash equivalents		234	–
Cash and cash equivalents at the beginning of the period		46,538	–
Cash and cash equivalents at the end of the period		29,944	46,538

Notes to the financial statements are included on pages 53 to 84.

1. GENERAL INFORMATION

Dick Smith Holdings Limited ("the Company") is a company incorporated in Australia and listed on the Australian Securities Exchange. The company was incorporated on 25 October 2013. The financial statements of the company and its controlled entities (the "Group") for the year ended 29 June 2014 represents the 52 weeks to 29 June 2014. The comparative period represents the 10 months to 30 June 2013, including 7 months of trading. The address of its registered office and principal place of business are as follows:

Registered office and principal place of business

2 Davidson Street
Chullora NSW 2190

The Group's principal activity is that of operating consumer electronics retail stores and online throughout Australia and New Zealand.

Approval of financial statements

The financial statements were approved by the Board of Directors and authorised for issue on 18 August 2014.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the *Corporations Act 2001* (Cth), Accounting Standards and Interpretations, and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards ('IFRS').

Basis of preparation

The financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The company is a company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

On 4 December 2013 the shareholders of the Company and Dick Smith Sub-holdings Pty Limited undertook a corporate reorganisation process, through which Dick Smith Holdings Limited acquired Dick Smith Sub-holdings Pty Limited. This corporate reorganisation is classified as a common controlled transaction under AASB 3 *Business Combinations*, and is therefore not considered a business combination under this Standard.

As such, the corporate reorganisation has been treated in a similar fashion to a reverse acquisition, with Dick Smith Sub-holdings Pty Limited as the accounting acquirer and Dick Smith Holdings Limited as the accounting acquiree. No fair value adjustments are recognised on the acquisition and the financial report represents a continuation of Dick Smith Sub-holdings Pty Limited.

The Directors note that the accounting for transactions such as the internal restructure referred to above is currently being reviewed by international accounting standard setters and may be subject to change. The outcome of these deliberations, the timing of any decisions and whether any potential changes are retrospective or only prospective could mean that the financial reporting outcome may be different to that reported in these financial statements.

In the event that the transactions contemplated by the Offer were required to be recorded at fair value:

- the net assets of the Group would be equal to the market capitalisation of \$520.3 million;
- the reserves and retained profits would be reset to nil as a result of the transactions; and
- the Directors anticipate that the excess of the fair value compared to the book value of net assets of \$360.7 million would primarily be allocated to goodwill, trademarks, business names and other assets with indefinite life not requiring amortisation.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended accounting standards and interpretations

The Group has adopted all of the new and revised standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to their operations and effective for the current year. These include:

AASB 10 Consolidated Financial Statements (AASB 10); AASB 2011–7 Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards.

AASB 10 replaces the parts of AASB 127 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and Interpretation 112 *Consolidation – Special Purpose Entities*. AASB 10 changes the definition of control such that an investor controls an investee when:

- (a) it has power over an investee,
- (b) it is exposed, or has rights, to variable returns from its involvement with the investee, and
- (c) has the ability to use its power to affect its returns.

All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

AASB 11 Joint Arrangements and AASB 2011–7 Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards (AASB 11).

AASB 11 replaces AASB 131 *Interests in Joint Ventures*, and the guidance contained in a related interpretation, Interpretation 113 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*, and has been incorporated in AASB 128 (as revised in 2011).

Under AASB 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement.

AASB 12 Disclosure of Interests in Other Entities (AASB 12); and AASB 2011–7 Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards.

AASB 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of AASB 12 has resulted in more extensive disclosures in the consolidated financial statements.

There has been no impact on the classification of the Group's interests in other entities as a result of the adoption of AASB 10, AASB 11 or AASB 12 and related amendments.

AASB 119 Employee Benefits (2011) (AASB 19) and AASB 2011–10 Amendments to Australian Accounting Standards arising from AASB 119 (2011).

AASB 119 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur.

AASB 2011–4 Removal of individual KMP note disclosure requirement.

This standard removes the individual key management personnel disclosure requirements in AASB 124 *Related Party Disclosures*. As a result the key management personnel compensation disclosure is only required in total and for each of the categories required in AASB 124.

AASB 2012–2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities.

The amendments to AASB 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

AASB 2012–5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle.

The Annual Improvements to AASBs 2009 – 2011 have made a number of amendments to AASB's, none of which are applicable to the Group.

AASB 2012–9 Amendment to AASB 1048 arising from withdrawal of Australian Interpretation 1039.

This standard makes amendment to AASB 1048 *Interpretation of Standards* following the withdrawal of Australian Interpretation 1039 *Substantive Enactment of Major Tax Bills in Australia*.

AASB 2012–10 Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments.

This standard makes amendment to AASB 10 and various Australian Accounting Standards to revise the transition guidance on the initial application of those Standards. This standard also clarifies the circumstances in which adjustments to an entity's previous accounting for its involvement with other entities are required and the timing of such adjustments. The adoption of this amending standard does not have any material impact on the consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended accounting standards and interpretations (continued)

AASB CF 2013–1 *Amendments to the Australian conceptual framework*.

This amendment has incorporated IASB's Chapters 1 and 3 Conceptual Framework for Financial Reporting as an Appendix to the Australian Framework for the Preparation and Presentation of Financial Statements.

AASB 13 *Fair Value Measurement* and AASB 2011–8 *Amendments to Australian Accounting Standards arising from AASB 13*.

The Group has applied AASB 13 for the first time in the current year. AASB 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of AASB 13 is broad; the fair value measurement requirements of AASB 13 apply to both financial instrument items and non-financial instrument items for which other AASBs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of AASB 2 *Share-based Payments*, leasing transactions that are within the scope of AASB 117 *Leases*, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes). AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, AASB 13 includes extensive disclosure requirements. AASB 13 requires prospective application from 1 July 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by AASB 13 for the 2013 comparative period.

The Group's adoption of all of the new and revised standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current year has not had any material impact on the amounts recognised in the consolidated financial statements.

Application of new and revised Accounting Standards not yet effective

A number of Australian Accounting Standards and Interpretations are in issue but are not effective for the current period. The potential impact of these other Standards and interpretations has not yet been fully determined. The Group does not intend to adopt any of these announcements before their effective dates. These include:

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending on or around
AASB 9 <i>'Financial Instruments'</i> , and the relevant amending standards	1 January 2017	30 June 2018
IFRS 15 <i>Revenue</i>	1 January 2017	30 June 2018
AASB 1031 <i>Materiality (2013)</i>	1 January 2014	30 June 2015
AASB 2012–3 <i>Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities</i>	1 January 2014	30 June 2015
AASB 2013–3 <i>Amendments to AASB 135 – Recoverable Amount Disclosures for Non-Financial Assets</i>	1 January 2014	30 June 2015
AASB 2013–4 <i>Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting</i>	1 January 2014	30 June 2015
AASB 2013–9 <i>Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments</i>	1 January 2014	30 June 2015

Additionally, at the date of authorisation of the financial statements, the following IASB Standards and IFRIC Interpretations were also in issue but not yet effective, although Australian equivalent Standards and Interpretations have not yet been issued.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending on or around
<i>Annual Improvements to IFRSs 2010–2012 Cycle</i>	1 July 2014	30 June 2015
<i>Annual Improvements to IFRSs 2011–2013 Cycle</i>	1 July 2014	30 June 2015

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Judgements in the application of accounting standards

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The 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 if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements:

Impairment of inventories

Management has assessed the value of inventory that is likely to be sold below cost using past experience and judgement on the likely sell through rates of various items of inventory, and booked a provision for this amount. To the extent that these judgements and assumptions prove incorrect, the Group may be exposed to potential additional inventory write-downs or reversals in future periods. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Onerous leases

The onerous leases provision has been derived on the basis of the most recent assessment of the likely net unavoidable costs to the end of the lease term. Management have considered the future costs of the leases which can be determined with a high degree of accuracy. However, the future economic benefits expected to be received are based on forecasts. Detailed sensitivity analysis has been carried out on these calculations and the Directors are confident the liability is the best estimate of the net unavoidable costs.

Employee entitlements

Management judgement is applied in determining the key assumptions used in the calculation of long service leave at balance date. These key assumptions include future on cost rates, future increases in wages and salaries and historical experience of employee departures and period of service.

Business combinations

The consolidated entity has applied estimates and judgments in order to determine the fair value of assets acquired and liabilities and contingent liabilities assumed by way of a business combination.

The value of assets and liabilities recognised at the acquisition date are recognised at fair value. In determining fair value the Group has utilised valuation methodologies including replacement cost. The assumptions made in performing these valuations include assumptions as to cost per square metre, future operating costs and foreign exchange rates.

Impairment of assets

Determining whether plant and equipment is impaired requires an estimation of the value in use or fair value of the cash-generating units. The calculations require the Group to estimate future cash flows expected to arise from cash generating units and suitable discount rates in order to calculate the present value of cash generating units. Estimates and assumptions applied are reviewed on an ongoing basis.

Useful lives of plant and equipment

As described in Note 2 (l), the Group reviews the estimated useful lives of plant and equipment at the end of each reporting period.

Share options

Management uses judgement in selecting an appropriate valuation technique for share options. The Group recognises the fair value at the grant date of equity settled options as an employee benefit expense proportionally over the vesting period with a corresponding increase in equity. Fair value is measured at grant date using a Monte-Carlo simulation option pricing model performed by an independent valuer which models the future security price. A change to inputs into the valuation model would result in a change to the fair value of the share options granted.

Valuation of financial instruments

As described in Note 19, the Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Note 19 provide detailed information about the key assumptions used in the determination of the fair value of financial instruments, as well as the detailed sensitivity analysis for these assumptions.

The Directors believe that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Judgements in the application of accounting standards (continued)

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company and its subsidiaries. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expense of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

(b) Corporate reorganisation

On 4 December 2013 the shareholders of the Company and Dick Smith Sub-holdings Pty Limited undertook a corporate reorganisation process, through which Dick Smith Holdings Limited acquired Dick Smith Sub-holdings Pty Limited. This corporate reorganisation is classified as a common controlled transaction under AASB 3 *Business Combinations*, and is therefore not considered a business combination under this Standard.

As such, the corporate reorganisation has been treated in a similar fashion to a reverse acquisition, with Dick Smith Sub-holdings Pty Limited as the accounting acquirer and Dick Smith Holdings Limited as the accounting acquiree. No fair value adjustments are recognised on the acquisition and the financial report represents a continuation of Dick Smith Sub-holdings Pty Limited.

Accordingly, this annual financial report represents the year ended 29 June 2014 including the financial results for the consolidated group under Dick Smith Holdings Limited for the period 4 December 2013 to 29 June 2014, and the consolidated group under Dick Smith Sub-holdings Pty Limited for the period 1 July 2013 to 4 December 2013. The comparative information presented in the financial report represents the financial position of Dick Smith Sub-holdings Pty Limited as at 30 June 2013, and the financial performance of Dick Smith Sub-holdings Pty Limited for the 10 month period from the date of incorporation of Dick Smith Sub-holdings Pty Limited (30 August 2012) to 30 December 2012, including seven months of trading.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with AASB 112 *'Income Taxes'* and AASB 119 *'Employee Benefits'* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with AASB 2 *'Share-based Payment'* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 *'Non-current Assets Held for Sale and Discontinued Operations'* are measured in accordance with that Standard.

Discount on acquisition is measured as the excess of the fair value of the net acquisition-date amounts of the identifiable assets acquired and the liabilities assumed over the amount of consideration transferred.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another Standard.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against discount on acquisition. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with AASB 139 *'Financial Instruments'*, or AASB 137 *'Provisions, Contingent Liabilities and Contingent Assets'*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

(d) Revenue recognition

In general, revenue is recognised only when it is probable that the economic benefits comprising the revenue will flow to the entity, the flow can be reliably measured and the entity has transferred the significant risks and rewards of ownership.

In addition to these general criteria specific revenue recognition criteria applies.

Sales revenue represents the revenue earned from the provision of products to parties external to the Group. Sales revenue is only recognised when the significant risks and rewards of ownership of the products, including possession, have passed to the buyer and for services when a right to be compensated has been attained and the stage of completion of the contract can be reliably measured.

Revenue from the sale of customer gift cards is recognised when the card is redeemed and the customer purchases the goods by using the card. Revenue is also recognised when the gift card expires.

Interest revenue is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Leasing

Operating leases – as a lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as deferred revenue. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(f) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Warranties

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products, at the Directors' best estimate of the expenditure required to settle the Group's obligation.

(g) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- (i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- (ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

(h) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave, when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

(i) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Foreign currencies

The financial statements of the Group are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the financial statements, the results and financial position of the Group are expressed in Australian dollars ('\$'), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- (i) exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- (ii) exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the investment.

The assets and liabilities of the Group's foreign operations are expressed in Australian dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at monthly exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

(k) Taxation

Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax assets are generally recognised for all deductible temporary differences and tax losses to the extent that it is probable that taxable profits will be available against which those deductible temporary differences and tax losses can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Taxation (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Tax consolidation

Dick Smith Holdings Limited ("the Company") and its wholly-owned Australian controlled entities have formed an income tax consolidated group under the Australian tax consolidation regime. The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

(l) Plant and equipment

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The following useful lives are used in the calculation of depreciation:

- | | |
|----------------------------|------------|
| (a) Leasehold improvements | 5–10 years |
| (b) Plant and equipment | 5–10 years |
| (c) IT Equipment | 3–5 years |

The gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(m) Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs include the purchase price of goods as well as transport, handling and other costs directly attributable to the acquisition of inventory less any applicable rebates and settlement discounts. Net realisable value represents the estimated selling price for inventories less all costs necessary to make the sale.

(o) Financial assets

The Group classifies its financial assets in the following categories: fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss where the financial asset:

- (i) has been acquired principally for the purpose of selling in the near future;
- (ii) is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- (iii) is a derivative that is not designated and effective as a hedging instrument.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Fair values of financial assets

The fair values of financial assets measured at fair value are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- the fair value of other financial assets (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and
- the fair value of derivative instruments are calculated using quoted prices.

Where such prices are not available use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

Impairment of financial assets

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired for all financial assets other than those at fair value through profit or loss.

(p) Derivative financial instruments

The Group enters into foreign exchange forward contracts to manage its exposure to foreign exchange rate risk.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date.

Hedge accounting

The Group designates certain hedging instruments, which include derivatives, and non-derivatives in respect of foreign currency risk, as cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Derivative financial instruments (continued)

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

(q) Parent company information

Financial information for the parent entity, Dick Smith Holdings Limited, disclosed in Note 16, has been prepared on the same basis as the consolidated financial statements, with the exception of investments in subsidiaries which are carried at historical cost.

3. PROFIT BEFORE INCOME TAX

Profit before income tax includes the following items of income and expense:

	Year ended 29 June 2014 \$'000	10 month period ended 30 June 2013 \$'000
(a) Revenue and other income		
Revenue from the sale of goods	1,227,604	791,385
Other income		
Interest income	519	1,033
Discount on acquisition (Note 20(c))	–	145,848
Net gain on foreign exchange	16	13
Gain on sale of fixed assets	358	–
Other income	324	48
Total other income	1,217	146,942
(b) Expenses		
Depreciation, amortisation and impairment	12,847	7,295
Occupancy and rental expenses		
Leased premises and equipment		
Straight lining of rental amounts	2,522	1,759
Utilisation/write back of onerous lease provision	(6,943)	(1,457)
Minimum lease payments	73,192	40,527
Rental outgoings	10,486	5,545
Total occupancy and rental expenses	79,257	46,374
Other expenses		
Costs associated with initial public offering	22,328	–
Acquisition costs	–	3,266
Other expenses	382	206
Total other expenses	22,710	3,472
Included in expenses are employee benefits as listed below:		
Employee benefits expense		
Post-employment benefits	2,982	5,142
Equity-settled share-based payments	4,728	3
Other employee benefits	126,680	88,494
Total employee benefits expense	134,390	93,639

4. SEGMENT INFORMATION

The Group's principal activity is that of operating consumer electronics retail stores throughout Australia and New Zealand. There are two reportable segments where the chief operating decision maker receives information for the purposes of resource allocation and assessment of segment performance, these are: Dick Smith Australia and Dick Smith New Zealand. These reportable segments both operate similar business in the two principal geographical areas: Australia (country domicile) and New Zealand.

Year ended 29 June 2014	Dick Smith Australia \$'000	Dick Smith New Zealand \$'000	Unallocated ⁽ⁱ⁾ \$'000	Total \$'000
Revenue from the sale of goods	1,048,583	179,021	–	1,227,604
Other income	602	59	37	698
Total revenue	1,049,185	179,080	37	1,228,302
Cost of sales	(785,406)	(134,196)	–	(919,602)
Operating expenses	(208,153)	(34,356)	(22,328)	(264,837)
EBITDA	55,626	10,528	(22,291)	43,863
Depreciation and impairment expense	(10,758)	(2,089)	–	(12,847)
Net interest income/(expense)	(2,307)	(28)	–	(2,335)
Income tax (expense)/benefit	(10,308)	(5,246)	6,699	(8,855)
Net profit/(loss) for the period	32,253	3,165	(15,592)	19,826
Capital expenditure	28,801	1,689	33	30,523
Segment assets and liabilities				
Assets	392,704	58,406	61	451,171
Liabilities	(274,220)	(9,987)	(24)	(284,231)
10 month period ended 30 June 2013				
Revenue from the sale of goods	653,825	137,560	–	791,385
Other income	20	41	145,848	145,909
Total revenue	653,845	137,601	145,848	937,294
Cost of sales	(497,365)	(109,623)	–	(606,988)
Operating expenses	(153,487)	(26,308)	(3,270)	(183,065)
EBITDA	2,993	1,670	142,578	147,241
Depreciation	(5,441)	(1,854)	–	(7,295)
Net interest income/(expense)	1,020	88	(2,311)	(1,203)
Income tax benefit	1,171	66	210	1,447
Net profit/(loss) for the period	(257)	(30)	140,477	140,190
Capital expenditure	2,045	447	–	2,492
Segment assets and liabilities				
Assets	280,408	63,937	–	344,345
Liabilities	(165,141)	(22,717)	–	(187,858)

(i) Unallocated items for the year ended 29 June 2014 relate to the IPO costs in relation to Dick Smith Holdings Limited and revenue in relation to Dick Smith (HK) Limited. Unallocated items for the 10 month period ended 30 June 2013 relate to the discount on acquisition and other non-trading costs in relation to the acquisition of DSE Holdings Pty Limited. Unallocated capital expenditure, asset and liabilities for the year ended 29 June 2014 relate to Dick Smith (HK) Limited.

No single customer contributed 5% or more to the Group's revenue for the year ended 29 June 2014 or the 10 month period ended 30 June 2013.

5. INCOME TAX EXPENSE

	29 June 2014 \$'000	30 June 2013 \$'000
Income tax expense (benefit) calculated at 30% recognised in profit or loss		
Current tax		
Current tax expense/(benefit)	10,122	(11,629)
Deferred tax (benefit)/expense	(1,267)	10,182
	8,855	(1,447)
The income tax expense for the year is reconciled to the accounting profit as follows:		
Profit before income tax expense	28,681	138,743
Tax at the Australian tax rate of 30%	8,604	41,623
Tax effect of amounts in calculating taxable income:		
– Discount on acquisition (non assessable)	–	(43,754)
– Allocable cost adjustment on entry into tax consolidated group	(3,993)	–
– Tax losses written off relating to New Zealand subsidiary on change of ownership	3,193	–
– Statutory income tax differential on New Zealand subsidiary	(179)	(69)
– Other non-deductible expenses	1,230	753
Income tax expense/(benefit)	8,855	(1,447)

Deferred tax assets and liabilities are attributable to the following:

As at 29 June 2014	Opening balance \$'000	Acquired ⁽ⁱⁱ⁾ \$'000	Charged to Equity \$'000	Credited (charged) to Income ⁽ⁱⁱⁱ⁾ \$'000	Closing balance \$'000
Temporary differences					
Provision for doubtful debts	703	–	–	(489)	214
Inventory provisions	3,179	–	–	(655)	2,524
Financial assets	(1,690)	–	1,690	–	–
Financial liabilities	–	–	171	–	171
Plant and equipment	15,776	–	–	(2,518)	13,258
Employee provisions	3,492	12	–	1,496	5,000
Lease liabilities including provisions	4,121	–	–	1,304	5,425
Deferred income	746	–	–	140	886
Other provisions and accruals	4,093	–	–	(2,846)	1,247
Deferred black hole expenditure	–	–	–	5,437	5,437
	30,420	12	1,861	1,869	34,162
Tax losses⁽ⁱ⁾	12,461	–	–	(10,122)	2,339
Total	42,881	12	1,861	(8,253)	36,501

(i) There is \$2,339,000 of tax losses recorded on the consolidated statement of financial position at 29 June 2014. The Board have concluded that there is sufficient evidence to estimate a base level of recurring taxable profit for the next financial year and the likelihood of these tax losses continuing to be available to offset future taxable income.

(ii) Acquired amount represent the deferred tax asset in relation to the leave liabilities acquired under David Jones' retail brand management agreement.

(iii) Net of \$602,000 due to changes in foreign denominated deferred tax balances.

5. INCOME TAX EXPENSE (continued)

As at 30 June 2013	Opening balance \$'000	Acquired \$'000	Charged to Equity \$'000	Credited (charged) to Income \$'000	Closing balance \$'000
Temporary differences					
Provision for doubtful debts	–	1,588	–	(885)	703
Inventory provisions	–	15,359	–	(12,180)	3,179
Financial assets	–	–	(1,690)	–	(1,690)
Plant and equipment	–	17,585	–	(1,809)	15,776
Employee provisions	–	4,000	–	(508)	3,492
Lease liabilities including provisions	–	4,066	–	55	4,121
Deferred income	–	696	–	50	746
Other provisions and accruals	–	(1,002)	–	5,095	4,093
	–	42,292	(1,690)	(10,182)	30,420
Tax losses⁽ⁱ⁾	–	–	–	12,461	12,461
Total	–	42,292	(1,690)	2,279	42,881

(i) There is \$12,461,000 of tax losses recorded on the consolidated statement of financial position at 30 June 2013. The Directors concluded at 30 June 2013 that there was sufficient evidence to estimate a base level of recurring taxable profit in future periods and the likelihood of these tax losses continuing to be available to offset future taxable income.

Tax amounts recognised in equity

	29 June 2014 \$'000	30 June 2013 \$'000
Deferred tax recognised on hedging instruments and hedged payables	(171)	1,690

Franking credits

No franking credits are available for franked dividends in subsequent periods.

6. TRADE AND OTHER RECEIVABLES

	29 June 2014 \$'000	30 June 2013 \$'000
Trade receivables	9,184	3,396
Provision for trade receivables	(200)	(363)
	8,984	3,033
Other receivables	38,221	9,351
Provision for other receivables	(517)	(1,980)
	37,704	7,371
Total trade and other receivables	46,688	10,404

The average credit period on account sales of goods is 30 days. No interest is charged on trade receivables. An allowance has been estimated for unrecoverable amounts arising from a review of individual debtors.

Other receivables relate primarily to amounts due from vendors. The average credit period for vendor receivables is 30 days. No interest is charged on these receivables. An allowance has been estimated for unrecoverable amounts arising from a review of individual debtors.

NOTES TO THE FINANCIAL STATEMENTS

6. TRADE AND OTHER RECEIVABLES (continued)

The Group has not impaired all debts that are past due at the reporting date as the Group considers the majority of these amounts to be recoverable. During the year ended 29 June 2014, \$9,818 of bad debts were written off. During the 10 month period ended 30 June 2013, \$77,550 of bad debts were written off.

As at 29 June 2014	Current \$'000	30-60 \$'000	60-90 \$'000	90+ \$'000	Total \$'000
Trade and other receivables	39,479	3,654	3,208	1,064	47,405
Provision	(147)	(301)	(100)	(169)	(717)
	39,332	3,353	3,108	895	46,688

Total trade and other receivables past due but not considered impaired amount to: \$7,356,023 for balances over 30 days. Payment terms on these amounts have not been renegotiated. Management are satisfied that payment will be received in full.

As at 30 June 2013	Current \$'000	30-60 \$'000	60-90 \$'000	90+ \$'000	Total \$'000
Trade and other receivables	10,526	837	779	605	12,747
Provision	(433)	(536)	(776)	(598)	(2,343)
	10,093	301	3	7	10,404

Total trade and other receivables past due but not considered impaired amount to: \$310,523 for balances over 30 days. Payment terms on these amounts have not been renegotiated. Management are satisfied that payment will be received in full.

7. OTHER CURRENT ASSETS

	29 June 2014 \$'000	30 June 2013 \$'000
Prepayments	3,439	6,534
Current tax prepayment	2,021	1,300
	5,460	7,834

8. PLANT AND EQUIPMENT

	Plant and equipment at cost \$'000	Leasehold improvement at cost \$'000	IT equipment at cost \$'000	Total \$'000
Cost				
Opening balance at 30 June 2013	48,540	17,063	1,951	67,554
Additions	25,893	1,730	2,900	30,523
Disposals	(1,642)	(365)	(43)	(2,050)
Foreign exchange differences	1,133	83	55	1,271
Balance at 29 June 2014	73,924	18,511	4,863	97,298
Accumulated depreciation, amortisation and impairment				
Opening balance at 30 June 2013	(4,965)	(1,912)	(418)	(7,295)
Depreciation amortisation and impairment	(8,859)	(3,151)	(837)	(12,847)
Disposals	1,634	218	38	1,890
Foreign exchange differences	(194)	(76)	(12)	(282)
Balance at 29 June 2014	(12,384)	(4,921)	(1,229)	(18,534)
Net book value at 29 June 2014	61,540	13,590	3,634	78,764

8. PLANT AND EQUIPMENT (continued)

	Plant and equipment at cost \$'000	Leasehold improvement at cost \$'000	IT equipment at cost \$'000	Total \$'000
Cost				
Opening balance	-	-	-	-
Additions through acquisition	46,234	16,649	1,796	64,679
Additions	2,082	270	140	2,492
Disposals	(175)	-	-	(175)
Foreign exchange differences	399	144	15	558
Balance at 30 June 2013	48,540	17,063	1,951	67,554
Accumulated depreciation, amortisation and impairment				
Opening balance	-	-	-	-
Depreciation, amortisation and impairment	(4,965)	(1,912)	(418)	(7,295)
Balance at 30 June 2013	(4,965)	(1,912)	(418)	(7,295)
Net book value at 30 June 2013	43,575	15,151	1,533	60,259

9. TRADE AND OTHER PAYABLES

	29 June 2014 \$'000	30 June 2013 \$'000
Trade payables	217,310	73,537
Accruals	17,434	23,548
Other payables	12,928	9,502
Related party payable ⁽ⁱ⁾	19	46,712
	247,691	153,299

(i) The related party payable amount of \$19,479 for FY14 relates to the amount payable to Anchorage Partners who are a related party by virtue of owning 20% of Dick Smith Holdings Limited as at 29 June 2014. The related party payable amount of \$46,712,120 for FY13 relates to the amount payable to Woolworths Limited who were a related party at 30 June 2013 by virtue of its ownership of DSE Holdings Pty Limited prior to 26 November 2012.

The average credit period on purchases of goods and services is 30–45 days. No interest is charged on trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

10. PROVISIONS

	29 June 2014 \$'000	30 June 2013 \$'000
Current		
Employee benefits ⁽ⁱ⁾	7,494	7,650
Onerous contracts ⁽ⁱⁱ⁾	1,648	2,536
Other provision ⁽ⁱⁱⁱ⁾	4,501	5,894
	13,643	16,080
Non-current		
Employee benefits ⁽ⁱ⁾	2,535	3,477
Onerous contracts ⁽ⁱⁱ⁾	4,245	9,834
Other provision ⁽ⁱⁱⁱ⁾	552	540
	7,332	13,851

Movement in each class of provision during the financial year are set out below:

	Employee benefits ⁽ⁱ⁾ \$'000	Onerous contracts ⁽ⁱⁱ⁾ \$'000	Other provisions ⁽ⁱⁱⁱ⁾ \$'000	Total \$'000
Balance at 30 June 2013	11,127	12,370	6,434	29,931
Additional provisions	8,198	–	2,506	10,704
Utilisation/derecognition of provisions	(9,434)	(6,943)	(3,929)	(20,306)
Foreign exchange differences	99	466	42	607
Acquired ^(iv)	39	–	–	39
Balance at 29 June 2014	10,029	5,893	5,053	20,975

	Employee benefits ⁽ⁱ⁾ \$'000	Onerous contracts ⁽ⁱⁱ⁾ \$'000	Other provisions ⁽ⁱⁱⁱ⁾ \$'000	Total \$'000
Opening balance	–	–	–	–
Acquired through acquisition	12,912	13,374	366	26,652
Additional provisions	4,871	–	6,431	11,302
Utilisation/derecognition of provisions	(6,760)	(1,418)	(369)	(8,547)
Foreign exchange differences	104	414	6	524
Balance at 30 June 2013	11,127	12,370	6,434	29,931

(i) The provision for employee benefits represents annual leave and vested long service leave entitlements accrued. Total employee expenses relating to the entitlements charged to the income statement was \$8,198,254 (2013: \$4,871,227).

(ii) The provision for onerous contracts relates to vacant floor space at trading stores, along with store leases where the costs of meeting the lease obligations exceed the economic benefits attributable to the Group relating to these stores.

(iii) Other provisions primarily relates to the provision for vendor disputes and warranty claims.

(iv) Acquired balances represent leave liabilities acquired under David Jones' retail brand management agreement.

11. ISSUED CAPITAL

	29 June 2014 \$'000	30 June 2013 \$'000
236,511,364 fully paid ordinary shares		
(2013: 100,000,000 fully paid ordinary shares)	346,111	10,000
Movement in issued capital		
Opening balance	10,000	–
100,000,000 fully paid ordinary shares issued on 30 August 2012	–	10,000
236,511,364 fully paid ordinary shares issued on 4 December 2013	346,111	–
Corporate reorganisation adjustment ⁽ⁱ⁾	(10,000)	–
	346,111	10,000

(i) In accordance with the corporate reorganisation policy described in Note 2, issued capital recognised represents the equity of the legal subsidiary, Dick Smith Sub-holdings Pty Limited in the period before the corporate reorganisation. Subsequent to the corporate reorganisation, issued capital represents the issued capital of the legal acquirer, Dick Smith Holdings Limited.

An adjustment is recognised at the date of the corporate reorganisation to adjust the value of issued capital corresponding to the issued capital of Dick Smith Sub-holdings Pty Limited. See Note 17 for further information regarding the corporate reorganisation.

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value. Fully paid ordinary shares carry one vote per share and carry the right to dividends.

12. RESERVES

	29 June 2014 \$'000	30 June 2013 \$'000
Cash flow hedge reserve (i)	(410)	3,496
Foreign exchange translation reserve (ii)	6,320	2,798
Share option reserve (iii)	320	3
Employee share reserve (iv)	5,694	–
Acquisition reserve (v)	(351,111)	–
	(339,187)	6,297

(i) Cash flow hedge reserve

	29 June 2014 \$'000	30 June 2013 \$'000
Opening balance	3,496	–
Net movement in fair value of hedged instruments	(5,767)	5,186
Deferred tax	1,861	(1,690)
	(410)	3,496

The cash flow hedge reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments which are designated as cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments are recognised and accumulated in the cash flow hedging reserve and will be realised at the time of settlement included as an adjustment to the non-financial hedged item, being purchases of inventories denominated in foreign currencies.

12. RESERVES (continued)

(ii) Foreign exchange translation reserve

	29 June 2014 \$'000	30 June 2013 \$'000
Opening balance	2,798	–
Exchange differences relating to translation of foreign operations	3,522	2,798
	6,320	2,798

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve.

(iii) Share option reserve

	29 June 2014 \$'000	30 June 2013 \$'000
Opening balance	3	–
Share options granted to employees	3,906	3
Amounts received and receivable on exercise of share options	1,283	–
Amount reclassified to profit and loss on cancellation of options	(118)	–
Exercised options transferred to employee share reserve	(4,754)	–
	320	3

The previous equity-settled employee benefits reserve relates to share options/rights granted by the company to its employees under its employee share option/right plan. Items included in equity-settled employee benefits reserve will not be reclassified subsequently to profit or loss.

Prior to initial public offering

A and B Class Preference Shares granted provided participants with an equity-based incentive, subject to participants remaining with the Group until at least a specified entitlement date. Participants shared in the proceeds of the float of the Group on the Australian Securities Exchange (ASX) on 4 December 2013, at which time the options were exercised and ordinary share capital of Dick Smith Holdings Limited issued.

	Options granted	Grant date	Ex price	Share price at grant date	Fair value at grant date \$	Options exercised	Options cancelled ^(a)
A Class (mgmt. tranche 1)	5,000,000	26 Nov 2012	10c	10c	1,707	5,000,000	–
B Class	2,500,000	26 Nov 2012	10c	10c	854	2,500,000	–
A Class (mgmt. tranche 2)	5,000,000	15 Apr 2013	10c	10c	1,750,000	4,662,174	337,826
A Class (mgmt. tranche 3)	667,826	30 Sep 2013	10c	\$2.75	1,836,522	667,826	–
	13,167,826				3,589,083	12,830,000	337,826

(a) Certain options were cancelled due to the resignation of employees prior to the vesting date.

A and B Class Preference Shares granted participants with an equity-based incentive, subject to participants remaining with the Group until at least a specified entitlement date. This provided participants with a share of the proceeds of the listing of the Dick Smith business on the Australian Securities Exchange, subject to the proceeds exceeding a hurdle amount.

The Group recognised the fair value at the grant date of equity settled options above as an employee benefit expense proportionally over the vesting period with a corresponding increase in equity. Fair value was measured at grant date using a Monte-Carlo simulation option pricing model performed by an independent valuer which modelled the future security price and therefore the possible proceeds from a future sale or stock exchange listing of the Dick Smith business. The total expense recognised during the year in relation to the pre-IPO share based payments is \$4,407,749.

12. RESERVES (continued)

(iii) Share option reserve (continued)

Subsequent to initial public offering

Dick Smith Holdings Limited granted certain Directors and management options in the Company with an effective date of 1 January 2014 as part of its Long Term Incentive Plan (LTIP). The first tranche of options were granted to management with a performance period of 1 January 2014 to 30 June 2016 (Performance Period) and an exercise period of 1 July 2016 to 30 June 2017. The options have a strike price of \$2.20 and are subject to meeting three exercise conditions:

1. Total Shareholder Return (TSR) (50% weighting)

The TSR from the date of its ASX listing will be assessed against the relative performance of the constituent companies in the S&P/ASX 300 Index and the S&P/ASX 300 Consumer Discretionary Index (weighted 50% each) over the Performance Period. If the Company is in the top 50% to 75% of its peers, then the percentage that vests increases at a pro rata rate from 50% to 100% respectively. If the Company's TSR falls below 50% of its peers, no amount options will vest.

2. Earnings Per Share (EPS) (50% weighting)

The EPS hurdle condition is based on the Company achieving at least 7.5% compound annual growth in EPS up to 12.5%. The percentage that vests increases at a pro rata rate of 20% at 7.5% up to 100% at 12.5%. If the EPS performance is below 7.5%, no options will vest.

3. Volume Weighted Average Price (VWAP) (Price hurdle)

Neither the EPS or the TSR options will not vest unless at the time of satisfaction of all other performance criteria or hurdles, the VWAP of shares traded on the ASX calculated over the last five trading days on which sales in the Shares are recorded, is 105% or more of the exercise price, or such other percentage as determined by the Board. In certain circumstances, employees are granted share rights in order to encourage longevity of employment for key employees. These rights are subject to the same performance conditions as the LTIP share options, with the exception of the Price hurdle noted above.

The details of equity-settled securities are noted below:

	Options granted	Grant date	Ex price	Share price at grant date	Fair value at grant date	Options exercised	Options cancelled ^(a)
LTIP share options	7,682,980	9 Dec 2013	\$2.20	\$2.30	3,181,906	–	1,482,894
Share rights	48,609	9 Dec 2013	\$2.20	\$2.30	93,004	–	–
	7,731,589				3,274,910	–	1,482,894

(a) Certain options were cancelled due to the resignation of employees prior to the vesting date.

The Group recognises the fair value at the grant date of equity settled securities above as an employee benefit expense proportionally over the vesting period with a corresponding increase in equity. Fair value is measured at grant date using a Monte-Carlo simulation option pricing model, performed by an independent valuer, and models the future share price of Dick Smith Holdings Limited shares. Non-market vesting conditions are determined with reference to the underlying financial or non-financial performance measures to which they relate. The total expense recognised during the year in relation to equity settled share-based payments under the LTIP and share right plans was \$320,405.

Key inputs to the pricing models include:

Volatility	34.6%
Dividend yield	5.0%
Risk-free interest rate	2.95%

No options or share rights were vested or exercisable as at 29 June 2014.

(iv) Employee share reserve

	29 June 2014 \$'000	30 June 2013 \$'000
Opening balance	–	–
Shares issued under Employee Award Offer ^(a)	940	–
Transfers from share option reserve ^(b)	4,754	–
	5,694	–

(a) As part of the listing on the Australian Securities Exchange, the Company granted 427,500 shares to employees for no consideration, which were recognised in profit and loss at their fair value at grant date of \$2.20 per share on 4 December 2013.

(b) Employee share options which were exercised during the year have been transferred into the employee share reserve. See Note 12 (iii) for details.

12. RESERVES (continued)

(v) Acquisition reserve

	29 June 2014 \$'000	30 June 2013 \$'000
Opening balance	–	–
Proceeds from issue of shares in legal acquirer	(343,611)	–
Return of capital to shareholders of accounting acquirer	(15,000)	–
Equity retained by shareholders of accounting acquirer	(2,500)	–
Adjustment to share capital of accounting acquirer	10,000	–
	(351,111)	–

Under the corporate reorganisation policy described in Note 2, the proceeds of shares issued by the legal acquirer (Dick Smith Holdings Limited) as part of the float, and the equity retained by the shareholders of the accounting acquirer (Dick Smith Sub-holdings Pty Limited) are recognised in the acquisition reserve.

An adjustment is then made to issued capital to eliminate the issued capital recognised in the accounting acquirer immediately before the corporate reorganisation. See Note 17 for further information regarding the corporate reorganisation.

13. EARNINGS PER SHARE

		12 month period ended 29 June 2014	10 month period ended 30 June 2013
Basic earnings per share		\$0.08	\$0.59
Diluted earnings per share		\$0.08	\$0.59
Profit after tax	\$'000	19,826	140,190
Weighted average number of shares used in the calculation of:			
– Basic earnings per share	No. of shares	236,511,364	236,511,364
– Diluted earnings per share	No. of shares	236,538,339	236,511,364

Weighted average number of ordinary shares outstanding during the current period has been calculated using:

- the number of ordinary shares outstanding from the beginning of the current period to the acquisition date computed on the basis of the weighted average number of ordinary shares of Dick Smith Sub-holdings Pty Limited (accounting acquirer) outstanding during the period multiplied by the exchange ratio established in the reorganisation agreement; and
- the number of ordinary shares outstanding from the acquisition date to the end of the period being the actual number of ordinary shares of Dick Smith Holdings Limited (the accounting acquiree) outstanding during that period.

The basic earnings per share for the comparative period before the acquisition date presented in the consolidated financial statements has been calculated using Dick Smith Sub-holdings Pty Limited's historical weighted average number of shares outstanding multiplied by the exchange ratio established in the reorganisation agreement.

7,682,980 potential ordinary shares are anti-dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted earnings per share.

14. OPERATING LEASE ARRANGEMENTS

Operating leases relate to leases of stores with lease terms of between 5 and 10 years. The majority of operating lease contracts over 5 years contain clauses for yearly market rental reviews or fixed percentage increases. The Group does not have an option to purchase the leased property at the expiry of the lease term.

	29 June 2014 \$'000	30 June 2013 \$'000
Non-cancellable operating lease payments		
No longer than 1 year	69,829	63,078
Longer than 1 year and not longer than 5 years	181,957	174,021
Longer than 5 years	28,003	39,490
	279,789	276,589

At 29 June 2014, there is \$5,737,692 (2013:\$5,944,863) of bank guarantees outstanding in relation to operating leases.

15. CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and in banks and other financial institutions, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

	29 June 2014 \$'000	30 June 2013 \$'000
Cash on hand	792	841
Cash at bank	29,152	45,697
	29,944	46,538

(a) Reconciliation of profit for the period to net cash flows from operating activities

Profit for the period after tax	19,826	140,190
Depreciation and amortisation of non-current assets	12,110	7,295
Discount on acquisition	–	(145,848)
Impairment of fixed assets	737	–
Profit on sale of fixed assets	(358)	–
Other non-cash movements in fixed assets	(1,223)	(383)
Movement in working capital ⁽ⁱ⁾ :		
(Decrease)/increase in trade and other receivables	(36,283)	18,747
(Decrease)/increase in inventories	(85,281)	141,279
(Decrease)/increase in other current assets	10,269	(11,873)
(Decrease)/increase in deferred tax	6,380	(589)
Increase/(decrease) in current payables, net of deferred consideration payable	118,391	(45,402)
Increase in current provisions	3,190	11,367
Increase in other current liabilities	2,565	2,908
Increase/(decrease) in non-current liabilities	1,854	(70)
Net cash generated by operating activities	52,177	117,621

(i) Movements in working capital are net of movements due to acquisition of business in the comparative period.

(b) Acquisition of business

On 26 November 2012, Dick Smith Sub-holdings Pty Limited acquired 100% of the share capital of DSE Holdings Pty Limited ("Dick Smith") trading as Dick Smith the online and store retailer for \$115,208,000.

	29 June 2014 \$'000	30 June 2013 \$'000
Total cash consideration	–	115,208
Deferred consideration paid in December 2013	24,000	(24,000)
Less: cash acquired	–	(12,617)
Net cash outflow on acquisition of subsidiary	24,000	78,591

16. PARENT ENTITY DISCLOSURES

	29 June 2014 \$'000	30 June 2013 \$'000
(a) Statement of profit or loss and other comprehensive income		
Loss for the year	(3,052)	(3,055)
Total comprehensive loss for the year	(3,052)	(3,055)
(b) Statement of financial position		
Current assets		
Cash and bank balances	–	1,727
Current receivables	208	–
Non-current assets		
Deferred tax assets	2,209	210
Investments	346,111	115,208
Total assets	348,528	117,145
Current liabilities		
Trade and other payables	–	23,775
Other liabilities	14,454	86,417
Current tax liability	–	4
Total liabilities	14,454	110,196
Net assets	334,074	6,949
Equity		
Issued capital	346,111	10,000
Accumulated losses	(3,052)	(3,055)
Reserves	(8,985)	4
Total equity	334,074	6,949

Dick Smith Holdings Limited is the ultimate parent entity for the period 4 December 2013 to 29 June 2014.

Dick Smith Sub-holdings Pty Limited is the ultimate parent entity for the period 1 July 2013 to 4 December 2013.

Dick Smith Sub-holdings Pty Limited is the ultimate parent entity for the financial period ended 30 June 2013.

(c) Subsidiaries

Name of subsidiary	Country of incorporation	Percentage of ownership
Dick Smith Sub-holdings Pty limited ⁽ⁱ⁾	Australia	100%
DSE Holdings Pty Limited ⁽ⁱ⁾	Australia	100%
Dick Smith Electronics Pty Limited ⁽ⁱ⁾	Australia	100%
Dick Smith (Wholesale) Pty Limited ⁽ⁱ⁾	Australia	100%
Dick Smith Electronics Franchising Pty Limited ⁽ⁱ⁾	Australia	100%
Dick Smith Management Pty Limited ⁽ⁱ⁾	Australia	100%
Dick Smith Electronics Staff Superannuation Fund Pty Limited ⁽ⁱ⁾	Australia	100%
Intertan Australia Pty Limited ⁽ⁱ⁾	Australia	100%
Dick Smith (HK) Limited	Hong Kong	100%
DSE (NZ) Limited	New Zealand	100%

(i) These entities are party to the deed of cross guarantee. See Note 24 for details of the deed of cross guarantee.

17. CORPORATE REORGANISATION

On 4 December 2013 the shareholders of the Company and Dick Smith Sub-holdings Pty Limited undertook a corporate reorganisation process, through which Dick Smith Holdings Limited acquired Dick Smith Sub-holdings Pty Limited. This corporate reorganisation is classified as a common controlled transaction under AASB 3 *Business Combinations*, and is therefore not considered a business combination under this Standard.

As such, the corporate reorganisation has been treated in a similar fashion to a reverse acquisition, with Dick Smith Sub-holdings Pty Limited as the accounting acquirer and Dick Smith Holdings Limited as the accounting acquiree. No fair value adjustments are recognised on the acquisition and the financial report represents a continuation of Dick Smith Sub-holdings Pty Limited.

Accordingly, this annual financial report represents the year ended 29 June 2014 including the financial results for the consolidated group under Dick Smith Holdings Limited for the period 4 December 2013 to 29 June 2014, and the consolidated group under Dick Smith Sub-holdings Pty Limited for the period 1 July 2013 to 4 December 2013. The comparative information presented in the financial report represents the financial position of Dick Smith Sub-holdings Pty Limited as at 30 June 2013, and the financial performance of Dick Smith Sub-holdings Pty Limited for the 10 month period from the date of incorporation of Dick Smith Sub-holdings Pty Limited (30 August 2012) to 30 June 2013, including seven months of trading.

The equity structure in the consolidated financial statements, including the number and type of equity instruments issued at the date of the acquisition reflects the equity structure of Dick Smith Holdings Limited. An acquisition reserve is recognised to record the difference between the amount paid to acquire Dick Smith Sub-holdings Pty Limited and the share capital of Dick Smith Sub-holdings Pty Limited.

18. DIVIDENDS

No dividends were provided for or paid during the year ended 29 June 2014 (No dividends were provided for or paid in respect of the 10 month period ended 30 June 2013).

In respect of the period from 4 December 2013 to 29 June 2014, the Directors have recommended the payment of a dividend of 8 cents per share franked to 100% at 30% corporate income tax rate. The record date is 5 September 2014, with a payment date of 21 October 2014. This dividend was declared on 18 August 2014 and accordingly was not provided for as at 29 June 2014.

19. FINANCIAL INSTRUMENTS

Capital management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

On 22 October 2013 the Group entered in to an amendment and restatement deed with GE Commercial Corporation (Australia) Pty Ltd and GE Commercial Finance NZ to amend the facility agreement entered in to on 26 November 2012. On 27 June 2014, the Group replaced the facility with GE Commercial Corporation (Australia) Pty Ltd and GE Commercial Finance NZ with a secured working capital facility with Westpac Banking Corporation. The total facility has a limit of \$82 million and the Group draws down from the facility only to meet inventory requirements in preparation for the peak sales periods. As at 29 June 2014, the Group has no outstanding facility debt drawn. As part of the facility, the Group also has available a letter of credit sub-limit and at 29 June 2014 had utilised \$5,737,692 of the facility to provide bank guarantees.

The capital structure of the Group consists of equity holders of the parent, comprising issued capital, reserves and retained earnings. Operating cash flows are used to maintain and expand the Group's assets as well as to pay for operating expenses.

The Group is not subject to any externally imposed capital requirements.

The Board continually reviews the capital structure of the Group and considers the cost of capital and the risks associated with each class of capital. The Group has no drawn external borrowings.

Financial risk management objectives

The Group's treasury function monitors and manages the financial risks relating to the operations of the Group through analysing exposures in various financial risks. These risks include market risk (including currency risk), credit risk, liquidity risk and interest rate risk.

The Group seeks to minimise the effects of currency risk by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits are reviewed on a continual basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Interest rate risk on cash and short term deposits is not considered to be a material risk due to the short term nature of these instruments. Interest rate risk on loan facility drawings is not considered to be a material risk given there was no drawn debt at the end of the financial year.

19. FINANCIAL INSTRUMENTS (continued)

Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group only deals with creditworthy counterparties and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. This information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major trade customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Board.

Trade receivables consist of a large number of customers with no one customer representing more than 10% of the total trade receivables balance. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks and financial services providers with high credit-ratings assigned by international credit-rating agencies.

Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies that are different to the functional currencies of the respective entities undertaking the transactions, hence exposures to exchange rate fluctuations arise. The Group has purchases denominated in Australian dollars (AUD), United States dollars (USD) and New Zealand dollars (NZD). Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

Forward foreign exchange contracts

It is the policy of the Group to enter into forward foreign exchange contracts to hedge future inventory purchases which are designated as cash flow hedges. The following contracts remain outstanding at the end of the reporting period:

As at 29 June 2014	Average exchange rate (AUD)	Foreign currency \$'000	Notional value \$'000	Fair value \$'000
Outstanding contracts				
Cash flow hedges				
<i>AUD buy USD</i>				
Less than 3 months	0.897	12,443	13,867	(608)
3 to 6 months	0.898	11,500	12,803	(484)
<i>NZD buy USD</i>				
Less than 3 months	0.879	1,208	1,374	(85)
3 to 6 months	0.875	1,837	2,099	(127)
				(1,304)
<hr/>				
As at 30 June 2013	Average exchange rate (AUD)	Foreign currency \$'000	Notional value \$'000	Fair value \$'000
Outstanding contracts				
Cash flow hedges				
<i>AUD buy USD</i>				
Less than 3 months	1.026	17,456	17,021	1,918
3 to 6 months	1.030	28,000	27,191	3,483
<i>NZD buy USD</i>				
Less than 3 months	0.961	2,241	2,331	90
3 to 6 months	0.982	2,000	2,036	142
<i>AUD buy HKD</i>				
Less than 3 months	7.225	10	1	-
				5,633

The Group is primarily exposed to the foreign currencies of USD and NZD.

19. FINANCIAL INSTRUMENTS (continued)

Foreign currency risk management (continued)

The following table details the Group's sensitivity to a 10% increase and decrease in the Australian dollar (AUD) against USD and NZD. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 10% change in foreign currency rates.

A positive number below indicates an increase in equity where the Australian dollar strengthens 10% against the relevant currency. For a 10% weakening of the Australian dollar against the relevant currency, there would be a comparable impact on equity, and the balances below would be negative. No impact on profit or loss would be noted as a result of foreign exchange movements due to the Group's hedging arrangements.

At 29 June 2014	Foreign currency increases by 10% \$'000	Foreign currency decreases by 10% \$'000
Equity impact		
AUD buy USD	2,184	(1,512)
NZD buy USD	21	(30)
	2,205	(1,542)

As at 30 June 2013	Foreign currency increases by 10% \$'000	Foreign currency decreases by 10% \$'000
Equity impact		
AUD buy USD	5,558	(4,540)
NZD buy USD	25	(25)
AUD buy HKD	1	(1)
	5,584	(4,566)

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Group manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the Group's remaining contractual maturity for its financial assets and liabilities. The table has been drawn up based on the undiscounted cash flows of financial assets and liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

As at 29 June 2014	Less than 1 month \$'000	1–3 months \$'000	4–12 months \$'000	Greater than 12 months \$'000	Total \$'000
Financial liabilities					
Trade and other payables	74,038	169,045	4,090	518	247,691
Foreign exchange contracts [^]	195	528	581	–	1,304
	74,233	169,573	4,671	518	248,995
Financial assets					
Cash and cash equivalents	29,944	–	–	–	29,944
Trade receivables	33,155	13,248	–	285	46,688
	63,099	13,248	–	285	76,632

19. FINANCIAL INSTRUMENTS (continued)

Liquidity risk management (continued)

As at 30 June 2013	Less than 1 month \$'000	1–3 months \$'000	4–12 months \$'000	Greater than 12 months \$'000	Total \$'000
Financial liabilities					
Trade and other payables	59,717	70,290	23,292	–	153,299
	59,717	70,290	23,292	–	153,299
Financial assets					
Cash and cash equivalents	46,538	–	–	–	46,538
Trade receivables	7,504	2,853	47	–	10,404
Foreign exchange contracts [^]	591	1,417	3,625	–	5,633
	54,633	4,270	3,672	–	62,575

[^] the foreign exchange contracts mature within 6 months. Management have determined that the impact of discounting is not material.

The fair value of foreign exchange contracts is determined using a generally accepted pricing model based on discounted cash flow analysis using assumptions supported by observing market rates. The discounted future cash flow analysis is performed for material contracts.

Except as disclosed below, the Directors consider that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the consolidated financial statements approximate their fair values.

The following table represents financial assets and liabilities that were measured and recognised at fair value:

	As at 29 June 2014 \$'000	As at 30 June 2013 \$'000
Derivative liabilities that qualify as effective under hedge accounting rules		
Cash flow hedges	(1,304)	–
Derivative assets that qualify as effective under hedge accounting rules		
Cash flow hedges	–	5,633

Fair value hierarchy

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There were no transfers between levels during the period.

As at 29 June 2014	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial liabilities carried at fair value				
Foreign exchange contracts	–	(1,304)	–	(1,304)
As at 30 June 2013				
Financial assets carried at fair value				
Foreign exchange contracts	–	5,633	–	5,633

For financial instruments not quoted in active markets, the Group uses valuation techniques such as present value, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These valuation techniques use both observable and unobservable market inputs.

Foreign exchange contracts are financial instruments that use valuation techniques with only observable market inputs and are included in Level 2 above. Fair values of all derivative contracts have been confirmed with counterparties.

The Group does not have any Level 1 or Level 3 financial instruments.

20. BUSINESS COMBINATIONS

On 26 November 2012, Dick Smith Sub-holdings Pty Limited acquired 100% of the share capital of DSE Holdings Pty Limited ("Dick Smith") trading as Dick Smith the online and store retailer from Woolworths Limited for \$115,208,000.

(a) Consideration transferred

	26 November 2012 \$'000
Initial cash payment	20,000
Working capital adjustments	21,208
Buy-out of contingent consideration ⁽ⁱ⁾	
Cash paid	50,000
Deferred consideration ⁽ⁱⁱ⁾	24,000
Total consideration transferred	115,208

(i) Under the terms of the purchase agreement, the vendor was entitled to a portion of any future proceeds subsequently received on eventual sale or stock exchange listing of the Dick Smith business. Subsequent to the initial acquisition, the vendor agreed to release Dick Smith Sub-holdings Pty Limited from its obligation to provide these amounts.

(ii) In return, the vendor received \$74,000,000 paid from June 2013 to December 2013. This additional consideration has been recorded as part of the purchase consideration.

Acquisition-related costs amounting to \$3,266,000 have been excluded from the consideration transferred and were recognised as an expense in the comparative period.

(b) Assets acquired and liabilities assumed at the date of acquisition

	Book value 25 November 2012 \$'000	Fair value adjustments \$'000	Fair value 26 November 2012 \$'000
Current assets			
Cash and cash equivalents	12,617	–	12,617
Trade and other receivables	29,151	–	29,151
Inventories	370,550	(58,475)	312,075
Other current assets	1,594	–	1,594
Non-current assets			
Plant and equipment	119,444	(54,765)	64,679
Deferred tax assets	4,460	37,832	42,292
Current liabilities			
Trade and other payables	(172,505)	(2,195)	(174,700)
Current Provisions	(12,383)	(348)	(12,731)
Non-current liabilities			
Non-current provisions	(5,812)	(8,109)	(13,921)
Fair value of net assets acquired			261,056

(c) Discount arising on acquisition

	26 November 2012 \$'000
Fair value of identifiable net assets acquired	261,056
Consideration transferred	(115,208)
Discount arising on acquisition	145,848

Prior to the acquisition there were no operations of Dick Smith Sub-holdings Pty Limited.

21. RELATED PARTY TRANSACTIONS

(a) Parent entities

Dick Smith Holdings Limited is the ultimate parent entity.

(b) Equity interests in related parties

Details of the percentage of ordinary shares held in subsidiaries are disclosed in Note 16(c).

(c) Key management personnel

Other related party transactions include the salaries and other benefits paid to Directors and other key management personnel. These are in the ordinary course of business and disclosed in Remuneration Report.

The aggregate compensation made to key management personnel of the Group are set out below.

	29 June 2014 \$	30 June 2013 \$
Short-term employee benefits	6,504,170	3,763,398
Post-employment benefits	157,875	92,213
Long-term employee benefits	1,904,204	14,736
	8,556,249	3,870,347

Compensation to key management personnel includes share options granted as detailed in Note 12(iii).

(d) Terms and conditions of transactions with related parties other than key management personnel or entities related to them.

Sales to and purchases from related parties for goods and services are made in arm's length transactions at normal prices and on normal commercial terms. The only significant transaction of this kind for the year ended 29 June 2014 was a \$15,000,000 capital return payment made to Anchorage Capital Partners as described in Note 12(v).

Amount owing to related parties at balance date are disclosed in Note 9.

22. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

At 29 June 2014, there are no material contingent assets or liabilities other than bank guarantees described in Note 14.

23. REMUNERATION OF AUDITORS

	29 June 2014 \$	30 June 2013 \$
Audit and review of the financial report	325,000	225,000
Other assurance services	62,000	99,000
Investigating accountants' report and review of forecast for Initial Public Offering	784,000	–
Tax consulting and compliance services	177,000	–
	1,348,000	324,000
Network firm of the auditor of the parent entity		
Audit and review of subsidiary financial reports	15,000	–
	1,363,000	324,000

The auditor of Dick Smith Holdings Limited is Deloitte Touche Tohmatsu.

24. DEED OF CROSS GUARANTEE

Pursuant to ASIC Class Order 98/1418, the wholly-owned subsidiaries identified with (i) in Note 16(c) are relieved from the *Corporations Act 2001* (Cth) requirements for the preparation, audit and lodgement of financial reports.

It is a condition of the class order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee (Deed). Under the Deed the Company guarantees the payment of all debts of each of the subsidiaries in full, in the event of a winding up. The subsidiaries in turn guarantee the payment of the debts of the Company in full in the event that it is wound up.

The consolidated financial information relating to the entities which are party to the deed of cross guarantee is below:

(a) Consolidated statement of profit or loss and other comprehensive income

	12 month period ended 29 June 2014 \$'000	10 month period ended 30 June 2013 \$'000
Revenue	1,048,583	653,825
Cost of sales	(785,406)	(497,191)
Gross profit	263,177	156,634
Other income	1,072	125,647
Marketing costs	(113,327)	(90,420)
Occupancy and rental expenses	(71,601)	(40,515)
Administration costs	(33,996)	(28,198)
Finance costs	(2,740)	(2,275)
Other expenses	(22,322)	(3,445)
Profit before income tax expense	20,263	117,428
Income tax benefit	(3,602)	1,513
Net profit for the period	16,661	118,941
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	(845)	–
Net fair value gain on hedging instruments	(308)	3,207
Other comprehensive income, net of tax	(1,153)	3,207
Total comprehensive income for the period	15,508	122,148

24. DEED OF CROSS GUARANTEE (continued)

(b) Consolidated statement of financial position

	29 June 2014 \$'000	30 June 2013 \$'000
Current assets		
Cash and cash equivalents	27,494	37,146
Trade and other receivables	42,909	7,923
Inventories	213,554	138,152
Financial assets	–	5,401
Other current assets	3,401	7,669
Total current assets	287,358	196,291
Non-current assets		
Plant and equipment	71,547	53,396
Investments	–	16,799
Deferred tax assets	33,799	35,580
Total non-current assets	105,346	105,775
Total assets	392,704	302,066
Current liabilities		
Trade and other payables	226,015	137,531
Provisions	12,246	12,080
Current interest-bearing liabilities	15,359	5,069
Lease liabilities	1,368	–
Other current liabilities	3,260	2,506
Total current liabilities	258,248	157,186
Non-current liabilities		
Provisions	6,408	11,220
Lease liabilities	9,564	1,507
Total non-current liabilities	15,972	12,727
Total liabilities	274,220	169,913
Net assets	118,484	132,153
Equity		
Issued capital	338,060	10,000
Reserves	(346,250)	3,211
Retained earnings	126,674	118,942
Total equity	118,484	132,153

25. SUBSEQUENT EVENTS

In respect of the period from 4 December 2013 to 29 June 2014, the Directors have recommended the payment of a dividend of 8 cents per share franked to 100% at 30% corporate income tax rate. The record date is 5 September 2014, with a payment date of 21 October 2014.

The dividend was declared on 18 August 2014 and accordingly the financial effect of the dividend has not been recognised for the the year ended 29 June 2014.

There has been no other matter or circumstance occurring subsequent to the end of the period that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future periods.

26. DEBT FACILITIES

On 22 October 2013 the Company entered in to an amendment and restatement deed with GE Commercial Corporation (Australia) Pty Ltd and GE Commercial Finance NZ to amend and restate the original facility agreement entered in to on 26 November 2012. Subsequent to this, the Group entered into a facility agreement with Westpac Banking Corporation and Westpac New Zealand Limited (together the "lender") on 27 June 2014.

Under the facility agreement, the Lender has made available an aggregate amount of \$82,000,000 under a working capital facility ("New Facility").

The new facility is made up of the following components which take effect from 27 June 2014:

Tranche A	\$27,000,000	15 month revolving multi-option working capital facility
Tranche B	\$25,000,000	Three year revolving multi-option working capital facility
Overdraft Facility	\$30,000,000	One year revolving overdraft facility.

Drawings under the new facility may be made in AUD and/or NZD.

The new facility is secured by:

- Interlocking cross guarantees and indemnities between the Guarantors.
- First ranking general security agreement over the current and future assets and undertakings of the Guarantors.

Further information in relation to the debt facilities is described in Note 19.

The shareholder information set out below was applicable as at 8 August 2014.

A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

Range	Securities	%	No of Holders	%
100,001 and Over	224,689,932	95	83	6.51
10,001 to 100,000	8,661,432	3.66	346	27.14
5,001 to 10,000	2,069,166	0.87	251	19.69
1,001 to 5,000	947,392	0.4	298	23.37
1 to 1,000	143,442	0.06	297	23.29
Total	236,511,364	100	1,275	100

No holders had a less than marketable parcel of ordinary shares.

B. Top 20 Shareholders

The names of the 20 largest Shareholders of ordinary shares are listed below:

Rank	Name	Number held	%IC
1	NATIONAL NOMINEES LIMITED	32,958,005	13.94%
2	J P MORGAN NOMINEES AUSTRALIA LIMITED	28,298,197	11.96%
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	24,783,432	10.48%
4	ANCHORAGE CAPITAL PARTNERS PTY LTD (ANCHORAGE CAPITAL PARTNERS TRUST A)	23,651,137	10.00%
5	AUSTRALIAN EXECUTOR TRUSTEES LIMITED (ANCHORAGE CAPITAL PARTNERS TRUST B)	23,651,136	10.00%
6	LMA INVESTMENTS PTY LIMITED (NL ABOUD TRUST)	15,330,639	6.48%
7	CITICORP NOMINEES PTY LIMITED	15,143,808	6.40%
8	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <PI POOLED A/C>	10,702,860	4.53%
9	BNP PARIBAS NOMS PTY LTD <DRP>	10,275,045	4.34%
10	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <BKUST A/C>	4,561,723	1.93%
11	UBS NOMINEES PTY LTD	4,401,878	1.86%
12	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	2,937,779	1.24%
13	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <PISELECT>	1,301,400	0.55%
14	UBS NOMINEES PTY LTD	1,214,012	0.51%
15	BAINPRO NOMINEES PTY LIMITED	1,192,729	0.50%
16	PC CUSTODIAN CO PTY LIMITED <PC CUSTODIAN>	1,181,818	0.50%
17	JOHN SKELLERN	1,077,492	0.46%
18	SMALLCO INVESTMENT MANAGER LTD <THE CUT A/C>	1,000,000	0.42%
19	BRISPTOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE NO 1 A/C>	954,479	0.40%
20	AMP LIFE LIMITED	917,685	0.39%
	TOTAL	205,535,254	86.90%
	Balance of Register	30,976,110	13.10%
	GRAND TOTAL	236,511,364	100.00%

C. Substantial Shareholders

Substantial holders in the Company are set out below:

Ordinary shares	No. held	Voting Power
Anchorage Capital Partners	47,302,273	20.00%
Perpetual Investments	23,973,105	10.14%
FIL Investment Mgt Australia	17,207,633	7.28%
Mr Nicholas Abboud	15,345,639	6.49%
Ausbil Investment Mgt	15,130,893	6.40%
Deutsche Bank	12,001,091	5.07%

D. Unquoted equity securities

As at 8 August 2014 there were 5,965,721 options and performance rights granted over unissued ordinary shares in the Company to employees.

Dick Smith Holdings Limited

2 Davidson Street
Chullora NSW 2190
Australia

Company Secretary

David Cooke

Auditor

Deloitte Touche Tohmatsu
Grosvenor Place
225 George Street
Sydney NSW 2000
Australia

Share registry

Link Market Service Limited
Level 12, 680 George Street
Sydney NSW 2000
Australia

Annual General Meeting

The 2014 Annual General Meeting of
Dick Smith Holdings Limited will be held at
Museum of Sydney, Cnr Bridge and Phillip Streets
Sydney, New South Wales on
Wednesday 15 October 2014 at 11:00am

COMPANY STORE LOCATOR

DICK SMITH – AUSTRALIA

State	Location
ACT	Belconnen
ACT	Canberra Airport (Majura Park)
ACT	Canberra Centre
ACT	Gungahlin
ACT	Tuggeranong
ACT	Woden
NSW	Albury
NSW	Armidale
NSW	Ashfield
NSW	Ballina
NSW	Bankstown
NSW	Bateau Bay
NSW	Batemans Bay
NSW	Bathurst
NSW	Bega
NSW	Bondi Junction Westfield
NSW	Bowral
NSW	Broadway
NSW	Broken Hill
NSW	Burwood
NSW	Campbelltown Mall
NSW	Carlingford
NSW	Carnes Hill (Liverpool)
NSW	Castle Hill
NSW	Chatswood Chase
NSW	Chullora
NSW	Coffs Harbour
NSW	Dapto
NSW	Dubbo
NSW	Eastgardens (Pagewood)
NSW	Erina
NSW	Fairfield
NSW	Forster
NSW	Glendale
NSW	Grafton
NSW	Green Hills (East Maitland)
NSW	Griffith
NSW	Hornsby
NSW	Hurstville
NSW	Hurstville Westfield
NSW	Jesmond
NSW	Kotara
NSW	Leichhardt
NSW	Lismore
NSW	Liverpool Westfield
NSW	Macarthur Square (Campbelltown)
NSW	Macquarie (North Ryde)
NSW	Mailland
NSW	Marrickville Metro
NSW	Menai
NSW	Mittagong
NSW	Mt Druitt
NSW	Muswellbrook
NSW	Narellan
NSW	Neutral Bay
NSW	Newcastle West
NSW	North Sydney
NSW	Nowra
NSW	Orange
NSW	Parramatta Westfield
NSW	Penrith
NSW	Penrith Plaza
NSW	Plumpton
NSW	Port Macquarie (Horton St)
NSW	Port Macquarie (Settlement City)
NSW	Queanbeyan
NSW	Randwick
NSW	Rhodes
NSW	Rockdale (Banksia)
NSW	Roselands
NSW	Seven Hills
NSW	Shellharbour
NSW	St Ives
NSW	Sydney (Central Plaza)
NSW	Sydney (George St)
NSW	Tamworth
NSW	Taree
NSW	Top Ryde (Ryde)
NSW	Tuggerah
NSW	Tweed City (Banora Point)
NSW	Tweed Heads
NSW	Wagga Wagga
NSW	Warrawong
NSW	Warriewood
NSW	Warringah (Brookvale)
NSW	Wetherill Park
NSW	Windsor
NSW	Winston Hills
NSW	Wollongong
NT	Alice Springs
NT	Casuarina
NT	Mitchell Centre (Darwin)
QLD	Australia Fair (Southport)
QLD	Beenleigh
QLD	Booval
QLD	Bribie Island
QLD	Brisbane (Queen St)
QLD	Brookside (Mitchelton)

QLD	Browns Plains
QLD	Bundaberg
QLD	Burleigh Heads
QLD	Cairns Central (Aeroglen)
QLD	Cairns DFO (Westcourt)
QLD	Calamvale
QLD	Caloundra
QLD	Cannon Hill
QLD	Capalaba Central
QLD	Carindale
QLD	Chermside
QLD	Clifford Gardens (Toowoomba City)
QLD	Dalby
QLD	Earlville (Aeroglen)
QLD	Elanora (The Pines)
QLD	Emerald
QLD	Gladstone
QLD	Gympie
QLD	Helensvale
QLD	Hervey Bay
QLD	Indooroopilly Shopping Centre
QLD	Indooroopilly (Centro)
QLD	Ipswich
QLD	Kawana
QLD	Kingaroy
QLD	Kippa-Ring
QLD	Logan Central
QLD	Logan Hyperdome (Loganholme)
QLD	Mackay
QLD	Maroochydore
QLD	Maryborough
QLD	Mermaid Beach
QLD	Morayfield
QLD	Mt Gravatt (Garden City)
QLD	Mt Ommaney
QLD	Mt Pleasant
QLD	Nambour
QLD	Noosa Civic (Noosaville)
QLD	North Lakes
QLD	Redbank
QLD	Robina
QLD	Rockhampton
QLD	Runaway Bay
QLD	Smithfield
QLD	Springfield
QLD	Stafford City
QLD	Strathpine
QLD	Sunnybank
QLD	Taigum
QLD	Toombul
QLD	Toowoomba
QLD	Townsville (Aitkenvale)
QLD	Townsville Castletown (Hyde Park)
QLD	Victoria Point
QLD	Warwick
QLD	Wynnum
QLD	Yamanto
QLD	Yeppoon
SA	Adelaide
SA	Arndale (Kilkenny)
SA	Churchill (Kilburn)
SA	Colonnades (Noarlunga Centre)
SA	Elizabeth
SA	Glenelg
SA	Golden Grove
SA	Hollywood Plaza (Salisbury Downs)
SA	Ingle Farm
SA	Marion (Oaklands Park)
SA	Modbury Tea Tree Plaza
SA	Mt Barker
SA	Mt Gambier
SA	Murray Bridge
SA	Northpark (Prospect)
SA	Norwood
SA	Renmark
SA	St Marys
SA	Victor Harbor
SA	West Lakes
SA	Whyalla Norrie
TAS	Burnie
TAS	Devonport
TAS	Eastlands (Rosny Park)
TAS	Glenorchy
TAS	Hobart
TAS	Kingston
TAS	Launceston
VIC	Airport West
VIC	Altona Gate
VIC	Bairnsdale
VIC	Ballarat
VIC	Bendigo
VIC	Box Hill
VIC	Brandon Park (Mulgrave)
VIC	Brighton
VIC	Broadmeadows
VIC	Camberwell
VIC	Caroline Springs

VIC	Chadstone
VIC	Chirnside Park
VIC	Corio
VIC	Craigieburn
VIC	Cranbourne
VIC	Dandenong
VIC	Doncaster
VIC	Eastlands (Ringwood)
VIC	Echuca
VIC	Eltham
VIC	Fountain Gate
VIC	Frankston Bayside
VIC	Geelong
VIC	Glen Waverley
VIC	Greensborough (Briar Hill)
VIC	Hamilton
VIC	Hastings
VIC	Highpoint (Maribyrnong)
VIC	Horsham
VIC	Karingal Hub (Frankston)
VIC	Knox (Wantirna South)
VIC	Lilydale
VIC	Malvern (Kooyong)
VIC	Melbourne (Bourke St)
VIC	Melbourne Emporium
VIC	Mentone
VIC	Mildura
VIC	Moonee Ponds
VIC	Mornington
VIC	Morwell
VIC	Northland (Preston)
VIC	Nunawading
VIC	Pakenham
VIC	Parkmore (Keysborough)
VIC	Point Cook
VIC	Prahran
VIC	Rosebud
VIC	Sale
VIC	Shepparton
VIC	Southland (Cheltenham)
VIC	Springvale (Sandown Village)
VIC	Sunbury
VIC	Sunshine
VIC	Swan Hill
VIC	The Pines Doncaster
VIC	Traralgon
VIC	Victoria Gardens (Richmond)
VIC	Wangaratta
VIC	Warrambool
VIC	Watergardens (Taylors Lakes)
VIC	Waurm Ponds (Grovedale)
VIC	Wendouree Village
VIC	Woodgrove (Melfon West)
WA	Albany
WA	Armadale
WA	Armadale Central
WA	Belmont (Cloverdale)
WA	Booragoon
WA	Broome
WA	Bunbury
WA	Bussetton
WA	Cannington
WA	Carousel Westfield (Cannington)
WA	Claremont Qtr
WA	Ellenbrook
WA	Fremantle
WA	Gateways (Success)
WA	Geraldton
WA	Innaloo Westfield
WA	Innaloo
WA	Joondalup
WA	Kalgoorlie
WA	Karrinyup
WA	Livingston (Canning Vale)
WA	Maddington
WA	Mandurah
WA	Midland
WA	Midland Gate
WA	Mirrabeeka
WA	Morley (Centro Galleria)
WA	Morley (Walter Rd)
WA	Perth (William St)
WA	Perth City Central
WA	Phoenix (Spearwood)
WA	Riverton
WA	Rockingham City
WA	South Hedland
WA	Whitford City (Hillarys)

DICK SMITH – NEW ZEALAND

NZ	Albany
NZ	Alexandra
NZ	Ashburton
NZ	Auckland (Queen St)
NZ	Blenheim
NZ	Botany Town Centre (Auckland)
NZ	Dunedin
NZ	Dunedin (Cumberland St)

NZ	Gisborne
NZ	Glenfield (Auckland)
NZ	Greymouth
NZ	Hamilton
NZ	Hamilton (Centre Place)
NZ	Hamilton (The Base)
NZ	Hastings
NZ	Henderson (Auckland)
NZ	Hornby (Christchurch)
NZ	Invercargill
NZ	Johnsonville
NZ	Kapiti
NZ	Karangahape Rd (Auckland)
NZ	Kerikeri (Waipapa)
NZ	Levin
NZ	Lyal Bay (Wellington)
NZ	Manners Mall (Wellington)
NZ	Masterton
NZ	Mt Maunganui
NZ	Napier
NZ	Nelson
NZ	New Lynn (Auckland)
NZ	New Plymouth
NZ	Newmarket (Auckland)
NZ	Northwood (Christchurch)
NZ	Oamaru
NZ	Onehunga (Auckland)
NZ	Orewa
NZ	Palmerston North
NZ	Porirua
NZ	Pukekohe (Auckland)
NZ	Queensgate (Lower Hutt)
NZ	Queenstown
NZ	Riccarton (Christchurch)
NZ	Richmond
NZ	Ronwood Ave (Manukau)
NZ	Rotorua
NZ	St Lukes (Auckland)
NZ	Sylvia Park (Auckland)
NZ	Takanini (Auckland)
NZ	Takapuna (Auckland)
NZ	Taupo
NZ	Tauranga
NZ	Thames
NZ	The Palms (Christchurch)
NZ	Timaru
NZ	Upper Hutt
NZ	Wanganui
NZ	Warkworth
NZ	Wellington (Featherstone St)
NZ	Westgate (Auckland)
NZ	Whakatane
NZ	Whangarei

MOVE

State	Location
NSW	Bondi Junction Westfield
QLD	Indooroopilly
VIC	Highpoint
VIC	Melbourne Emporium

DAVID JONES

State	Location
ACT	Woden
NSW	Bondi Junction Westfield
NSW	Burwood
NSW	Castle Towers (Castle Hill)
NSW	Chatswood Chase
NSW	Hornsby
NSW	Kotara
NSW	Macarthur Square (Campbelltown)
NSW	Market Street (Sydney)
NSW	Parramatta
NSW	Tuggerah
NSW	Warringah Mall (Brookvale)
NSW	Wollongong
QLD	Carindale
QLD	Chermside
QLD	Garden City
QLD	Indooroopilly
QLD	Queens Plaza (Brisbane)
QLD	Robina Town Centre
SA	Adelaide Central
SA	Bourke Street Mall (Melbourne)
SA	Chadstone
VIC	Doncaster
VIC	Glen Waverley
VIC	Hay Street Mall (Perth)
VIC	Highpoint
VIC	Marion
VIC	Southland
WA	WestLakes

**dick
smith**