Smiths City Group Limited
Income Statement
For The Year Ended 30 April 2018

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

Statement of Comprehensive Income
For The Year Ended 30 April 2018

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

Statement of Changes In Equity
For The Year Ended 30 April 2018

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

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

Statement of Financial Position
As At 30 April 2018

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

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

Dated 28 June 2018

A G KERR
CHAIRMAN

T D ALLISON
AUDIT COMMITTEE CHAIRMAN

Statement of Cash Flows
For The Year Ended 30 April 2018

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

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

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

Statement of Cash Flows (continued)
For The Year Ended 30 April 2018

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

Notes to the Financial Statements

1) Reporting Entity

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

Financial statements of Smiths City Group Limited for the year ended 30 April 2018 comprise the company and its subsidiaries (together referred to as the "Group"). Financial statements have been prepared in accordance with the requirements of the Financial Markets Conduct Act 2013 and the Financial Reporting Act 2013.

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

2) Basis Of Preparation

a) Statement of Compliance

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

The financial statements were approved by the Board of Directors on 28 June 2018.

b) Basis of Measurement

The financial statements have been prepared on the historical cost basis except for derivative financial instruments which are measured at fair value (refer Note 21).

c) Functional and Presentation Currency

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

d) Use of Estimates and Judgements

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

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

- Smiths City Finance ("Finance Business") receivables are initially recognised in accordance with the accounting policy outlined in Note 12.

- The impairment of finance receivables is based on management's assessment of any objective evidence of impairment on an individual and collective basis, which takes into account the historical loss experience in the portfolio of finance receivables as described in Note 21.

- Unearned income on fixed instalment contracts is recognised when these contracts are assessed as likely to become interest bearing. This involves judgement on the probability that contracts will enter an extended interest bearing period. This assessment is based on historical data. Accordingly, advance releases from unearned income are calculated on this basis and assessed regularly by management.

- Inventories are measured at the lower of cost and net realisable value and are recorded net of all volume rebates and settlement discounts, as disclosed in Note 11.

- Onerous contracts are recognised when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it, as disclosed in Note 16.

- A provision for Back Pay relating to an Employment Court ruling made after balance date on the 8th May 2018 has been recognised in the year to 30 April 2018 and disclosed in Note 16. The calculation for back pay is due to be completed by 8 August 2018 and has not been completed at balance date. An estimate based on the available data and the stage of completion of the calculation has been made and included in the financial statements.

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

  Note 21 – Financial Instruments

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

3) Significant Accounting Policies

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

a) Basis of Consolidation

i) Subsidiaries

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

ii) Transactions Eliminated on Consolidation

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

b) Foreign Currency Transactions

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

c) Financial Instruments

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

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

i) Non Derivative Financial Instruments

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

d) Goods and Services Tax (GST)

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

e) New Accounting Policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 30 April 2017, as described in those financial statements.

f) New Standards and Interpretations Not Yet Adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 May 2017 and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

NZIFRS16 Leases

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

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

NZIFRS9 Financial Instruments (2014)

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

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

The company intends to adopt NZIFRS9 (2014) in its financial statements for the annual period beginning on 1 May 2018. The company does not expect the standard to have a material impact on the financial statements.

NZIFRS15 Revenue From Contracts With Customers

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

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

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

4) Segment Information

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

More information on finance income is included in Note 5 and finance costs in Note 7. Furthermore information on finance receivables is included in Note 12 and finance receivables borrowings in Note 17. Note 21 includes further disclosures on credit and liquidity risk and interest rate risk associated with the financing of the Group's retail sales.

Segment Revenue and Profit Analysis

	REVENUE FROM EXTERNAL CUSTOMERS ($m)	INTER SEGMENT REVENUE ($m)	TOTAL SEGMENT REVENUE ($m)	SEGMENT TRADING PROFIT (LOSS) ($m)
YEAR ENDED 30 APRIL 2017				
Retail Activities	218.2	-	218.2	0.7
Finance Business	9.2	-	9.2	3.7
Property Activities	-	-	-	(0.2)
Parent Company	-	-	-	(0.8)
Total Reportable Segments	227.4	-	227.4	3.4
Abnormal Items*	-	-	-	(1.4)
Profit Before Taxation	-	-	-	2.0
YEAR ENDED 30 APRIL 2018				
Retail Activities	207.9	-	207.9	(5.2)
Finance Business	8.0	-	8.0	3.4
Property Activities	-	-	-	(0.1)
Parent Company	-	-	-	(1.1)
Total Reportable Segments	215.9	-	215.9	(3.0)
Abnormal Items*	-	-	-	(6.9)
Profit Before Taxation	215.9	-	215.9	(9.9)

*Abnormal items relate to the provision for onerous leases, Employment Court Ruling, and provisions for contracts. In 2017 the abnormal costs are associated with store closures; employee restructuring; and the cost of an alteration of the way the Group approaches purchasing and supply chain management.

Other Segment Information

	RETAIL ACTIVITIES (incl Parent) ($m)	FINANCE ACTIVITIES ($m)	PROPERTY ACTIVITIES ($m)	TOTAL ($m)
YEAR ENDED 30 APRIL 2017				
Assets (including Bank Balances)	66.4	66.8	-	133.2
Liabilities	(26.4)	(53.9)	-	(80.3)
Equity	(40.0)	(12.9)	-	(52.9)
Acquisitions Of Property, Plant, Equipment, Intangibles And Investments	(2.4)	-	-	(2.4)
Disposals of Property, Plant And Equipment	-	-	-	-
Depreciation, Amortisation And Impairment	(1.8)	-	-	(1.8)
Interest Expense	(0.2)	(3.4)	-	(3.6)
Interest Revenue	0.2	9.2	-	9.4
YEAR ENDED 30 APRIL 2018				
Assets (Including Bank Balances)	59.4	76.4	-	135.8
Liabilities	(23.3)	(67.9)	-	(91.2)
Equity	(25.4)	(19.2)	-	(44.6)
Acquisitions Of Property, Plant, Equipment, Intangibles And Investments	(5.3)	-	-	(5.3)
Disposals of Property, Plant And Equipment	-	-	-	-
Depreciation, Amortisation And Impairment	(2.7)	-	-	(2.7)
Interest Expense	(0.1)	(3.0)	-	(3.1)
Interest Revenue	0.1	8.0	-	8.1

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

5) Revenue

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

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

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

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

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

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

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

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

6) Expenses By Nature

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

	2018 ($m)	2017 ($m)
Purchases Net Of Rebates	**149.5**	150.6
Operating Lease Rental Expense	**17.2**	16.3
Employee Benefits	**30.6**	33.0
Marketing Expenses	**5.9**	6.2
Utilities Expenses	**2.3**	2.3
Insurance Expenses	**1.1**	1.2
Auditor's Services	**0.1**	0.1
Directors' Fees	**0.3**	0.3

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

Deferred Landlord Contributions
Landlord contributions to fit out costs are capitalised as deferred contributions and amortised to the income statement over the initial period of the lease.
Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Income Statement on a straight line basis over the term of the lease.

7) Interest Expense

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

Accounting Policy – Interest Expense
Finance expenses comprise interest expense on borrowings, impairment losses recognised on financial assets (except for trade receivables) and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method. Note that Finance Business interest expense is included as part of Trading Profit – refer Note 5.

8) Income Tax Expense

a) **Income Tax Expense**		
Current Tax	-	-
Deferred Tax (Charge)/Credit*	2.7	0.4
Total Deferred Tax (Charge)/Credit	2.7	0.4
b) **Reconciliation Of Tax Expense To Tax Rate Applicable To Profits**		
Profit Before Income Tax Expense	(9.9)	2.0
Tax at the Rate Of 28% (2017 28%)	2.8	(0.6)
- Benefit From Tax Loss Offset	-	-
Movement In Deferred Taxation Temporary Differences	(0.1)	1.0
Total Income Tax (Expense)/Credit	2.7	0.4
c) **Imputation Credits**		
There are no imputation credits available to equity holders of the company.		

* The deferred tax charge for the current period takes into account temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes together with the movement in the company's estimates of future taxable profits on the basis these can be offset against the tax losses available. Smiths City has available carry forward tax losses of $7.1m, hence no income tax is payable.

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

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

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

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

9) Cash And Cash Equivalents

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

Refer Note 17 for details of the effective interest rate on the Bank overdraft together with security provided.

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

10) Trade And Other Receivables

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

Effective Interest Rate
No interest is charged on trade receivables.

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

Refer to Note 21 for information on the credit risk associated with the trade receivables.

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

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

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

11) Inventories

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

Inventory adjustments are provided at period end for stock obsolescence. The amount of inventory sold during the year is reflected in cost of goods sold. The Group recognises inventory at the lower of cost and net realisable value (NRV). The amount of inventory subject to registered reservation of title claims total $2.9m (2017 $6.4m).

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

12) Finance Business Receivables

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

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

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

Refer to Note 21 for information on the credit risk associated with Finance Business receivables. A further breakdown of current and non-current receivables is given as part of the liquidity risk disclosure.

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

The interest rate charged to customers on fixed instalment and flexible credit agreements varies. For those customers paying their accounts within the promotional term any interest paid is rebated to the customer and, accordingly, no interest is charged. However, for those customers whose accounts become interest bearing the rate charged is up to 23.95% per annum (2017 23.95%). Note that for contracts written since July 2016 interest is charged on the outstanding balance at the end of the promotional term. This has resulted in a reduction in unearned income compared to prior years. Interest on those fixed instalment contracts where the promotional term is the same as the contract term has been excluded as historical data shows that such interest is unlikely to be collected.

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

Releases from unearned income are calculated on the probability that contracts will enter an extended interest bearing period. This probability is assessed based on historical data.

Accounting Policy – Finance Business Receivables

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

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

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

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

13) Property, Plant & Equipment

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

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

i) Recognition and Measurement
Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

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

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

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

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

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

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

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

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

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

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

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

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

14) Intangible Assets

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

	PURCHASED BRANDS & CUSTOMER DATABASES ($m)	SOFTWARE INCL DEVELOPMENT COSTS ($m)	TOTAL ($m)
Carrying Amounts			
At 1 May 2016	0.9	1.5	2.4
At 30 April 2017	0.7	1.6	2.3
At 1 May 2017	0.7	1.6	2.3
At 30 April 2018	0.5	1.6	2.1

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

i) Finite Life Intangible Assets

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

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

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

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

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

Accounting Policy – Intangible Assets

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

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

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

15) Deferred Tax Assets And Liabilities

Unrecognised Deferred Tax Assets

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

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

Recognised Deferred Tax Assets and Liabilities

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

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

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

Movement In Deferred Tax Balances During The Year

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

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

The Group has tax losses of $7.1m (2017 $5.7m) and no unrecognised temporary differences. The ability to utilise these tax losses in the future depends upon the generation of sufficient assessable income, shareholder continuity and any changes in legislation.

Accounting Policy – Deferred Tax

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

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

16) Trade And Other Payables

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

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

Accounting Policy – Trade and Other Payables

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

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

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

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

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

17) Loans And Borrowings

The contractual terms of the Group's interest bearing loans and borrowings is set out below. Further information about the company's exposure to interest rate and foreign currency risk is set out in Note 21. Fair value is equal to carrying value.

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

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

Terms And Debt Repayment Schedule

Terms and conditions of outstanding loans were as follows:

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

Total Interest Bearing Liabilities

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

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

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

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

18) Capital And Reserves

Share Capital
At balance date the Group and Parent had issued and paid up capital of $10.7m (2017 $10.7m). The number of shares issued is 52,688,153 (2017 52,688,153). All shares are fully paid up and have equal voting and dividend rights. Upon winding up all shares rank equally with regard to the Group's residual assets.

Hedging Reserve
The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred. Refer also Note 21 for details of foreign currency and interest rate hedging instruments.

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

19) Dividends

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

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

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

20) Earnings Per Share

The calculation of basic earnings per share at 30 April 2018 was based on the profit after tax attributable to ordinary shareholders of ($7.2m) (2017 $2.4m) and an average number of ordinary shares outstanding of 52,688,153 (2017 52,688,153). Basic earnings per share is the same as dilutive earnings per share as there are no ordinary shares outstanding that have any dilutive potential.

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

21) Financial Instruments

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

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

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

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

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

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

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

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

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

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

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

Liquidity Risk
Liquidity risk represents the Group's ability to meet is contractual obligations. The Group evaluates its liquidity risk on an ongoing basis. Day to day funding requirements and future cash flows are monitored to ensure requirements can be met. In general, the Group generates sufficient cash flows from its operating activities to meet its obligations

arising from its financial liabilities and has credit lines in place to cover shortfalls. Furthermore the Group maintains strong bank relationships and committed bank credit facilities.

Market Risk

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

Foreign Currency Risk

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

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

Interest Rate Risk

The Group has a policy of ensuring that interest rate exposure on term borrowings (or core debt) shall be fixed forward for 12 months for a minimum of 45% of total exposure and up to a maximum of 100%.

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

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

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

Other Market Price Risks

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

QUANTITATIVE DISCLOSURES

Credit Risk

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

Trade Receivables

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

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

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

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

Fixed Instalment Receivables

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

Revolving Credit Receivables

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

Impaired Finance Receivables

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

Past Due But Not Impaired

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

Allowances for Impairment

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

Write Off Policy

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

Collateral

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

Impaired Assets Provision

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

LIQUIDITY RISK

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

Residual Contractual Maturities Of Financial Assets And Liabilities

	BALANCE SHEET ($m)	CONTRACTUAL CASH FLOWS ($m)	6 MTHS OR LESS ($m)	6-12 MTHS ($m)	1-2 YRS ($m)	MORE THAN 2 YRS ($m)
2018						
Non Derivative Assets						
Cash And Cash Equivalents	6.2	6.2	6.2	-	-	-
Trade And Other Receivables	14.3	14.3	14.3	-	-	-
Fixed Instalment Receivables	47.4	59.9	17.2	15.9	21.7	5.1
Revolving Credit Receivables *	20.8	61.5	3.6	3.4	6.2	48.3
Total Non Derivative Assets	88.7	141.9	41.3	19.3	27.9	53.4
* Note based on minimum repayment profile of these receivables.						
2018						
Non Derivative Liabilities						
Finance Business Borrowings**	(60.9)	(63.1)	(1.3)	(61.8)	-	-
Trade And Other Payables	(30.3)	(30.3)	(30.3)	-	-	-
Total Non Derivative Liabilities	(91.2)	(93.4)	(31.6)	(61.8)	-	-

	BALANCE SHEET ($m)	CONTRACTUAL CASH FLOWS ($m)	6 MTHS OR LESS ($m)	6-12 MTHS ($m)	1-2 YRS ($m)	MORE THAN 2 YRS ($m)
Interest Rate Swaps – Out Flow	(0.2)	(0.2)	(0.2)	-	-	-
Forward Exchange Contracts – Out Flow	-	-	-	-	-	-
TOTAL	(2.7)	45.4	9.5	(42.5)	27.9	53.4

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

	BALANCE SHEET ($m)	CONTRACTUAL CASH FLOWS ($m)	6 MTHS OR LESS ($m)	6-12 MTHS ($m)	1-2 YRS ($m)	MORE THAN 2 YRS ($m)
2017						
Non Derivative Assets						
Cash And Cash Equivalents	12.0	12.0	12.0	-	-	-
Trade And Other Receivables	10.1	10.1	10.1	-	-	-
Fixed Instalment Receivables	43.0	61.6	17.0	16.0	21.6	7.0
Revolving Credit Receivables *	20.1	62.0	3.5	3.3	6.3	48.9
Total Non Derivative Assets	85.2	145.7	42.6	19.3	27.9	55.9

* Note based on minimum repayment profile of these receivables.

	BALANCE SHEET ($m)	CONTRACTUAL CASH FLOWS ($m)	6 MTHS OR LESS ($m)	6-12 MTHS ($m)	1-2 YRS ($m)	MORE THAN 2 YRS ($m)
2017						
Non Derivative Liabilities						
Finance Business Borrowings	(53.3)	(57.4)	(1.1)	(1.1)	(55.2)	-
Trade And Other Payables	(27.0)	(27.0)	(27.0)	-	-	-
Total Non Derivative Liabilities	(80.3)	(84.4)	(28.1)	(1.1)	(55.2)	-
Interest Rate Swaps – Out Flow	(0.8)	(0.8)	(0.1)	(0.1)	(0.6)	-
Forward Exchange Contracts – Out Flow	0.1	0.1	0.1	-	-	-
TOTAL	4.2	60.6	14.5	18.1	(27.9)	55.9

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

Expected Maturities of Financial Assets And Liabilities

	BALANCE SHEET ($m)	6 MTHS OR LESS ($m)	6-12 MTHS ($m)	1-2 YRS ($m)	MORE THAN 2 YRS ($m)
GROUP 2018					
Fixed Instalment Receivables	47.4	13.7	11.5	15.6	6.6
GROUP 2017					
Fixed Instalment Receivables	43.0	12.0	16.5	12.4	2.1

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

FOREIGN CURRENCY RISK

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

	AVERAGE EXCHANGE RATE 2018	AVERAGE EXCHANGE RATE 2017	FOREIGN CURRENCY 2018	FOREIGN CURRENCY 2017	CONTRACT VALUE 2018	CONTRACT VALUE 2017	FAIR VALUE 2018	FAIR VALUE 2017
			($m)	($m)	**($m)**	($m)	**($m)**	($m)
Outstanding Contracts								
Buy US Dollars								
Less Than 3 Months	**0.71**	0.69	**0.6**	1.1	**0.8**	1.6	**-**	-
3-6 Months	**0.71**	0.71	**0.7**	0.8	**0.9**	1.1	**-**	(0.1)
6-12 Months	**0.70**	0.70	**0.5**	0.9	**0.8**	1.3	**-**	-
							-	(0.1)

The Group has no significantly unhedged foreign currency exposures.

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

INTEREST RATE RISK

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

	AVERAGE CONTRACT FIXED INTEREST RATE 2018	AVERAGE CONTRACT FIXED INTEREST RATE 2017	NOTIONAL PRINCIPAL AMOUNT 2018	NOTIONAL PRINCIPAL AMOUNT 2017	FAIR VALUE 2018	FAIR VALUE 2017
			($m)	($m)	**($m)**	($m)
Outstanding Contracts						
Variable Rate For Fixed Contracts						
Less Than 1 Year	**4.74%**	4.58%	**20.2**	23.3	**(0.2)**	(0.2)
1-2 Years	**-**	4.71%	**-**	20.8	**-**	(0.6)
More Than 2 Years	**2.49%**	0.0%	**6.0**	-	**-**	-
			26.2	44.1	**(0.2)**	(0.8)

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

KPMG ChCh Marked for Identification

Interest Rate Risk – Repricing Analysis

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

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

GROUP 2018	VARIABLE INTEREST RATE	6 MTHS OR LESS ($m)	6-12 MTHS ($m)	1-2 YRS ($m)	MORE THAN 2 YRS ($m)	NON INTEREST BEARING ($m)	TOTAL ($m)
Financial Assets							
Cash And Cash Equivalents	1.75%	6.2	-	-	-	-	6.2
Trade And Other Receivables		-	-	-	-	14.3	14.3
Revolving Credit Receivables	23.95%	20.8	-	-	-	-	20.8
		27.0	-	-	-	14.3	41.3
Financial Liabilities							
Trade, Other Payables And Provisions						(30.3)	(30.3)
Finance Business Borrowings	BKBM plus 1.54%	(60.9)	-	-	-	-	(60.9)
Effect Of Interest Rate Derivatives		6.1	(0.1)	-	(6.0)	-	-
TOTAL		(27.8)	(0.1)	-	(6.0)	(16.0)	(49.9)

GROUP 2017	VARIABLE INTEREST RATE	6 MTHS OR LESS ($m)	6-12 MTHS ($m)	1-2 YRS ($m)	MORE THAN 2 YRS ($m)	NON INTEREST BEARING ($m)	TOTAL ($m)
Financial Assets							
Cash And Cash Equivalents	1.75%	12.0	-	-	-		12.0
Trade And Other Receivables		-	-	-	-	10.1	10.1
Revolving Credit Receivables	23.95%	20.1	-	-	-	-	20.1
		32.1	-	-	-	10.1	42.2
Financial Liabilities							
Trade, Other Payables And Provisions		-	-	-	-	(26.4)	(26.4)
Finance Business Borrowings	BBR plus 2%	(53.3)	-	-	-	-	(53.3)
Effect Of Interest Rate Derivatives		24.0	(3.2)	(20.8)	-	-	-
TOTAL		2.8	(3.2)	(20.8)	-	(16.3)	(37.5)

Capital Management

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

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

Other than covenants and capital ratios as referred to in Note 17 the Group is not exposed to any externally imposed capital requirements.

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

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

HEDGING

Interest Rate Hedges

The Group has a policy of ensuring that interest rate exposure on term borrowings excluding Finance Business (or core debt) shall be fixed forward on a rolling 12 months basis for a minimum of 45% of total exposure and up to a maximum of 100%.

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

Interest rate swaps have been entered into to achieve an appropriate mix of exposure within the Group's policy. The swaps mature over the next four years and have fixed swap rates ranging from 2.5% to 4.75% (2017 2.9% to 4.75%). At 30 April 2018 the Group had interest rate swaps with a notional contract amount of $26.2m (2017 $44.1m) including Finance Business of $26.2m (2017 $44.1m). The Group classifies interest rate swaps as cash flow hedges.

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

Forecast Transactions

The Group classifies its forward exchange contracts hedging forecast transactions as cash flow hedges. The net fair value of forward exchange contracts used as hedges of forecast transactions at 30 April 2018 was nil (2017 $0.1m) comprising assets of $nil (2017 $nil) and liabilities of nil (2017 $0.1m). The exchange rate used to calculate the fair value of forward exchange contracts at 30 April 2018 was US$0.7079 (2017 US$0.6880).

Accounting Classifications and Fair Values

The Group's classification of each class of financial assets and their fair values is set out below. Note that the only instruments designated at fair value are the derivative financial instruments. The derivatives are classified as Level 2 in the fair value hierarchy and there has been no movement between levels of fair value hierarchy during the year ended 30 April 2018.

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

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

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

Interest Rates Used for Determining Fair Value

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

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

Financial Instrument Carried At Fair Value

Fair Value Hierarchy

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

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

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

Level 3: unobservable inputs for the asset or liability.

30 April 2018

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

30 April 2017

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

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

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

Interest Rate Sensitivity

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

1. *Fair Value Sensitivity Analysis*

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

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

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

2. *Cash Flow Sensitivity Analysis*

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

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

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

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

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

Accounting Policy – Financial Instruments

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

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

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

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

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

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

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

22) Related Party Transactions

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

INFORMATION TECHNOLOGY SERVICES

The company has an existing contract with Datacom Group Limited of which Mr C Boyce (retired Chairman of Smiths City Group Limited), is Chairman, to provide information technology outsourcing services for the computer hardware and software facilities of the company. The transactions with Datacom Group Limited are completed on a commercial arms length basis within the Chief Executive Officer's delegated powers. Purchases for the year were $1.51m (2017 $1.37m). The amount owing to Datacom Group Limited at balance date was $0.1m (2017 $0.2m).

LAYBUY SALES FINANCING

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

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

NARTA NZ LIMITED

The Group has an investment of $0.01m in Narta NZ Limited. Narta NZ Limited is an appliance buying group of which the Group was one of the founding members. The Group has Board representation in this company and the Group's shareholding also provides it with voting rights. However, the Group does not consider NARTA NZ Limited to be an associate requiring accounting under the equity method. Purchases through this buying group are settled directly with the suppliers concerned on normal commercial terms as are the rebates which accrue as a result of these transactions. The Group also received income as a member from this company totalling $0.3m for the year ended 30 April 2018 (2017 $0.3m). The amount owing to the Group at balance date was $0.04m (2017 $0.4m).

KEY MANAGEMENT PERSONNEL COMPENSATION

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

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

23) Subsidiary Companies

The material trading subsidiary companies, all with balance dates of 30 April and all are wholly owned included in the consolidated accounts as at 30 April 2018 are as follows:

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

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

24) Operating Leases

Non cancellable operating lease rentals are payable as follows:

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

Accounting Policy – Operating Leases
The Group leases all of its stores under operating leases. The leases typically run for between two to nine years with options to renew the leases after that date. Lease payments are increased every three years to reflect either market

rentals or in some cases CPI increases. The Group leases the majority of its motor vehicle fleet under operating leases.

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

25) Capital Commitments

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

26) Contingent Liabilities

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

27) Events Subsequent To Balance Date

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

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

On 8 May 2018 the Employment Court decision was released overturning the original decision and demanding that the meetings be paid. The payment required back pay extending back 6 years from the date of the improvement notice and includes also the period between the original improvement notice date and the present time.
The calculation is complex in terms of data retrieval, review of staff contracted hours. The Group must complete the calculation by 8 August 2018. As at the date of signing, the Group has not completed the prior year calculation with data retrieval underway.

28) Restatement Of Prior Period

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

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