Smiths City Group

ANNUAL REPORT

30 APRIL 2008

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SMITHS CITY GROUP LIMITED

DIRECTORS AND OFFICERS

CHAIRMAN	Craig David Boyce
DEPUTY CHAIRMAN	John Allen Dobson
DIRECTORS	Susan Jane Sheldon John William Holdsworth Richard Hellings
ALTERNATE DIRECTOR	Gerald Haworth Willis
MANAGING DIRECTOR	Richard Hellings
REGISTERED OFFICE	550 Colombo Street Christchurch
BANKERS	The National Bank of New Zealand P O Box 220 Christchurch
AUDITORS	KPMG P O Box 996 Wellington
SHARE REGISTRARS	Link Market Services P O Box 384 Ashburton

ADDRESS FOR COMMUNICATIONS

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COMPANY PROFILE

Smiths City Group Limited (the Group) is the Christchurch based holding company for a group of businesses with operating revenues in excess of $250million, employing over 900 staff and with approximately 2,400 shareholders. The Group's shares are listed on the New Zealand Stock Exchange under the stock code SCY.

The Group's activities are concentrated in three areas – retail, finance and property.

RETAIL

The Group trades under a number of well-known retail brands, split into two broad segments;

» *Lifestyle stores*
Trading as Smiths City, the lifestyle stores retail a range of household products including furniture, beds, floor coverings, appliances, heating and air conditioning, consumer electronics and sports goods. There are 17 stores throughout the South Island and six in the North Island, with a seventh North Island store opening in Tauranga in July 2008.

The Smiths City stores provide a full service customer experience with a full home delivery and installation service, selling branded goods supported by product specialists in each department. This contrasts with the check-out cash and carry style operation used by many discount retailers.

» *Specialist appliance chains*
Powerstore and L V Martin & Son are specialist appliance chains, with Powerstore trading through eight stores in the South Island, and L V Martin & Son operating through five stores in the Wellington region, and one store in Rotorua.

In addition to the lifestyle and specialist appliance retail chains, the Group has three clearance centres retailing budget end furniture and appliances, and one store branded as Furniture Concepts which focuses on the upper end of the furniture and accessories market.

The retail chains are supported by the Alectra service operation, which installs and services many of the products sold by the retail chains – including heating and air conditioning, floor coverings and appliances. Alectra also operates a business to business trading arm selling goods and services direct to the commercial market.

FINANCE

Smithcorp Finance Limited provides flexible finance options to customers of the retail divisions, as well as unsecured personal loans to customers with a proven credit history. Ownership of the finance company is seen as a key part of our ongoing strategy and gives us a point of difference to our competition.

PROPERTY

Superior store location and presentation are critical to the success of a retail organisation. The Group recognises this and continues to retain ownership of its flagship Smiths City store in Colombo Street, Christchurch, through Smiths City Properties Limited. The property company also undertakes development projects where opportunities are identified to enhance and add value to a site occupied by a Group store.

THE CUSTOMER EXPERIENCE

In modern day retailing creating customer loyalty to a retail brand is becoming increasingly difficult. The Group continues to build enduring customer loyalty and market share through a combination of strong brands and good customer service in our stores and in our customers' homes. We are pleased to support some of New Zealand's best-known brands – such as Fisher & Paykel, Sleepyhead, Panasonic, Sony, Cavalier Bremworth and Philips – alongside our own widely recognised brand names.

We continue to provide our customers with a true retail experience through providing quality goods, in store service and in home deliveries and installation, supported by our flexible finance options.

DIRECTORS' REPORT

REPORT AND FINANCIAL STATEMENTS

Your Directors are pleased to submit to shareholders their Report and Financial Statements for the year ended 30 April 2008.

BASIS OF PREPARATION

The financial statements have been prepared to comply with New Zealand equivalents of International Financial Reporting Standards (NZIFRS). This is the first full year reporting period that these standards have been adopted. All comparative figures have been restated to comply with NZIFRS.

PRINCIPAL ACTIVITIES

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

» Retail Trading – the retailing of consumer electronic products, kitchen appliances, home heating solutions, home furnishings and sporting goods through the Smiths City, Powerstore and L V Martin brands, and through Alectra the retailing and provision of services to the commercial trade. In addition, Alectra provides after sales services to retail activities, all through Smiths City (Southern) Limited.

» Finance – the provision of finance by Smithcorp Finance Limited to support the retailing operation.

» Property – the ownership of the flagship Colombo Street retail property in central Christchurch through Smiths City Properties Limited which also takes advantage of opportunities to develop and enhance retail premises. The company also holds investment properties in Christchurch.

PROFIT

The Group net profit after taxation was $3.562million – compared with last year's $3.624million. There were no abnormal items. Earnings per share were 6.7cents compared with 6.8cents last year.

SHAREHOLDERS' EQUITY

Shareholders' equity as at 30 April 2008 was $46.342million, up 1.3% on prior year of $45.768million.

DIVIDEND

The Directors have approved a final dividend of 3cents unimputed, which will be paid on 15 August 2008. Dividends paid for the year will be 4.5cents unimputed (last year 5.5cents unimputed).

SIGNIFICANT CHANGES

There were no significant changes to the operations of the Group during the year.

FURTHER INFORMATION

For information on Disclosure of Interest by Directors, Remuneration of Directors, Use of Company Information and Insurances refer to the Governance Report on pages 11-15.

Dated 14 July 2008

C D BOYCE
CHAIRMAN

J A DOBSON
DEPUTY CHAIRMAN

TREND STATEMENT

	UNDER GAAP			UNDER NZIFRS	
GROUP FINANCIAL PERFORMANCE	**2004 ($000)**	**2005 ($000)**	**2006 ($000)**	**2007 ($000)**	**2008 ($000)**
Operating Revenue	205,088	228,466	243,039	271,873	252,407
Profit Before Taxation	6,084	5,106	5,209	3,682	3,562
Add / (Deduct) Taxation Credit / (Expense)	(2,008)	3,574	383	-	-
Profit After Taxation	4,076	8,680	5,592	3,682	3,562
Deduct Minority Interest	-	(54)	(156)	(58)	-
Add Dividend From Associate	258	81	-	-	-
Profit After Income Tax	4,334	8,707	5,436	3,624	3,562
GROUP FINANCIAL POSITION					
Assets					
Total Trading Assets	63,909	75,598	85,165	92,478	89,496
Finance Company Assets	85,263	88,612	92,786	92,829	96,918
Total Assets	149,172	164,210	177,951	185,307	186,414
Deduct Liabilities					
Total Trading Liabilities	40,243	47,569	55,030	55,571	51,908
Finance Company Liabilities	77,254	78,617	81,969	83,968	88,164
Total Liabilities	117,497	126,186	136,999	139,539	140,072
Net Group Assets	31,675	38,024	40,952	45,768	46,342
Total Trading Assets (As Above)	63,909	75,598	85,165	92,478	89,496
Net Finance Company Assets					
Receivables	84,517	86,119	91,704	91,974	95,510
Bank	746	2,493	1,082	855	1,408
Deduct Borrowings	(77,254)	(78,617)	(81,969)	(83,968)	(88,164)
Net Investment In Finance Company	8,009	9,995	10,817	8,861	8,754
Total Assets	71,918	85,593	95,982	101,339	98,250
Deduct Total Trading Liabilities (As Above)	40,243	47,569	55,030	55,571	51,908
Net Group Assets With Finance Company As An Investment	31,675	38,024	40,952	45,768	46,342
Key Ratios					
Net Profit Before Tax To Operating Revenue	3.0%	2.2%	2.1%	1.4%	1.4%
Net Profit After Tax To Operating Revenue	2.1%	3.8%	2.2%	1.3%	1.4%
Net Profit After Tax To Opening Net Assets	16.2%	27.5%	14.5%	9.0%	7.8%
Earnings Per Share – cents	8.18	16.44	10.26	6.84	6.73
Shareholders' Funds To Total Assets	21.2%	23.2%	23.0%	24.7%	24.9%
Shareholders' Funds To Assets With Finance Company As An Investment	44.0%	44.4%	42.7%	45.2%	47.2%
SUMMARY OF RETURNS TO SHAREHOLDERS					
Net Dividend Per Share - cents	3.50	5.00 (2)	5.50 (1)	5.50 (1)	4.50(1)
Imputation Credits - cents	1.75	0.00	0.00	0.00	0.00
Gross Dividend Per Share - cents	5.25	5.00	5.50	5.50	5.50
30 April Share Price - cents	54	68	61	65	48
Gross Dividend Yield Based on 30 April Share Price	9.7%	7.4%	9.0%	8.5%	10.7%

(1) Dividend paid without imputation credits
(2) Excludes 1.5 cent special one off dividend payment. At a 6.5 cent dividend the yield is 9.8%

On behalf of the Board of Directors I am pleased to report on what has been a difficult trading year particularly over the last quarter with New Zealand economy widely expected to have gone into negative growth.

SUMMARY OF FINANCIAL PERFORMANCE

Operating revenues for the year decreased by 7.2% from $271.8million to $252.4 million. Of this decline, 5.0% was due to the disposal of a business during the year. Same stores revenues decreased by 2.2%.

Audited after tax profit of $3.5million was down 1.7% compared with $3.6million for the year to 30 April 2007.

The financial result has been prepared in accordance with New Zealand International Financial Reporting Standards (NZIFRS) for the first time. The change to NZIFRS reporting has resulted in prior year comparatives being restated. However, the net effect on reported profit when compared with reporting under the previous standards is immaterial. Along with the adoption of NZIFRS the Board has decided to change its reporting in that all supplier product rebates are now included in the total cost of goods sold rather than taken to revenue as in previous years.

DIVIDEND

The Directors have declared an unimputed final dividend of 3.0cents per share (last year 4.0cents) to be paid on 15 August 2008. This brings the dividend for the year to an unimputed 4.5cents per share (last year 5.5cents).

REVIEW OF OPERATIONS - TRADING

The trading results reflect the difficult trading environment we have been experiencing for the last two years. The downturn was particularly strong in the February – April 2008 quarter. The effects of high interest rates on housing prices and mortgage payments as well as high inflation in consumer essentials seriously affected confidence and spending.

Despite the challenging environment over the last six months all the indications are that we have maintained our market share and that the downturn has not affected the provinces as much as the cities. The Smiths City South Island chain of appliances, furniture, floorcoverings and sports products increased its same stores sales by 1% over the last quarter. We saw strong performance in stores such as Nelson, Richmond, Blenheim, Greymouth, Ashburton, Timaru, Oamaru, Gore and Central Otago all drawing on the rural sector.

But the New Zealand Department of Statistics figures for retail sales across the whole of New Zealand show a different picture. Appliance sales for all months since September 2007 have declined compared with the same month last year and since January on average by 9%. Furniture and furnishings have declined since January on average by 5%.

In the home electronics area we have seen rapid reduction in prices as new products reach maturity. To date market volumes have been sufficient to maintain overall revenue. However, the high volume by number increases the costs of sale, distribution, and finance. These are not recoverable as the dollar margins per sale fall. For example across the whole of New Zealand the average retail price for LCD television has fallen by 40% in the last two years.

Over the last five years structural changes have occurred in the retail sector in which we operate.

Firstly the size of businesses or "scale" through consolidation has gathered pace. This has meant that to be serious and viable businesses like Smiths City have to grow:

- » To maintain market share and remain relevant to major suppliers in buying and promotional support.
- » To access the advantages of branding, marketing and promotion available over a nation wide business.
- » To reduce the direct costs of sale and distribution per transaction as price points fall.
- » To adopt new technology at point of sale and back office processing to reduce administration costs.
- » To attract the high level skills and management necessary to succeed.

Secondly we have seen the high volume of exciting new products in the appliance retail business attract new entrants and dual branding retailers into what has become a very crowded and competitive market both for retailers and manufacturers.

Thirdly the costs of property, rentals and promotions have been driven up by high interest rates and will only abate slowly over the longer term. In store operating costs also have been increasing largely out of our immediate control through energy, distribution and wage costs.

Five years ago we adopted a strategy of steady growth for the Smiths City chain into the North Island. This growth continues based around our known product brands, full service and the Smithcorp Finance EasyPay and EasyCard promotional offering.

The two chains which only retail appliances (Powerstore in the South Island and L V Martin in Wellington) were affected by lower margins and an increasingly promotion and price driven market. Both chains have had to adapt quickly to reduce those costs which leave customer service unaffected. The positive impact of these moves will be seen in the 2008 year.

Management actions over the last two years in anticipation of the downturn in the economy will also pay off in 2008. In particular we:

» Joined NARTA, the appliance buying group, to work closely with suppliers in providing them with a single point of contact for dealing with smaller appliance chains.
» Purchased the 20% minority shareholding in L V Martin, thereby enabling rationalisation of systems to reduce costs across the Group.
» Implemented new point of sale technology to speed up the sale transaction and improve customer service.
» Concentrated on cost out across the Group thereby adjusting its cost base to offset the negative effects of the current sales and margin environment.
» Divested or closed non core activities including selling the Smiths City building supplies business.

The Management and Board are constantly reviewing all our operations to ensure they are both necessary and viable from a long term perspective and that they meet the definition of core business. In some cases this means that we have to maintain stores which for various reasons provide an unsatisfactory return but these are under constant focus. In other cases sales/closures will inevitably occur as we seek to maximise shareholders' value.

FINANCE

Ownership of our own finance company Smithcorp Finance gives us advantages as it is a key part of our promotional activity and customer loyalty programme. The very large database of customers on both fixed instalment finance and a monthly revolving credit card is a rich source of customers who know our brand and company. Our experienced credit teams watch over our debtors and carry out an essential management of these assets particularly in times of a slowing economy.

During 2008 all the company's retail activities including L V Martin will use the Smithcorp Finance flexible credit options.

PROPERTY

This year we had a $0.60million profit on sale of one property and a $0.05million gain in valuation of the investment properties held in Christchurch (last year $0.38million).

OUTLOOK

Everyone knows these are tough times in the retailing of home appliance and furniture products, but Smiths City has been there before in 2000, 1998, 1996 and 1990.

Recent economic surveys indicate that consumer confidence is low and that a recession may be a long one particularly if monetary policy doesn't ease up quickly. Others are less pessimistic pointing to the parts of the rural sector remaining buoyant and the prospect of more tax cuts. Certainly the difference between this downturn and those of the past is the very low level of jobless and the confidence most of us have about remaining employed.

Despite what looks like an uncertain outlook I remain confident and am looking forward to the next year. The changes we have made to our business and the quality and determination of the people we have in our company are a good foundation to see us through this period.

We have reviewed our retail and service model and believe we can continue to offer a real point of difference from our competitors as well as the operational basis to improve results. The coming year will be bumpy with many factors affecting our results but our focus will be on what we can control and ensuring that we get the best out of the market that is available.

C D BOYCE
CHAIRMAN

MARKET OVERVIEW

Smiths City is a fully integrated retail, finance and property company. The company seeks to maximise its return across the Group by taking advantage of opportunities in each of those three key areas. However, retail underpins our whole operation and if retailing is tough our results reflect that.

Retail trading conditions over the last two years have been challenging and the period since Christmas 2007 particularly difficult. Household budgets are under severe pressure as the effect of increasing costs of food, electricity, petrol and interest continue to reduce that portion of the household budget available for discretionary items.

When an economy experiences a downturn such as this it is widely acknowledged that big ticket products – kitchen appliances; furniture; flooring – are the first products to be cut from discretionary household expenditure.

In the post Christmas period the tough trading conditions have accelerated beyond big ticket and into other products and this has been widely reported by other listed retailers. This is truly indicative of how difficult the retail economy is.

Management has, as it will be seen below, had a real focus on managing costs and efficiencies. However, the strength of the Smiths City brand and the loyalty it evokes in our customers is a real advantage for us. In modern day retailing such loyalty is rare. It certainly is not something we take for granted. Accordingly, we will continue to actively market to those customers to ensure we continue to earn that loyalty rather than believe we get it as of right.

Given the trading environment in the 2007/2008 financial year we consider that holding our profit at last year's level is a satisfactory result.

REVIEW OF 2008 FINANCIAL YEAR

The focus for management was to improve efficiencies, eliminate waste and ride out the effect of very difficult trading conditions without seeing any erosion of profit. In particular the aims were:

» To maintain market share in our established markets.
» To continue the Group's growth strategy into the North Island, and
» To maintain a real focus on costs in all areas of the business, particularly using technology to improve efficiencies.

To maintain market share we have matched, and in some cases beaten, very competitive offers in all the product categories in which we trade. Smiths City and Powerstore have performed well in those trading conditions although the L V Martin business in Wellington has experienced erosion of market share and profitability as a result of the increased number of shop fronts selling appliances in Wellington. As new stores open it is not unusual to see established retailers lose market share in the short term and it is pleasing to see the L V Martin performance beginning to improve as their traditional customer base returns to them.

The North Island expansion is being done slowly, step by step, to reflect the current trading environment. We are seeing improving returns from the North Island Smiths City stores and will continue our slow but steady advance into the North Island by opening a new store in Bethlehem, Tauranga in July this year.

When retailing conditions are tough it does, however, give an opportunity for management to look inwards and to ensure that there is a real focus on the core business including minimising costs, maximising efficiencies, improving the customers product and service levels across the whole business. For example during the year we have:

» Recognised that as prices of appliances have reduced, using trade ins as a promotional tool is no longer as effective as in previous years. Recognising this the company closed three Clearance Centres to enable the stock that is available to be sold in a more efficient manner.
» Moved the Powerstore Invercargill operation from the premises in the Annex, where it was the only retailer in an industrial area, to new premises in Leven Street amongst the other big ticket retailers.
» Amalgamated the Gore Powerstore and Smiths City operations into one large Smiths City store located in the centre of the town.
» Moved Smiths City Blenheim to a new site and much larger premises.

- » Exited the Canterbury based wholesale building supplies business which was not large enough to compete with nationwide companies.
- » Closed Smiths City Filleul Street to enable us to concentrate our retail operations on our much larger Smiths City store in Anderson Bay Road, and
- » Introduced an upgraded Point of Sale System into our stores thereby automating many administration functions.

The overall result has been a more streamlined work force with a real focus on being the best in our product categories.

Finance is a key part of our customer offering and Smithcorp Finance continues to contribute positively to our result.

Property also contributed positively to our result – the purchase, development and sale of our new store in Gore, which was completed in the first quarter in this financial year is a clear example of how we can successfully identify and develop store locations. As noted in our Half Yearly Report we have negotiated funding lines to enable us to take advantage of similar opportunities as they arise.

In December we completed the purchase of the store we occupy in Gisborne. We intended to develop the site for sale during the first half of the 2008 calendar year. The development process was interrupted by the earthquake in Gisborne and we are now anticipating offering the property for sale in the second half of 2008.

OUR PEOPLE

Included in the Annual Report are the names of all our people who were part of the Group at the end of June 2008.

Working in the big ticket arena, whether in retail, finance, trades or wholesale is demanding on our people and their families. The loyalty, enthusiasm and the knowledge of our team gives us a key competitive advantage when we are compared with other retailers.

I would personally like to take this opportunity to thank all of our people for their efforts over the last 12 months. Thank you.

OUTLOOK

Looking ahead it is difficult to see any real change to the overall economic environment. Whilst tax cuts and a strong rural economy will be in our favour current government policy appears determined to control inflation through stifling any growth in consumer spending. As a result we are unlikely to see any natural growth in demand but will continue to see increases in cost areas such as vehicle costs, interest and rentals.

Undoubtedly the current retail sentiment will continue to reduce sales, margins and operating results, particularly in the first half of the 2008/2009 year.

However, management will continue to find ways to hold or reduce expenses, work with NARTA and our suppliers to improve margins and, through strong promotions, concentrate on holding and, where possible, improving market shares. These factors combined with the continuing support of our people, mean that the medium term outlook is more positive.

RICK HELLINGS
MANAGING DIRECTOR

GOVERNANCE REPORT

The Board of Directors of Smiths City Group Limited acknowledges the need for the highest standards of Corporate Governance practice and ethical conduct. The Group's Corporate Governance processes do not materially differ from the NZX Corporate Governance Best Practice Code.

ROLE OF THE BOARD OF DIRECTORS

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

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

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

INDEPENDENT DIRECTORS

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

GROUP MANAGEMENT STRUCTURE

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

RISK IDENTIFICATION AND MANAGEMENT

The Group has policies and procedures to identify areas of significant business risk and implement procedures to effectively manage those risks. Where appropriate, the Board obtains advice directly from external advisers. Once a significant business risk is identified, the Board is advised and action is taken promptly to mitigate and monitor or take advantage of the risk.

COMMITTEES

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

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

Audit Committee;
Chairman; J A Dobson
Members; S J Sheldon and C D Boyce

The Audit Committee is responsible to the Board for the appointment of the external auditors. It also monitors the audit function and reviews the annual audit process. The committee met in private with the auditors on two separate occasions during the year.

The Committee recommends the adoption of the Annual Report and Financial Statements to the Board. In addition, the Committee is responsible for ensuring that the Group has effective internal controls. The Committee met six times during the year under review.

Nomination Committee;
Chairman; C D Boyce
Members; J A Dobson, S J Sheldon, J W Holdsworth and R Hellings

The Nomination Committee is responsible for selecting appropriate nominees for election as Directors. As there were no vacancies to fill, the committee did not meet during the year.

Remuneration Committee;
Chairman; C D Boyce
Members; J A Dobson, S J Sheldon, J W Holdsworth and R Hellings

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

ATTENDANCE AT MEETINGS

Directors attended the following meetings during the year.

	Board Maximum 9	Audit Committee Maximum 6
C D Boyce	9	4
J A Dobson	8	6
J W Holdsworth	8	Not applicable
S J Sheldon	9	6
R Hellings	9	6 (as observer)

REMUNERATION AND BENEFITS

Fees paid to Directors

The Board recognises that fees paid to Directors should be in line with those paid by other comparable organisations. The Board seeks independent expert advice on the level of fees to ensure that the level of fees paid to Directors is reasonable.

The fees paid to Directors for services in their capacity of Directors during the year ended 30 April 2008 were and have remained the same since 30 September 2005 when shareholders approved up to $250,000 per annum:

	Directors' Fees	Other Services	Total Remuneration
Craig David Boyce	65,000	-	65,000
John William Holdsworth	45,000	-	45,000
John Allen Dobson	45,000	-	45,000
Susan Jane Sheldon	35,000	-	35,000
	190,000	-	190,000

Indemnities and insurance

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

DISCLOSURES OF INTEREST

Directors of related companies including subsidiaries

Craig David Boyce, John Allen Dobson, John William Holdsworth, Susan Jane Sheldon and Richard Hellings are Directors of the following companies except where differences are noted:

Smiths City Group Limited
Smithcorp Finance Limited
SCG Finance Limited
Smiths City (Southern) Limited
Smiths City (Auckland) Limited
Smiths City (Nelson) Limited
Smiths DIY (Southern) Limited
Smiths City (Wellington) Limited
Smiths City (Christchurch) Limited
Quintana Investments Limited
Smiths City Properties Limited
Powerstore Limited
Smiths City Staff Share Plan Trustee Limited (except for R Hellings)
Alectra Limited
Furniture Concepts Limited (R Hellings and C D Boyce only)
L V Martin & Son Limited (R Hellings, J W Holdsworth and T E Douthett only)

Disclosures of interest

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

C D BOYCE (Chairman)

Christchurch City Holdings Limited
Datacom Group Limited
Bernard Matthews (New Zealand) Limited
Connexionz Limited
Orion Group Limited
Extra Strength No 164 Limited
Progressive Leathers Limited
Snowy Peak Limited
Thermocell Limited
Transdiesel Limited
Combined Rural Traders Limited

J A DOBSON (Deputy Chairman)

Rural Transport Limited
Gough Holdings Limited and subsidiaries
Orion Group Limited and subsidiaries
Wilson Bulk Transport
Securitised Equipment Holdings Limited
Gough Securities Limited
J A Dobson Limited
New Zealand Express Transport 2006 Limited

J W HOLDSWORTH

Datacom Group Limited
L V Martin & Son Limited
Evander Management Limited

R HELLINGS

Retail Management Services 2000 Limited
Adventure Brands Limited
Ferrymead Park Limited (Honorary)
L V Martin & Son Limited
NARTA NZ Limited

S J SHELDON

Freightways Limited
MediaWorks Limited (resigned August 2007)
Christchurch International Airport Limited
Asure New Zealand Limited (resigned September 2007)
Electronic Transaction Services Limited
FibreTech New Zealand Limited
FibreTech Holdings Limited
Wool Industry Network Limited
The National Provident Fund Board of Trustees

Share dealings by Directors

The company did not receive any notices of share trading from the Directors during the current year. In the year ended 30 April 2007 J W Holdsworth advised the company that he had an interest in the purchase of 182,327 shares and J A Dobson advised the company that he had an interest in the purchase of 50,000 shares.

At the prior year's balance date Directors held interests in the following shares.

	Balance as at 30 April 2006	Purchases	Sales	Balance as at 30 April 2007
Craig David Boyce	3,615,039	-	-	3,615,039
John Allen Dobson	451,579	50,000	-	501,579
John William Holdsworth	8,614,277	182,327	-	8,796,604
Richard Hellings	4,778,075	-	-	4,778,075

At balance date Directors held interests in the following shares.

	Balance as at 30 April 2007	Purchases	Sales	Balance as at 30 April 2008
Craig David Boyce	3,615,039	-	-	3,615,039
John Allen Dobson	501,579	-	-	501,579
John William Holdsworth	8,796,604	-	-	8,796,604
Richard Hellings	4,778,075	-	-	4,778,075

SHARE TRADING PROTOCOL

The Board has a share protocol for those individuals who are defined as restrictive persons, being its Directors and executives, specifying the rules under which shares can be traded in Smiths City Group Limited. The protocol has been approved following the introduction of the provisions of the Security Markets Amendment Act 2006 which replaced the previous laws on insider trading.

Directors and executives must notify the company and obtain prior approval from the Board before trading in the company's shares. Trading is permitted, provided the person is not in possession of any material information for up to 60 days after the announcement of the company and Group's annual results and the half year results.

USE OF COMPANY INFORMATION

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

COMMUNICATION WITH SHAREHOLDERS

The company has communicated directly with its shareholders via the half yearly report and the annual report and through their attendance at the annual meeting. It has also communicated indirectly via announcements through the NZX on seven occasions. In complying with company disclosure policy there has been no other obligatory communications to shareholders.

ENVIRONMENT

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

The Group recycles materials extracted from washing machines and refrigerators, collects and properly disposes of refrigerant gases and recycles packaging cartons and printer cartridges. The Group also assists with recycling second hand goods through the operation of its chain of clearance centres. The Group supports the Product Stewardship Scheme as the most effective system to achieve removing wastes created by televisions from landfill and achieving recycling wherever possible of such wastes.

The Group has sought and received assurances from its suppliers that furniture products imported from overseas are manufactured from timbers grown in sustainable forests and not rain forests.

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

COMMUNITY SUPPORT

Donations and Charities

During the year the Group continued to make donations in cash or product in support of local charities. Total expenditure for donations and sponsorship was $93,566 (2007: $113,858).

The Group recognises that it is dependent on the support of the community and the need to promote its products and services to the community.

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

The Group also supports organisations such as the IHC, Ronald McDonald House in Canterbury and is the major sponsor of the Santa Parade in Christchurch. In the past two years the Group has combined with the Naval Point Club Lyttelton to organise a yacht race to raise funds for charity. In February approximately $30,000 was raised to help Youthline achieve its objective of installing facilities to allow nationwide texting as a means of communicating with teenagers.

Audit report

To the shareholders of Smiths City Group Limited

We have audited the financial statements on pages 18 to 54. The financial statements provide information about the past financial performance and financial position of the company and group as at 30 April 2008. This information is stated in accordance with the accounting policies set out on pages 21 to 27.

Directors' responsibilities

The Directors are responsible for the preparation of financial statements which give a true and fair view of the financial position of the company and group as at 30 April 2008 and the results of their operations and cash flows for the year ended on that date.

Auditors' responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the Directors and report our opinion to you.

Basis of opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Directors in the preparation of the financial statements;
- whether the accounting policies are appropriate to the company's and group's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Our firm has also provided other services relating to accounting and other assurance services to the group. These matters have not impaired our independence as auditors of the group. The firm has no other relationship with or interests in the group.

Unqualified opinion

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by the company as far as appears from our examination of those records;
- the financial statements on pages 18 to 54:
  - comply with New Zealand generally accepted accounting practice;
  - give a true and fair view of the financial position of the company and group as at 30 April 2008 and the results of their operations and cash flows for the year ended on that date.

Our audit was completed on 14 July 2008 and our unqualified opinion is expressed as at that date.

KPMG

Christchurch

SMITHS CITY GROUP LIMITED
INCOME STATEMENT FOR THE YEAR ENDED 30 APRIL 2008

	NOTE	GROUP 2008 ($000)	GROUP 2007 ($000)	PARENT 2008 ($000)	PARENT 2007 ($000)
Sales Revenue	7	**252,407**	**271,873**	**3,112**	**8,000**
Cost of Goods Sold		(182,855)	(200,475)	-	-
Gross Profit		**69,552**	**71,398**	**3,112**	**8,000**
Other Income	8	776	487	-	-
Store and Distribution Expenses	9	(60,034)	(60,897)	-	-
Administrative Expenses	10	(5,745)	(5,614)	(950)	(1,227)
Results From Operating Activities		**4,549**	**5,374**	**2,162**	**6,773**
Finance Income	11	9,433	7,617	435	368
Finance Costs	11	(10,525)	(9,403)	-	-
Net Finance Income / (Costs)		**(1,092)**	**(1,786)**	**453**	**368**
Share of Profit of Equity Accounted Investees	20	105	94	-	-
Profit Before Tax		**3,562**	**3,682**	**2,597**	**7,141**
Taxation	12	-	-	-	-
Profit for the Year		**3,562**	**3,682**	**2,597**	**7,141**
Attributable to:					
Minority Interests		-	58	-	-
Equity Holders of the Company		3,562	3,624	2,597	7,141
Profit for the Year		**3,562**	**3,682**	**2,597**	**7,141**
Earnings Per Share for Profit Attributable to Equity Holders:					
Basic and Diluted Earnings Per Share (cents)	27	6.7	6.8		

STATEMENT OF RECOGNISED INCOME AND EXPENSE
FOR THE YEAR ENDED 30 APRIL 2008

	NOTE	GROUP 2008 ($000)	GROUP 2007 ($000)	PARENT 2008 ($000)	PARENT 2007 ($000)
Revaluation of Property		-	3,539	-	-
Fair Value Gain/(Loss) Taken to Cash Hedge Reserve	25	602	(985)	-	-
Gain on Acquisition of Minority Interest	26	78	-	-	-
Income and Expense Recognised Directly in Equity		**680**	**2,554**	**-**	**-**
Profit for Year		**3,562**	**3,682**	**2,597**	**7,141**
Total Recognised Income and Expense for the Period		**4,242**	**6,236**	**2,597**	**7,141**
Attributable to:					
Equity Holders of the Company		4,242	6,178	-	-
Minority Interests		-	58	2,597	7,141
Total Recognised Income and Expenses for the period		**4,242**	**6,236**	**2,597**	**7,141**

SMITHS CITY GROUP LIMITED
BALANCE SHEET AS AT 30 APRIL 2008

	NOTE	GROUP 2008 ($000)	GROUP 2007 ($000)	PARENT 2008 ($000)	PARENT 2007 ($000)
CURRENT ASSETS					
Cash and Cash Equivalents	13	1,853	1,101	1,750	1,000
Trade and Other Receivables	14	12,138	14,664	617	2,416
Asset (Property) Held For Sale		2,395	1,183	-	-
Inventories	15	37,664	39,922	-	-
TOTAL CURRENT ASSETS (excluding Smithcorp)		54,050	56,870	2,367	3,416
SMITHCORP FINANCE ASSETS					
Smithcorp Cash and Cash Equivalents	13	1,408	855	-	-
Smithcorp Finance Receivables – Current Portion	16	54,333	53,641	-	-
Smithcorp Finance Receivables – Term Portion	16	41,177	38,333	-	-
TOTAL SMITHCORP FINANCE ASSETS		96,918	92,829	-	-
NON CURRENT ASSETS					
Property, Plant and Equipment	17	26,285	27,649	11	14
Intangible Assets	18	3,647	2,616	-	-
Investment Properties	19	1,225	1,171	-	-
Investments in Equity Accounted Investees	20	496	379	132	120
Investments in Subsidiaries		-	-	15,684	15,007
Deferred Taxation	21	3,793	3,793	-	-
TOTAL NON CURRENT ASSETS (excluding Smithcorp Finance)		35,446	35,608	15,827	15,141
TOTAL ASSETS		186,414	185,307	18,194	18,557
CURRENT LIABILITIES					
Bank Overdraft	13	181	1,012	-	-
Short Term Loan on Asset Held For Sale	24	2,300	1,183	-	-
Secured Borrowings	24	11,643	10,065	1,437	1,476
Trade and Other Payables Including Derivatives	22	22,357	29,332	21	30
Provisions	23	718	758	-	-
TOTAL CURRENT LIABILITIES		37,199	42,350	1,458	1,506
SMITHCORP FINANCE NON CURRENT BORROWINGS	24	88,164	83,968	-	-
NON CURRENT LIABILITIES (excluding Smithcorp Finance)					
Secured Borrowings	24	14,709	13,221	-	-
TOTAL LIABILITIES		140,072	139,539	1,458	1,506
NET ASSETS		**46,342**	**45,768**	**16,736**	**17,051**
SHAREHOLDERS' FUNDS					
Share Capital Reserves	25	10,652	10,652	10,652	10,652
Revaluation Reserve	25	8,972	8,972	-	-
Other Reserves	25	(92)	(694)	-	-
Retained Earnings	25	26,810	26,082	6,084	6,399
		46,342	45,012	16,736	17,051
Minority Interests	25	-	756	-	-
TOTAL EQUITY		**46,342**	**45,768**	**16,736**	**17,051**

SMITHS CITY GROUP LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 APRIL 2008

	NOTE	GROUP 2008 ($000)	GROUP 2007 ($000)	PARENT 2008 ($000)	PARENT 2007 ($000)
CASH FLOWS FROM OPERATING ACTIVITIES					
CASH WAS PROVIDED FROM:					
Receipts From Customers		249,335	267,417	-	-
Receipt From Sale of Properties		2,610	-	-	-
Receipt of Dividend		-	-	3,112	8,000
Interest Received – Smithcorp		5,503	3,927	-	-
Interest Received – Other		267	399	435	368
Total Cash Flows From Operating Activities		257,715	271,743	3,547	8,368
CASH WAS APPLIED TO:					
Payments to Suppliers and Employees		(241,081)	(263,617)	(1,033)	(1,949)
Purchase Property Subsequently Sold		(2,096)	-	-	-
Interest Paid – Smithcorp		(7,694)	(6,919)	-	-
Interest Paid - Bank and Other		(2,717)	(2,221)	-	-
		(253,588)	(272,757)	(1,033)	(1,949)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES		**4,127**	**(1,014)**	**2,514**	**6,419**
CASH FLOWS FROM INVESTING ACTIVITIES					
CASH WAS PROVIDED FROM:					
Sale of Property, Plant and Equipment		265	-	-	-
Total Cash Flows From Investing Activities		265	-	-	-
CASH WAS APPLIED TO:					
Advances to Customers		(3,536)	(1,799)	-	-
Purchase of Minority Interests and Investments		(691)	-	(691)	-
Purchase of Property, Plant and Equipment		(2,379)	(3,400)	-	-
Total Cash Flows Applied to Investing Activities		(6,606)	(5,199)	(691)	-
NET CASH INFLOW /(OUTFLOW) FROM INVESTING ACTIVITIES		**(6,341)**	**(5,199)**	**(691)**	**-**
CASH FLOWS FROM FINANCING ACTIVITIES					
CASH WAS PROVIDED FROM:					
Receipts From Inter Company Advances		-	-	1,878	2,189
Receipt of Advances to Fund Finance Receivables		4,196	1,999	-	-
Receipt of Loan		3,066	5,074	-	-
Total Cash Flows From Financing Activities		7,262	7,073	1,878	2,189
CASH WAS APPLIED TO:					
Repayment of Loan		-	-	(39)	(4,719)
Dividends Paid		(2,912)	(2,912)	(2,912)	(2,912)
Total Cash Flows Applied to Financing Activities		(2,912)	(2,912)	(2,951)	(7,631)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES		**4,350**	**4,161**	**(1,073)**	**(5,442)**
Net Inflow/(Outflow) in Cash and Cash Equivalents Held	13	2,136	(2,052)	750	977
Cash and Cash Equivalents at Beginning of Period	13	944	2,996	1,000	23
Cash and Cash Equivalents at End of Period		3,080	944	1,750	1,000

RECONCILIATION OF NET PROFIT WITH CASH FLOWS FROM OPERATING ACTIVITIES

	GROUP 2008	GROUP 2007	PARENT 2008	PARENT 2007
Profit per Accounts After Earnings From Associate	3,562	3,682	2,597	7,141
Less Share of Earnings From Associate	(105)	(94)	-	-
Less Revaluation of Investment Properties	(54)	(380)	-	-
Add Depreciation (incl Refurbishment)	2,447	2,116	3	4
	5,850	5,324	2,600	7,145
Add/(Deduct) Movements in Working Capital				
Add Decrease (Deduct Increase) Receivables	2,431	(1,138)	-	101
Add Decrease (Deduct Increase) Inventories	2,258	(990)	(77)	-
Add Increase (Deduct Decrease) Accounts Payable and Provisions	(6,412)	(4,210)	(9)	(827)
Movements in Working Capital	(1,723)	(6,338)	(86)	(726)
Net Cash Inflow/(Outflow) From Operations	4,127	(1,014)	2,514	6,419

NOTES TO THE FINANCIAL STATEMENTS

1) REPORTING ENTITY

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

Financial statements for the Company (separate financial statements) and consolidated financial statements are presented. The consolidated financial statements of Smiths City Group Limited as at year end 30 April 2008 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

Smiths City Group Limited is primarily involved in the retailing of consumer electronics products, kitchen appliances, home heating solutions, home furnishings and sporting goods together with the provision of finance to support the retailing operations. In addition the Group also develops and owns retail property.

2) BASIS OF PREPARATION

a) Statement of Compliance

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

These are the Group's first NZIFRS financial statements and NZIFRS 1 has been applied. An explanation of how the transition to NZIFRS has affected the reported financial position, financial performance and cash flows of the Group is provided in Note 35.

The financial statements were approved by the Board of Directors on 14 July 2008.

b) Basis of Measurement

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

i) Derivative financial instruments are measured at fair value.
ii) Assets held for sale are measured at the lower of carrying amount and fair value less costs to sell.
iii) Investment property is measured at fair value.

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

c) Functional and Presentation Currency

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

d) Use of Estimates and Judgements

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

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

- Smithcorp Finance receivables are initially recognised at fair value in accordance with accounting policy 4d(i). The fair value of Smithcorp Finance receivables takes into account anticipated future income for all finance receivables made on deferred interest terms whilst also estimating the cost of instalment credit receivables made on deferred interest terms. Instalment credit receivables expected to have a non interest bearing period are discounted to their net present value using an appropriate market discount rate. This discount rate is continually reviewed by the Directors. As part of the calculation the probability that contracts will enter an extended interest bearing period is assessed based on historical data. The carrying value of finance receivables is disclosed in Note 16.
- Approximately one years budgeted profits are considered in the calculation of the deferred tax asset to be recognised on the basis it is probable that future taxable profits will be available against which they can be utilised. Further information in respect of the carrying value of the deferred taxation asset is disclosed in Note 21.
- The impairment testing of property, plant and equipment and intangible assets requires management's assessment of the existence of the indicators of impairment at each reporting date and where the indicators

exist, management determines the recoverable amount of the asset. In the case of impairment testing of indefinite life intangible assets, impairment testing procedures involves the use of management cash flow projections and key assumptions as described in note 18.

- The 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 28.
- The valuation of investment property is undertaken by an external independent valuation company by reference to market values as described in note 5 b.

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

e) Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

3) TRANSITION TO NZIFRS

As stated in Note 2(a) these are the Group's first consolidated financial statements prepared in accordance with NZIFRS.

The accounting policies set out in Note 4 have been applied in preparing the financial statements for the year ended 30 April 2008, the comparative information presented in these financial statements for the year ended 30 April 2007 and in the preparation of an opening NZIFRS balance sheet at 1 May 2006 (the Group's date of transition).

In preparing its opening NZIFRS balance sheet, the Group has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous GAAP). An explanation of how the transition from previous GAAP to NZIFRS has affected the Group's financial position, financial performance and cash flows is set out in Note 35 and the notes that accompany the tables.

4) SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of Consolidation

i) Subsidiaries

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

ii) Associates (Equity Accounted Investees)

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

iii) Transactions Eliminated on Consolidation

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

iv) Business Combinations

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

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

b) Foreign Currency Transactions

Transactions in foreign currencies are converted to NZD at exchange rates at the dates of the transactions. 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.

c) Impairment

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

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

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

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

d) Financial Instruments

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

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

i) Non Derivative Financial Instruments

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

Smithcorp Finance Receivables

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

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

Trade and Other Receivables

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

Cash and Cash Equivalents

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

Loans and Borrowings

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

Trade and Other Payables

Trade and other payables are stated at cost and the amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year, which are unpaid. These amounts are unsecured and are usually paid within 60 days of recognition.

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

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

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity 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 prospectively.

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

e) Property, Plant and Equipment

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

Other classes of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

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

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

ii) Subsequent Costs
The costs of the day to day servicing of property, plant and equipment is recognised in profit or loss 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 profit or loss on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

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

» Buildings	1% straight line
» Leasehold Improvements	12.5% - 50% straight line
» Office and computer equipment	10% - 20% straight line

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

f) Intangible Assets

i) Indefinite Life Intangible Assets
Indefinite Life Intangible Assets comprising purchased brands and trade names are initially measured at cost. Cost being the purchase price of the brands and trade names.

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

lives.

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

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

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

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

g) Investment Property

Investment property is property held either to earn rental income or for capital appreciation or for both. Investment property is measured at fair value with any change therein recognised in the income statement.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

h) Leased Assets

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payment 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.

i) Inventories

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

j) Non Current Assets Held For Sale

Non current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with the Group's accounting policies. Thereafter the assets are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on the initial classification as held for sale and subsequent gains and losses on remeasurement are recognised in the income statement.

k) Employee Benefits

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

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

l) Provisions

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

m) Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

n) Revenue

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. 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.

o) Finance Income

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

Income on Finance Receivables

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

The calculation of the effective interest rate includes all fees that are integral to the effective interest rate. All fees except those charged to customers accounts in arrears are considered to be integral to the effective interest rate.

Fees charged to customer accounts in arrears are recognised as income at the time the fees are charged.

Interest Income on Funds Invested

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

p) Finance Expenses

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

q) Income Tax Expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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 difference 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.

r) 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.

s) 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.

t) Changes in Accounting Policies

There have been no changes to accounting policies during the year.

u) New Standards and Interpretations Not Yet Adopted

The company has elected not to early adopt the following standards which have been issued but are not yet effective:

» NZIAS 1 Presentation of Financial Statements – revision approved in November 2007 and effective for annual reporting period beginning on or after 1 January 2009.

- » NZIAS 23 Borrowing Costs – revision approved in July 2007 and effective for annual reporting period beginning on or after 1 January 2009.
- » NZIFRS 3 Business Combinations (revised) – approved in February 2008 and effective for periods beginning on or after 1 July 2009.
- » NZIFRS 8 Operating Segments – approved in December 2006 ad effective for annual reporting period beginning on or after 1 January 2009.

The adoption of these standards is not expected to have a material impact on the company's Financial Statements.

5) DETERMINATION OF FAIR VALUES

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

a) Property, Plant and Equipment

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

b) Investment Property

An external independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment property portfolio annually. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arms length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

c) Inventory

The fair value of inventory acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventory.

d) 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.

e) Smithcorp Finance Receivables

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

f) Derivatives

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

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

6) SEGMENT INFORMATION

a) Description of Segments

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Business segments – the Group is organised into the following segments by product and service type:

- » Retail including the financing of retail sales
- » Property

The Group operates only in New Zealand and, therefore, has one geographical segment.

b) Primary Reporting Format – Business Segments

	RETAIL		PROPERTY		ELIMINATION		TOTAL	
	2008 ($000)	2007 ($000)	2008 ($000)	2007 ($000)	2008 ($000)	2007 ($000)	2008 ($000)	2007 ($000)
External Sales Revenue	252,407	271,873	-	-	-	-	252,407	271,873
Internal Sales Revenue	-	-	1,624	1,495	(1,624)	(1,495)	-	-
Total Segment Revenue	252,407	271,873	1,624	1,495	(1,624)	(1,495)	252,407	271,873
Segment Result	2,310	2,845	1,252	837	-	-	3,562	3,682
Segment Assets	162,099	162,442	24,315	22,865	-	-	186,414	185,307
Segment Liabilities	(123,690)	(125,016)	(16,382)	(14,523)	-	-	(140,072)	(139,539)
	38,409	37,426	7,933	8,342	-	-	46,342	45,768
Capital Expenditure	2,449	3,704	2,395	1,183	-	-	4,844	4,887
Depreciation	2,363	2,115	84	-	-	-	2,447	2,115
Amortisation of Intangible Assets	85	122	-	-	-	-	85	122

7) REVENUE

	GROUP		PARENT	
	2008 ($000)	2007 ($000)	2008 ($000)	2007 ($000)
Retail Sales	252,407	271,873	-	-
Dividend From Subsidiaries and Associates	-	-	3,112	8,000
	252,407	271,873	3,112	8,000

8) OTHER INCOME

Change in Fair Value of Investment Properties	54	380	-	-
Rental Income From Investment Properties	116	107	-	-
Profit on Sale of Property	606	-	-	-
	776	487	-	-

9) STORE AND DISTRIBUTION EXPENSES

The following items of expenditure are included in store and distribution expenses:

Operating Lease Rental Expense	(12,984)	(12,528)	-	-
Employee Benefits	(33,210)	(35,173)	(632)	(622)

10) ADMINISTRATIVE EXPENSES

The following items of expenditure are included in administrative expenses:

Auditors' Remuneration				
- For Audit Services	(85)	(76)	(38)	(17)
- For Other Services	(23)	-	(23)	-
Directors' Fees	(190)	(193)	(190)	(193)

Fees for other services comprise NZIFRS conversion and Other Assurance Services.

11) FINANCE INCOME & EXPENSES

Interest Income on Smithcorp Finance Receivables Measured at Amortised Cost	8,648	6,811	-	-
Other Finance Income	527	571	-	-
Interest Income Inter Group	-	-	252	208
Interest Income on Bank Deposits	258	235	183	160
Finance Income	9,433	7,617	435	368

	GROUP 2008 ($000)	GROUP 2007 ($000)	PARENT 2008 ($000)	PARENT 2007 ($000)
Interest Expense on Smithcorp Finance Receivables Borrowings	(7,846)	(7,169)	-	-
Interest Expense on Bank Borrowings	(2,679)	(2,234)	-	-
Finance Cost	(10,525)	(9,403)	-	-
Net Finance Income/(Cost) After Group Interest Expense	(1,092)	(1,786)	435	368

12) INCOME TAX EXPENSE

a) Income Tax Expense

Current Tax Expense				
Current Tax	-	-	-	-
Deferred Tax Expense	-	-	381	(105)
Total Income Tax Expense	-	-	381	(105)

b) Reconciliation of Income Tax Expense to Tax Rate Applicable to Profits

Profit Before Income Tax Expense	3,562	3,682	2,597	7,141
Tax at the Rate of 33% (2007 33%)	(1,175)	(1,215)	857	2,357
Tax Effect of Amounts Which Are Either Deductible or Taxable in Calculating Taxable Income				
- Tax Exempt Income	52	159	-	-
- Deferred Income Subject to Tax	(2)	(230)	(1,023)	(2,640)
- Expenses Not Deductible for Tax	(275)	(321)	12	17
- Recognition of Previously Unrecognised Tax Losses	1,400	1,607	154	266
Total Income Tax Expense	-	-	-	-

c) Imputation Credits

Imputation Credits 1 May	51	51	-	-
Imputation Credits Attached to Dividends Received	44	-	-	-
Imputation Credits Utilised	(12)	-	-	-
Imputation Credits 30 April	83	51	-	-

The Imputation Credits are Available to Equity Holders of the Company:

Through the Company	-	-	-	-
Through Subsidiaries	83	51	-	-
	83	51	-	-

13) CASH & CASH EQUIVALENTS

	2008 GROUP ($000)	2008 SMITH CORP ($000)	2008 TOTAL ($000)	2007 GROUP ($000)	2007 SMITH CORP ($000)	2007 TOTAL ($000)	PARENT 2008 ($000)	PARENT 2007 ($000)
Cash Floats	103	-	103	101	-	101	-	-
Bank Balances	-	23	23	-	10	10	-	-
Call & Short Term Deposits	1,750	1,385	3,135	1,000	845	1,845	1,750	1,000
Cash & Cash Equivalents	1,853	1,408	3,261	1,101	855	1,956	1,750	1,000
Bank overdrafts Used for Cash Management Purposes	(181)	-	(181)	(1,012)	-	(1,012)	-	-
Bank Loan Used for Cash Management Purposes	-	-	-	-	-	-	-	-
	(181)	-	(181)	(1,012)	-	(1,012)	-	-
Cash & Cash Equivalents Used in Statement of Cash Flows	1,672	1,408	3,080	89	855	944	1,750	1,000

The effective interest rates on call and short term deposits in 2008 was 8.25-8.80% (2007 7.25%-7.75%). With exception of deposits totalling $1.750million which matured in May/June 2008 all other deposits are at call (2007 one deposit for $500,000 matured June 2007 all other deposits were at call).

14) TRADE AND OTHER RECEIVABLES

	GROUP		PARENT	
	2008 ($000)	2007 ($000)	2008 ($000)	2007 ($000)
Current:				
Trade Receivables	7,080	10,419	-	-
Impairment Allowances	(260)	(367)	-	-
Net Trade Receivables	6,820	10,052	-	-
Other Receivables	5,318	4,612	258	181
Inter Company Receivables	-	-	359	2,235
Total Current Receivables	12,138	14,664	617	2,416

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 28 for information on the credit risk associated with the trade receivables.

15) INVENTORIES

Finished Goods	37,901	40,281	-	-
Inventory Adjustments	(237)	(359)	-	-
Net Inventories	37,664	39,922	-	-

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 amount of inventory subject to reservation of title claims total $3.1million (2007 $3.3million).

16) SMITHCORP FINANCE RECEIVABLES

	2008			2007		
	FIXED INSTALMENT ($000)	REVOLVING CREDIT ($000)	TOTAL ($000)	FIXED INSTALMENT ($000)	REVOLVING CREDIT ($000)	TOTAL ($000)
Gross Finance Receivables	113,034	19,216	132,250	107,515	16,750	124,265
Gross Finance Receivables Due From Related Parties	-	949	949	-	1,086	1,086
Provision for Unearned Income	(36,982)	-	(36,982)	(32,542)	-	(32,542)
	76,052	20,165	96,217	74,973	17,836	92,809
Less Impairment Allowances	(387)	(320)	(707)	(598)	(237)	(835)
	75,665	19,845	95,510	74,375	17,599	91,974
ANALYSIS						
Current Portion	47,275	7,058	54,333	46,077	7,564	53,641
Term Portion	28,390	12,787	41,177	28,298	10,035	38,333
	75,665	19,845	95,510	74,375	17,599	91,974

Refer to Note 28 for information on the credit risk associated with Smithcorp Finance receivables. A further breakdown of current and non current receivables is given as part of the liquidity risk disclosure.

The gross finance receivable due from related parties comprises the amount due from Adventure Brands Limited under a revolving credit facility. The effective interest rate is 11.62% and the facility is secured over the inventory and certain debtors of Adventure Brands Limited.

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

The interest rate charged to customers on fixed instalment and flexible credit agreements varies. For those customers paying their accounts within the promotional term no interest is charged. However, for those customers whose accounts become interest bearing the rate charged is up to 24% per annum.

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

17) PROPERTY, PLANT & EQUIPMENT

	LAND & BUILDINGS ($000)	LEASEHOLD IMPROVEMENTS ($000)	OFFICE & COMPUTER EQUIPMENT ($000)	TOTAL ($000)
GROUP				
Cost or Valuation				
Balance 1 May 2006	17,158	7,170	14,349	38,677
Additions	-	1,411	1,425	2,836
Revaluation	3,439	-	-	3,439
Disposals	(291)	-	-	(291)
Balance 30 April 2007	**20,306**	**8,581**	**15,774**	**44,661**
Balance 1 May 2007	20,306	8,581	15,774	44,661
Additions	-	597	558	1,155
Disposals	(39)	-	(302)	(341)
Balance 30 April 2008	**20,267**	**9,178**	**16,030**	**45,475**
Depreciation				
Balance 1 May 2006	(165)	(4,531)	(10,409)	(15,105)
Depreciation for the Year	-	(837)	(1,235)	(2,072)
Revaluation	165	-	-	165
Disposals	-	-	-	-
Balance 30 April 2007	**-**	**(5,368)**	**(11,644)**	**(17,012)**
Balance 1 May 2007	-	(5,368)	(11,644)	(17,012)
Depreciation for the Year	(84)	(939)	(1,246)	(2,269)
Disposals	-	-	91	91
Balance 30 April 2008	**(84)**	**(6,307)**	**(12,799)**	**(19,190)**
Carrying Amounts				
At 1 May 2006	16,993	2,639	3,940	23,572
At 30 April 2007	**20,306**	**3,213**	**4,130**	**27,649**
At 1 May 2007	20,306	3,213	4,130	27,649
At 30 April 2008	**20,183**	**2,871**	**3,231**	**26,285**
PARENT				
Cost or Valuation				
Balance 1 May 2006	-	-	27	27
Additions	-	-	-	-
Disposals	-	-	-	-
Balance 30 April 2007	**-**	**-**	**27**	**27**
Balance 1 May 2007	-	-	27	27
Additions	-	-	-	-
Disposals	-	-	-	-
Balance 30 April 2008	**-**	**-**	**27**	**27**
Depreciation				
Balance 1 May 2006	-	-	(9)	(9)
Depreciation for the Year	-	-	(4)	(4)
Disposals	-	-	-	-
Balance 30 April 2007	**-**	**-**	**(13)**	**(13)**
Balance 1 May 2007	-	-	(13)	(13)
Depreciation for the Year	-	-	(3)	(3)
Disposals	-	-	-	-
Balance 30 April 2008	**-**	**-**	**(16)**	**(16)**
Carrying Amounts				
At 1 May 2006	-	-	18	18
At 30 April 2007	**-**	**-**	**14**	**14**
At 1 May 2007	-	-	14	14
At 30 April 2008	**-**	**-**	**11**	**11**

Land and buildings are included in the financial statements at independent valuation dated 30 April 2007 prepared by Fright Aubrey, Registered Valuers. The market value of the property is the estimated amount for which a property could be exchanged at the date of valuation between a willing buyer and a willing seller in an arms length transaction wherein the parties had acted knowledgably, prudently and without compulsion.

The net book value of land and buildings would have been $9.978million (2007 $9.978million) if the cost model had been applied. Details of property, plant and equipment pledged as security is referred to in Note 24.

18) INTANGIBLE ASSETS

GROUP	PURCHASED BRANDS	CUSTOMER DATABASES, WEBSITES	SOFTWARE INCL DEVELOPMENT COSTS	TOTAL
	($000)	**($000)**	**($000)**	**($000)**
Cost				
Balance 1 May 2006	776	989	168	1,933
Additions	-	59	279	338
Additions Internally Developed	-	-	530	530
Balance 30 April 2007	**776**	**1,048**	**977**	**2,801**
Balance 1 May 2007	776	1,048	977	2,801
Additions	-	-	914	914
Additions Internally Developed	-	-	380	380
Balance 30 April 2008	**776**	**1,048**	**2,271**	**4,095**
Amortisation				
Balance 1 May 2006	-	(28)	(35)	(63)
Amortisation for the Year	-	(79)	(43)	(122)
Balance 30 April 2007	**-**	**(107)**	**(78)**	**(185)**
Balance 1 May 2007	-	(107)	(78)	(185)
Amortisation for the Year	-	(85)	(178)	(263)
Balance 30 April 2008	**-**	**(192)**	**(256)**	**(448)**
Carrying Amounts				
At 1 May 2006	776	961	133	1,870
At 30 April 2007	**776**	**941**	**899**	**2,616**
At 1 May 2007	776	941	899	2,616
At 30 April 2008	**776**	**856**	**2,015**	**3,647**

The L V Martin brand of $776,000 (2007 $776,000) is regarded by the Directors as having an indefinite useful life and there is no foreseeable limit to the period over which the brand is expected to generate net cash flow for this subsidiary.

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

Impairment Tests for Indefinite Life Brands

On an annual basis, the recoverable amount of the brand is determined based on value in use calculations specific to the cash generating units associated with that brand. These calculations use pre-tax cash flow projections based on financial budgets prepared by management covering a five year period. Cash flows beyond the five year period are extrapolated by way of terminal value calculation using five year cash flow and a range of discount rates. The key assumptions used for the value in use calculations are as follows:

Revenue Growth Rate 2%	(2007 2%)
Pre Tax Discount Rate 15-17%	(2007 range of 14-16%)

The growth rates adopted are consistent with internal forecasts and budgets. The discount rate reflects the specific risks relating to the cash flow being discounted.

19) INVESTMENT PROPERTY

	GROUP	PARENT
	($000)	**($000)**
Balance 1 May 2006	791	-
Change in Fair Value	380	-
Balance 30 April 2007	1,171	-

INVESTMENT PROPERTY (contd)

	GROUP ($000)	PARENT ($000)
Balance 1 May 2007	1,171	-
Change in Fair Value	54	-
Balance 30 April 2008	**1,225**	**-**

Investment property comprises several commercial properties that are leased to third parties. Each of the leases contains a non cancellable period. Subsequent renewals are negotiated with the lessee. No contingent rents are charged.

The future minimum lease payments under non cancellable leases expire within one year and total $94,000 (2007 $94,000).

Investment properties were valued independently by Fright Aubrey, Registered Valuers, at 30 April 2008.

20) EQUITY ACCOUNTED INVESTEES

The Group's share of profit in its equity accounted investee Adventure Bands Limited for the year was $105,000 (2007 $94,000).

Summary financial information for this equity accounted investees, not adjusted for the percentage ownership held by the Group:

	OWNERSHIP ($000)	TOTAL ASSETS ($000)	TOTAL LIABILITIES ($000)	REVENUE ($000)	PROFIT ($000)
2007	30%	4,622	1,532	9,798	467
2008	30%	5,575	3,584	10,823	453

During the year the Group made an investment in NARTA NZ Limited. The Group has Board representation in this company and the Group's shareholding also provides it with voting rights. At balance date the company had no significant income, assets or liabilities.

	GROUP ($000)	PARENT ($000)
Movements In Carrying Value Of Equity Accounts Investees		
Balance 1 May 2006	285	120
Smiths City Group's Share of Profit	94	-
Balance 30 April 2007	**379**	**120**
Balance 1 May 2007	379	120
Smiths City Group's Share of Profit	105	-
	484	**120**
Add Purchase of Shares in NARTA NZ Limited	12	12
Balance 30 April 2008	**496**	**132**

21) DEFERRED TAX ASSETS AND LIABILITIES

Unrecognised Deferred Tax Assets

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

	GROUP		PARENT	
	2008 ($000)	**2007 ($000)**	**2008 ($000)**	**2007 ($000)**
Unrecognised Deferred Tax Assets	15,888	22,730	15,888	22,730

Recognised Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are attributed to the following:

	ASSETS		LIABILITIES		NET	
	2008 ($000)	2007 ($000)	2008 ($000)	2007 ($000)	2008 ($000)	2007 ($000)
GROUP						
Property, Plant & Equipment	817	793	-	-	817	793
Investment Property	-	-	(333)	(348)	(333)	(348)
Inventory	96	112	-	-	96	112
Receivables	385	529	-	-	385	529
Derivatives	56	260	-	-	56	260
Provisions	784	840	-	-	784	840
Tax Losses	1,988	1,607	-	-	1,988	1,607
	4,126	4,141	(333)	(348)	3,793	3,793

Movement in Temporary Differences During the Year

GROUP	BALANCE 1.5.06	MOVEMENT	BALANCE 30.4.07	MOVEMENT	BALANCE 30.4.08
	($000)	($000)	($000)	($000)	($000)
Property, Plant & Equipment	895	(102)	793	24	817
Investment Property	(223)	(125)	(348)	15	(333)
Inventory	95	17	112	(16)	96
Receivables	508	21	529	(144)	385
Derivatives	(65)	325	260	(204)	56
Provisions	871	(31)	840	(56)	784
Tax Losses	1,712	(105)	1,607	381	1,988
	3,793	-	3,793	-	3,793

The Group has tax losses of $22.5million (2007 $27.6million) 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.

22) TRADE AND OTHER PAYABLES

	GROUP		PARENT	
	2008 ($000)	2007 ($000)	2008 ($000)	2007 ($000)
Trade Payable Due to Related Parties	139	270	-	-
Other Trade Payables	16,635	23,122	21	30
Derivatives	184	788	-	-
Non Trade Payables and Accrued Expenses	5,399	5,152	-	-
	22,357	29,332	21	30

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

23) PROVISIONS

GROUP

	WARRANTIES ($000)
Balance 1 May 2006	864
Provisions Made During the Period	1,167
Provisions Used During the Period	(1,273)
Balance 30 April 2007	**758**
Balance 1 May 2007	758
Provisions Made During the Period	1,158
Provisions Used During the Period	(1,198)
Balance 30 April 2008	**718**

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

24) 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 28.

	GROUP		PARENT	
	2008 ($000)	2007 ($000)	2008 ($000)	2007 ($000)
NON CURRENT LIABILITIES				
Secured Smithcorp Loans	88,164	83,968	-	-
Secured Bank Loans	14,000	13,100	-	-
Other Secured Loans	709	121	-	-
	102,873	97,189	-	-
CURRENT LIABILITIES				
Secured Bank Loans	11,643	10,065	1,437	1,476
Loan on Property Intended for Resale	2,300	1,183	-	-
	13,943	11,248	1,437	1,476
TOTAL INTEREST BEARING LIABILITIES	116,816	108,437	1,437	1,476

Terms and Debt Repayment Schedule

Terms and conditions of outstanding loans were as follows:

	NOMINAL INTEREST RATE	TERM	FACILITY ($000)	CARRYING AMOUNT 2008 ($000)	FACILITY ($000)	CARRYING AMOUNT 2007 ($000)
GROUP						
Secured Fisher & Paykel Finance Limited Loan (i)	BBR plus 1%	see note (i) below	90,000	87,119	90,000	82,933
Secured Fisher & Paykel Finance Limited Loan (ii)	BBR plus 2.5%	see note (ii) below	5,000	1,045	5,000	1,035
Secured Bank Loan (iii)	BBR plus 1.25%	see note (iii) below	14,000	14,000	13,100	13,100
Secured Bank Loan (iii)	BBR plus 0.625%	see note (iii) below	7,125	7,125	7,125	7,125
Secured Bank Loan (iii)	BBR plus 1%	see note (iii) below	3,500	1,437	4,000	1,705
Secured Bank Loan (iii)	10.24%	see note (iii) below	2,300	2,300	1,183	1,183
Secured Bank Loan (iii)	BBR plus 0.625%	see note (iii) below	1,000	1,000	-	-
Secured Bank Loan (iii)	BBR plus 2%	see note (iii) below	2,500	2,081	2,500	1,235
Other Secured Loans (iv)	11.90%	Four years	1,000	709	1,000	121
Total Interest Bearing Liabilities			126,425	116,816	123,908	108,437
COMPANY						
Secured Bank Loan	BBR plus 1%	see note (iii) below	3,500	1,437	4,000	1,476

Total Interest Bearing Liabilities

i) This Fisher & Paykel Finance Limited facility is secured by a fixed and floating charge over the finance receivables. The facility expires with 37 months notice by either party.

ii) This secured loan relates to a trade finance facility which is secured by a fixed and floating charge over the assets of a subsidiary company which finances certain stock purchased by Adventure Brands Limited. The facility expires with 13 months notice by either party.

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

iv) Other secured loans are secured by a fixed and floating charge over certain POS equipment.

25) CAPITAL AND RESERVES

	NOTE	SHARE CAPITAL ($000)	REVALUATION RESERVES ($000)	HEDGING RESERVE ($000)	OTHER RESERVES ($000)	RETAINED EARNINGS ($000)	MINORITY INTERESTS ($000)	TOTAL EQUITY ($000)
GROUP								
Balance 1 May 2006		**10,652**	**5,433**	**197**	**94**	**25,370**	**698**	**42,444**
Total Comprehensive Income Attributable To Members for Period		-	-	-	-	3,624	-	3,624
Total Comprehensive Income Attributable to Minority Interests for Period		-	-	-	-	-	58	58
Fair Value Gain (Loss) Taken to Cash Hedge Reserve		-	-	(985)	-	-	-	(985)
Revaluation of Property		-	3,539	-	-	-	-	3,539
Total Recognised Income and Expense for the Period		-	3,539	(985)	-	3,624	58	6,236
Dividends Paid		-	-	-	-	(2,912)	-	(2,912)
Balance 30 April 2007		**10,652**	**8,972**	**(788)**	**94**	**26,082**	**756**	**45,768**
Net Surplus Attributable to Members for Period		-	-	-	-	3,562	-	3,562
Gain on Acquisition Minority Interests Taken to Equity	26	-	-	-	-	78	-	78
Fair Value Gain (Loss) Taken to Cash Hedge Reserve		-	-	602	-	-	-	602
Total Recognised Income and Expense for Period		-	-	602	-	3,640	-	4,242
Purchase of Minority Interests		-	-	-	-	-	(756)	(756)
Dividends Paid		-	-	-	-	(2,912)	-	(2,912)
Balance 30 April 2008		**10,652**	**8,972**	**(186)**	**94**	**26,810**	**-**	**46,342**
PARENT								
Balance 1 May 2006		**10,652**	**-**	**-**	**-**	**2,170**	**-**	**12,822**
Net Surplus Attributable to Members for Period		-	-	-	-	7,141	-	7,141
Dividends Paid		-	-	-	-	(2,912)	-	(2,912)
Balance 30 April 2007		**10,652**	**-**	**-**	**-**	**6,399**	**-**	**17,051**
Net Surplus Attributable to Members for Period		-	-	-	-	2,597	-	2,597
Dividends Paid		-	-	-	-	(2,912)	-	(2,912)
Balance 30 April 2008		**10,652**	**-**	**-**	**-**	**6,084**		**16,736**

Share Capital
At balance date the Group and Parent had issued and paid up capital of $10.652million (2007 $10.652million). The number of shares issued is 52,956,884 (2007 52,956,884). 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.

Revaluation Reserve
The revaluation reserve relates to the revaluation of property, plant and equipment.

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

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

	2008 Cents	2007 Cents	2008 ($000)	2007 ($000)
Interim for Year Ending 30 April 2008	1.5		794	
Final for Year Ending 30 April 2007	4.0		2,118	
Interim for Year Ending 30 April 2007		1.5		794
Final for Year Ending 30 April 2006		4.0		2,118
	5.5	5.5	2,912	2,912

All dividends were unimputed.

On 27 June 2008 the Directors announced to the NZX that they propose to pay a dividend of 3.0cents per share on 15 August 2008 (2007 4.0 cents).

26) ACQUISITION OF MINORITY INTERESTS

In August 2007 the Group acquired the remaining 20% in L V Martin & Son Limited increasing its holding to 100%. The carrying amount of L V Martin & Son Limited's net assets in the consolidated financial statements on the date of acquisition was $3.695million. The Group recognised a decrease of minority interests of $756,000. The purchase price was $678,000 and the resultant gain of $78,000 on acquisition was recognised in equity.

27) EARNINGS PER SHARE

The calculation of basic earnings per share at 30 April 2008 was based on the profit attributable to ordinary shareholders of $3.562million (2007 $3.624million) and a weighted average number of ordinary shares outstanding of 52,956,884 (2007 52,956,884). Basic earnings per share is the same as dilutive earnings per share as there are no ordinary shares outstanding that have any dilutive potential.

28) 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 head of the credit team. Larger loans and facilities require approval by the Managing Director, Chief Financial Officer or in some cases, Divisional General Managers.

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

Categories are utilised by the Group to classify exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. Categories are used to determine where impairment allowances be 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 compgeliance but follow up action underway
Arrangement	Low/fair risk	Non compliance but a payment plan in place
Insurance Claim	Low/fair risk	Non compliance but account insured
Collection/Repossession	Impaired	Action being taken to enforce security
Legal Action	Impaired	Action being taken to enforce security

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

The Group's exposure to credit risk is mainly influenced by its customer base. As such it is concentrated to the default risk of the retail sector in New Zealand. There are no individually significant exposures to any one customer or group of related customers apart from Adventure Brands Limited which is referred to in Note 16. There are no 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. 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. It is the Group's policy to provide credit and liquidity enhancement only to majority owned subsidiaries.

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 100% of its estimated foreign currency exposure in respect of forecasted purchases over the following six to 12 months. The Group uses forward exchange contracts to hedge its foreign currency risk. Most of the forward exchange contracts have maturities of less than one year at the balance sheet date.

Interest Rate Risk

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

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 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 2008 ($000)	IMPAIRMENT 2008 ($000)	GROSS RECEIVABLE 2007 ($000)	IMPAIRMENT 2007 ($000)
Not Past Due	3,866	-	6,020	-
Past Due 0-30 Days	1,220	-	2,684	-
Past Due 31-60 Days	1,059	-	468	-
Past Due Over 61 Days	935	(260)	1,247	(367)
	7,080	(260)	10,419	(367)
ANALYSIS				
Trade Receivables – Trades Based Customers	4,081	(211)	7,309	(297)
Other Receivables Including Monthly Account Customers	2,999	(49)	3,110	(70)
	7,080	(260)	10,419	(367)

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

	2008 ($000)	2007 ($000)
Gross Trade Receivables	7,080	10,419
Individual Impairment	(260)	(367)
Trade Receivables Net	6,820	10,052

Individually impaired trade receivables relate to several insolvent customers. In the case of insolvency the Group generally writes off the receivable unless there is clear evidence that a receipt is highly probable. Where applicable trades based receivables are also insured in accordance with Group policy.

Those trade receivables which are past due for which no impairment provision has been made relate to accounts for which there is no recent history of default.

Fixed Instalment Receivables

	2008			2007		
	ACCOUNT BALANCE %	ACCOUNT BALANCE ($000)	IMPAIR-MENT ($000)	ACCOUNT BALANCE %	ACCOUNT BALANCE ($000)	IMPAIR-MENT ($000)
Current	87.95%	66,888	-	88.73%	66,518	-
1 Month Balances	3.56%	2,707	-	3.87%	2,903	-
2 Month Balances	5.25%	3,993	-	4.58%	3,436	-
3 Month Balances	1.70%	1,293	-	1.59%	1,193	-
Over 3 Month Balances	1.54%	1,171	387	1.23%	923	598
	100%	76,052	387	100%	74,973	598
	VALUE OF ARREARS %	VALUE OF ARREARS ($000)		VALUE OF ARREARS %	VALUE OF ARREARS ($000)	
Total Value of Arrears	1.35%	1,024	387	1.17%	872	598

In summary, fixed instalment receivables are determined to be impaired as follows:

	2008	2007
Fixed Instalment Receivables	76,052	74,973
Collective Impairment	(387)	(598)
Fixed Instalment Receivables Net	75,665	74,375

Revolving Credit Receivables (Excluding Receivables Due From Related Parties)

	2008 ACCOUNT BALANCE %	2008 ACCOUNT BALANCE ($000)	2008 IMPAIRMENT ($000)	2007 ACCOUNT BALANCE %	2007 ACCOUNT BALANCE ($000)	2007 IMPAIRMENT ($000)
Current	98.60%	18,947	51	90.40%	15,143	-
1 Month balances	0.61%	117	117	4.44%	744	-
2 Month Balances	0.17%	33	33	1.45%	243	-
3 Month Balances	0.07%	13	13	0.84%	140	-
Over 3 Month Balances	0.55%	106	106	2.87%	480	237
	100.0%	19,216	320	100%	16,750	237

In summary, revolving credit receivables (including receivables due from related parties) are determined to be impaired as follows:

	2008 ($000)	2007 ($000)
Revolving Credit Receivables	20,165	17,836
Collective Impairment	(320)	(237)
Revolving Credit Receivables Net	19,845	17,599

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 the credit team determines that the loan is uncollectable. 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

	2008 TRADE RECEIVABLES ($000)	2008 FIXED INSTALMENT RECEIVABLES ($000)	2008 REVOLVING CREDIT RECEIVABLES ($000)	2008 TOTAL ($000)	2007 TRADE RECEIVABLES ($000)	2007 FIXED INSTALMENT RECEIVABLES ($000)	2007 REVOLVING CREDIT RECEIVABLES ($000)	2007 TOTAL ($000)
Impaired Assets Provision								
Opening Balance	367	598	237	1,202	293	559	200	1,052
Movement in Provision for Impairment	(107)	(211)	83	(235)	74	39	37	150
Closing Balance	260	387	320	967	367	598	237	1,202
Impaired Asset Expense								
Impairment Charges on Uncollectable Accounts	108	429	196	733	111	535	131	777
Recoveries From Accounts Previously Written Off	(24)	(258)	(22)	(304)	(31)	(228)	(27)	(286)
Impaired Assets Charge Included in Store and Distribution Expenses	84	171	174	429	80	307	104	491

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.

Residual Contractual Maturities of Financial Assets and Liabilities

2008

	BALANCE SHEET ($000)	CONTRACTUAL CASH FLOWS ($000)	6 MTHS OR LESS ($000)	6-12 MTHS ($000)	1-2 YRS ($000)	MORE THAN 2 YRS ($000)
GROUP						
Non Derivative Assets						
Cash & Cash Equivalents	3,261	3,261	3,261	-	-	-
Trade & Other Receivables	12,138	12,138	12,138	-	-	-
Fixed Instalment Receivables	75,665	114,088	25,647	26,354	45,042	17,045
Revolving Credit Receivables	18,896	18,896	3,401	3,401	6,803	5,291
Related Party Receivables	949	949	949	-	-	-
Total Non Derivative Assets	**110,909**	**149,332**	**45,396**	**29,755**	**51,845**	**22,336**
Non Derivative Liabilities						
Secured Bank Loans	(28,652)	(28,652)	(11,643)	(2,300)	(14,354)	(355)
Bank Overdrafts	(181)	(181)	(181)	-	-	-
Smithcorp Finance	(88,164)	(88,164)	(12,821)	(28,425)	(46,918)	-
Trade and Other Payables	(22,357)	(22,357)	(22,357)	-	-	-
Total Non Derivative Liabilities	**(139,354)**	**(139,354)**	**(47,002)**	**(30,725)**	**(61,272)**	**(355)**
Interest Rate Swaps – Inflow	7	7	5	9	(7)	-
Forward Exchange Contracts – Outflow	(191)	(191)	(189)	(2)	-	-
Undrawn Loan Facilities	-	(9,609)	(9,609)	-	-	-
TOTAL	**(28,629)**	**185**	**(11,399)**	**(963)**	**(9,434)**	**21,981**

2007

	BALANCE SHEET ($000)	CONTRACTUAL CASH FLOWS ($000)	6 MTHS OR LESS ($000)	6-12 MTHS ($000)	1-2 YRS ($000)	MORE THAN 2 YRS ($000)
GROUP						
Non Derivative Assets						
Cash & Cash Equivalents	1,956	1,956	1,956	-	-	-
Trade & Other Receivables	14,664	14,664	14,664	-	-	-
Fixed Instalment Receivables	74,375	107,515	26,524	25,578	40,673	14,740
Revolving Credit Receivables	16,513	16,513	4,954	4,954	6,605	-
Related Party Receivables	1,086	1,086	1,086	-	-	-
Total Non Derivative Assets	**108,594**	**141,734**	**49,184**	**30,532**	**47,278**	**14,740**
Non Derivative Liabilities						
Secured Bank Loans	(24,469)	(24,469)	(10,065)	(1,183)	(13,100)	(121)
Bank Overdrafts	(1,012)	(1,012)	(1,012)	-	-	-
Smithcorp Finance	(83,968)	(83,968)	(14,594)	(25,541)	(43,833)	-
Trade and Other Payables	(29,332)	(29,332)	(29,332)	-	-	-
Total Non Derivative Liabilities	**(138,781)**	**(138,781)**	**(55,003)**	**(26,724)**	**(56,933)**	**(121)**
Interest Rate Swaps – Inflow	25	25	11	14	-	-
Forward Exchange Contracts – Outflow	(814)	(814)	(530)	(284)	-	-
Undrawn Loan Facilities	-	(15,471)	(15,471)	-	-	-
TOTAL	**(30,976)**	**(13,307)**	**(21,809)**	**3,538**	**(9,655)**	**14,619**

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

2008

	BALANCE SHEET ($000)	EXPECTED CASH FLOWS ($000)	6 MTHS OR LESS ($000)	6-12 MTHS ($000)	1-2 YRS ($000)	MORE THAN 2 YRS ($000)
GROUP						
Fixed Instalment Receivables	75,665	75,665	23,983	23,292	25,643	2,747

2007

	BALANCE SHEET ($000)	EXPECTED CASH FLOWS ($000)	6 MTHS OR LESS ($000)	6-12 MTHS ($000)	1-2 YRS ($000)	MORE THAN 2 YRS ($000)
GROUP						
Fixed Instalment Receivables	74,375	74,375	23,375	22,702	24,993	3,305

Residual Contractual Maturities of Financial Assets and Liabilities

2008

	BALANCE SHEET ($000)	CONTRACTUAL CASH FLOWS ($000)	6 MTHS OR LESS ($000)	6-12 MTHS ($000)	1-2 YRS ($000)	MORE THAN 2 YRS ($000)
PARENT						
Non Derivative Assets						
Cash & Cash Equivalents	1,750	1,750	1,750	-	-	-
Trade & Other Receivables	617	617	617	-	-	-
Total Non Derivative Assets	**2,367**	**2,367**	**2,367**	**-**	**-**	**-**
Non Derivative Liabilities						
Trade & Other Payables	(21)	(21)	(21)	-	-	-
Secured Loans	(1,437)	(1,437)	(1,437)	-	-	-
Total Non Derivative Liabilities	**(1,458)**	**(1,458)**	**(1,458)**	**-**	**-**	**-**
TOTAL	**909**	**909**	**909**	**-**	**-**	**-**

2007

	BALANCE SHEET ($000)	CONTRACTUAL CASH FLOWS ($000)	6 MTHS OR LESS ($000)	6-12 MTHS ($000)	1-2 YRS ($000)	MORE THAN 2 YRS ($000)
PARENT						
Non Derivative Assets						
Cash & Cash Equivalents	1,000	1,000	1,000	-	-	-
Trade & Other Receivables	2,417	2,417	2,417	-	-	-
Total Non Derivative Assets	**3,417**	**3,417**	**3,417**	**-**	**-**	**-**
Non Derivative Liabilities						
Trade & Other Payables	(30)	(30)	(30)	-	-	-
Secured Loans	(1,476)	(1,476)	(1,476)	-	-	-
Total Non Derivative Liabilities	**(1,506)**	**(1,506)**	**(1,506)**	**-**	**-**	**-**
TOTAL	**1,911**	**1,911**	**1,911**	**-**	**-**	**-**

FOREIGN CURRENCY RISK

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

	AVERAGE EXCHANGE RATE 2008	AVERAGE EXCHANGE RATE 2007	FOREIGN CURRENCY 2008 ($000)	FOREIGN CURRENCY 2007 ($000)	CONTRACT VALUE 2008 ($000)	CONTRACT VALUE 2007 ($000)	FAIR VALUE 2008 ($000)	FAIR VALUE 2007 ($000)
Outstanding Contracts								
Buy US Dollars								
Less Than 3 Months	0.728	0.608	712	1,300	978	2,139	(53)	(468)
3-6 Months	0.696	0.610	1,200	600	1,724	984	(136)	(157)
6-12 Months	0.741	0.669	1,500	2,735	2,023	4,088	(2)	(189)
							(191)	(814)

The Group has no significantly unhedged foreign currency exposures.

None of the above financial instruments relate to the parent entity. The value of forward exchange contracts outstanding are recognised in trade and other payables. 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 2008	AVERAGE CONTRACT FIXED INTEREST RATE 2007	NOTIONAL PRINCIPAL AMOUNT 2008 ($000)	NOTIONAL PRINCIPAL AMOUNT 2007 ($000)	FAIR VALUE 2008 ($000)	FAIR VALUE 2007 ($000)
Outstanding Contracts						
Variable Rate for Fixed Contracts						
Less than 1 Year	8.50%	7.33%	24,300	12,200	14	22
1-2 Years	8.14%	7.82%	8,100	8,100	(7)	3
			32,400	20,300	7	25

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

Interest Rate Risk – Repricing Analysis

	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE	VARIABLE INTEREST RATE	6 MTHS OR LESS ($000)	6-12 MTHS ($000)	1-2 YRS ($000)	MORE THAN 2 YRS ($000)	NON INTEREST BEARING ($000)	TOTAL ($000)
GROUP 2008								
Financial Assets								
Cash & Cash Equivalents	8.53%	8.25%-8.80%	3,261	-	-	-	-	3,261
Trade & Other Receivables							14,664	14,664
Fixed Instalment Receivables	13.00%	16.95%-24.5%	23,983	23,292	25,643	2,747	-	75,665
Revolving Credit Receivables	13.00%	19.95%-24.5%	3,055	3,055	6,393	6,393	-	18,896
Related Party Receivables	11.62%	BBR+2.75%	949	-	-	-	-	949
			31,248	26,347	32,036	9,140	14,664	113,435

	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE	VARIABLE INTEREST RATE	6 MTHS OR LESS	6-12 MTHS	1-2 YRS	MORE THAN 2 YRS	NON INTEREST BEARING	TOTAL
			($000)	($000)	($000)	($000)	($000)	($000)
GROUP 2008 (contd)								
Financial Liabilities								
Bank Overdraft	13.50%		(181)	-	-	-	-	(181)
Trade & Other Payables			(22,357)	-	-	-	-	(22,357)
Related Party Receivables Borrowings	11.39%	BBR+ 2.5%	(1,045)	-	-	-	-	(1,045)
Fixed Instalment and Revolving Credit Receivables Borrowings	9.49%	8.53%-9.73%	(11,776)	(28,425)	(46,918)	-	-	(87,119)
Secured Loans	9.85%	BBR+ 0.625%-1.25%	(11,643)	(2,300)	(14,354)	(355)	-	(28,652)
Effect of Interest Rate Derivatives			8,100	16,200	8,100	-	-	32,400
			(38,902)	(14,525)	(53,172)	(355)	-	(106,954)
TOTAL			**(7,654)**	**11,822**	**(21,136)**	**8,785**	**14,664**	**6,481**

	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE	VARIABLE INTEREST RATE	6 MTHS OR LESS	6-12 MTHS	1-2 YRS	MORE THAN 2 YRS	NON INTEREST BEARING	TOTAL
			($000)	($000)	($000)	($000)	($000)	($000)
GROUP 2007								
Financial Assets								
Cash & Cash Equivalents	7.57%	7.38-7.75%	1,956	-	-	-	-	1,956
Trade & Other Receivables			-	-	-	-	14,664	14,664
Fixed Instalment Receivables	12.0%	16.95-24.5%	18,348	17,694	28,136	10,197	-	74,375
Revolving Credit Receivables	12.0%	16.95-24.5%	16,513	-	-	-	-	16,513
Related Party Receivables	10.41%	BBR+2.75%	1,086	-	-	-	-	1,086
			37,903	17,694	28,136	10,197	14,664	108,594
Financial Liabilities								
Bank Overdraft	12.35%		(1,012)	-	-	-	-	(1,012)
Trade & Other Payables				-	-	-	(29,332)	(29,332)
Related Party Receivables Borrowings	9.02%	BBR+ 2.5%	(1,035)	-	-	-	-	(1,035)
Fixed Instalment and Revolving Credit Receivables Borrowings	9.06%	8.46-9.1%	(13,559)	(25,541)	(43,833)	-	-	(82,933)
Secured Loans	8.75%	BBR+0.625-1.25%	(10,065)	(1,183)	(13,100)	(121)	-	(24,469)
Effect of Interest Rate Derivatives			4,100	8,100	8,100	-	-	20,300
			(21,571)	(18,624)	(48,833)	(121)	(29,332)	(118,481)
TOTAL			**16,332**	**(930)**	**(20,697)**	**10,076**	**(14,668)**	**(9,887)**

	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE	VARIABLE INTEREST RATE	6 MTHS OR LESS ($000)	6-12 MTHS ($000)	1-2 YRS ($000)	MORE THAN 2 YRS ($000)	NON INTEREST BEARING ($000)	TOTAL ($000)
PARENT 2008								
Financial Assets								
Cash & Cash Equivalents	8.53%	8.25%-8.80%	1,750	-	-	-	-	1,750
Trade & Other Receivables			-	-	-	-	617	617
			1,750	-	-	-	617	2,367
Financial Liabilities								
Trade & Other Payables			-	-	-	-	(21)	(21)
Secured Loans	9.75%	BBR+1%	(1,437)	-	-	-	-	(1,437)
			(1,437)	-	-	-	(21)	(1,458)
TOTAL			**313**	**-**	**-**	**-**	**596**	**909**
PARENT 2007								
Financial Assets								
Cash & Cash Equivalents	7.57%	7.38-7.75%	1,000	-	-	-	-	1,000
Trade & Other Receivables			-	-	-	-	2,417	2,417
			1,000	-	-	-	2,417	3,417
Financial Liabilities								
Trade & Other Payables			-	-	-	-	(30)	(30)
Secured Loans	8.75%	BBR+1%	(1,476)	-	-		-	(1,476)
			(1,476)	-	-	-	(30)	(1,506)
TOTAL			**(476)**	**-**	**-**	**-**	**2,387**	**1,911**

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 24 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 (or core debt) shall be fixed forward for 12 months for a minimum of 50% of total exposure and up to a maximum of 100%. Interest rate swaps have been entered into to achieve an appropriate mix of exposure within the Group's policy. The swaps mature over the next 12 months and have fixed swap rates ranging from 8.14% to 8.75%. At 30 April 2008 the Group had interest rate swaps with a notional contract amount of $32,400 (2007 $20,300). The Group classifies interest rate swaps as cash flow hedges.

The net fair value of swaps at 30 April 2008 was $7,000 comprising assets of $14,000 (2007 $25,000) and liabilities of $7,000 (2007 $nil).

Forecast Transactions

The Group classifies its forward exchange contracts hedging forecast transactions as cash flow hedges. The fair value of forward exchange contracts at 1 May 2006 was adjusted against the opening balance of the hedging reserve at that date. The net fair value of forward exchange contracts used as hedges of forecast transactions at 30 April 2008 was $191,000 (2007 $814,000) comprising assets of $7,000 (2007 $nil) and liabilities of $198,000 (2007 $814,000).

Accounting Classifications and Fair Values

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

	NOTE	LOANS & RECEIVABLES ($000)	DESIGNATED AT FAIR VALUE ($000)	COST ($000)	OTHER LIABILTIES ($000)	TOTAL CARRYING AMOUNT ($000)	FAIR VALUE ($000)
GROUP 2008							
Financial Assets							
Cash & Cash Equivalents	13	3,261	-	-	-	3,261	3,261
Trade & Other Receivables	14	12,138	-	-	-	12,138	12,138
Finance Receivables	16	94,561	-	-	-	94,561	93,665
Related Party Receivables	16	949	-	-	-	949	949
		110,909	-	-	-	110,909	110,013
Financial Liabilities							
Bank Overdraft	13	-	-	-	(181)	(181)	(181)
Trade & Other Payables	22	-	-	-	(22,173)	(22,173)	(22,173)
Related Party Receivables Borrowings	24	-	-	-	(1,045)	(1,045)	(1,045)
Finance Receivable Borrowings	24	-	-	-	(87,119)	(87,119)	(87,119)
Secured Loans	24	-	-	-	(28,652)	(28,652)	(28,652)
Derivatives	22	-	(184)	-	-	(184)	(184)
		-	(184)	-	(139,170)	(139,354)	(139,354)
GROUP 2007							
Financial Assets							
Cash & Cash Equivalents	13	1,956	-	-	-	1,956	1,956
Trade & Other Receivables	14	14,664	-	-	-	14,664	14,664
Finance Receivables	16	90,888	-	-	-	90,888	90,888
Related Party Receivables	16	1,086	-	-	-	1,086	1,086
		108,594	-	-	-	108,594	108,594
Financial Liabilities							
Bank Overdraft	13	-	-	-	(1,012)	(1,012)	(1,012)
Trade and Other Payables	22	-	-	-	(28,544)	(28,544)	(28,544)
Related Party Receivables Borrowings	24	-	-	-	(1,035)	(1,035)	(1,035)
Finance Receivable Borrowings	24	-	-	-	(82,933)	(82,933)	(82,933)
Secured Loans	24	-	-	-	(24,469)	(24,469)	(24,469)
Derivatives	22	-	(788)	-	-	(788)	(788)
		-	(788)	-	(137,993)	(138,781)	(138,781)

	note	LOANS & RECEIVABLES ($000)	DESIGNATED AT FAIR VALUE ($000)	COST ($000)	OTHER LIABILTIES ($000)	TOTAL CARRYING AMOUNT ($000)	FAIR VALUE ($000)
PARENT 2008							
Financial Assets							
Cash & Cash Equivalents	13	1,750	-	-	-	1,750	1,750
Trade & Other Receivables	14	617	-	-	-	617	617
Investments	20	-	-	-	-	-	-
		2,367	-	-	-	2,367	2,367
Financial Liabilities							
Trade & Other Payables	22	-	-	-	(21)	(21)	(21)
Secured Loans	24	-	-	-	(1,437)	(1,437)	(1,437)
		-	-	-	(1,458)	(1,458)	(1,458)
PARENT 2007							
Financial Assets							
Cash & Cash Equivalents	13	1,000	-	-	-	1,000	1,000
Trade & Other Receivables	14	2,416	-	-	-	2,416	2,416
		3,416	-	-	-	3,416	3,416
Financial Liabilities							
Trade & Other Payables	22	-	-	-	(30)	(30)	(30)
Secured Loans	24	-	-	-	(1,476)	(1,476)	(1,476)
		-	-	-	(1,506)	(1,506)	(1,506)

BASIS FOR DETERMINING FAIR VALUES

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments reflected in the table above.

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

Derivatives Held for Risk Management
The fair value of forward exchange contracts and interest rate hedging instruments is based on market quotes. These are tested for reasonableness by discounting estimated future cash flows based on terms and maturity of each contract and using market interest rates for a similar instrument at reporting date.

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

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

	GROUP 2008	GROUP 2007
Derivatives held for Risk Management	8.14%-8.50%	7.01-7.82%
Finance Receivables	12%-13%	12.0%

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

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

	GROUP		**GROUP**		**PARENT**		**PARENT**	
	2008	**2008**	**2007**	**2007**	**2008**	**2008**	**2007**	**2007**
	Impact on Profit or Loss +1% ($000)	**Impact on Equity -1% ($000)**	**Impact on Profit or Loss +1% ($000)**	**Impact on Equity -1% ($000)**	**Impact on Profit or Loss +1% ($000)**	**Impact on Equity -1% ($000)**	**Impact on Profit or Loss +1% ($000)**	**Impact on Equity -1% ($000)**
Finance Receivables (ii)	(538)	538	785	(785)	-	-	-	-

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

	GROUP		**GROUP**		**PARENT**		**PARENT**	
	2008	**2008**	**2007**	**2007**	**2008**	**2008**	**2007**	**2007**
	Impact on Profit or Loss +1% ($000)	**Impact on Equity -1% ($000)**	**Impact on Profit or Loss +1% ($000)**	**Impact on Equity -1% ($000)**	**Impact on Profit or Loss +1% ($000)**	**Impact on Equity -1% ($000)**	**Impact on Profit or Loss +1% ($000)**	**Impact on Equity -1% ($000)**
Cash & Cash Equivalents	33	(33)	11	(11)	18	(18)	10	(10)
Related Party Receivables	9	(9)	11	(11)	-	-	-	-
Bank Overdraft	(1)	1	(10)	10	-	-	-	-
Related Party Receivables Borrowings	(10)	10	(10)	10	-	-	-	-
Finance Receivables Borrowings	(860)	860	(829)	829	-	-	-	-
Secured Loans	(155)	155	(161)	161	(14)	14	(15)	15

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.

29) RELATED PARTY TRANSACTIONS

Note 30 identifies all companies within the Group and Note 20 identifies the associate company. All of these companies are related parties to the Parent. Other than as identified below, there are no other related parties with whom material transactions have taken place.

RENTAL INCOME
During the year Smiths City Properties Limited received rental income of $1.624million (2007 $1.495million) from Smiths City (Southern) Limited, a fellow subsidiary company of the parent. This rental transaction is conducted on an arms length basis.

MANAGEMENT CONTRACT (GROUP AND PARENT)
Smiths City Group Limited, a subsidiary company, entered into a management contract dated 1 November 2005 with Retail Management Services 2000 Limited to provide the services of Richard Hellings as Managing Director for a three year period to 31 October 2008 with an annual retainer of $300,000 from 1 November 2005 plus an estimated annual incentive of $10,613 plus the use of a motor vehicle and annual health premiums with an estimated cost of $21,000 per annum. This contract was based on independent expert advice provided by Sheffield Consulting Group Limited.

INFORMATION TECHNOLOGY SERVICES
The company has an existing contract with Datacom Group Limited of which John Holdsworth and Craig Boyce, Directors of Smiths City Group Limited, are Directors, to provide information technology outsourcing services for the computer hardware and software facilities of the company. The transaction was completed on a commercial arms length basis within the Managing Director's delegated powers. Purchases for the year were $745,000 (2007 $981,000). The amount owing to Datacom Group Limited at balance date was $65,000 (2007 $174,000).

ADVENTURE BRANDS
The Group has a 30% holding in Adventure Brands Limited through a subsidiary. Purchases for the year were $1.996million (2007 $2.065million). The amount owing at year end was $74,000 (2007 $96,000). At balance date the Group had advanced $949,000 to Adventure Brands Limited (2007 $1.086million). The advance is a revolving credit facility entered into on an arms length basis at a weighted average interest rate of 11.62% per annum and is secured over stock funded by the facility and certain debtors of Adventure Brands Limited

KEY MANAGEMENT PERSONNEL COMPENSATION
Key management personnel compensation comprised short term employee benefits of $1.560million (2007 $1.471million).

30) SUBSIDIARY COMPANIES

The subsidiary companies, all with balance dates of 30 April and all are wholly owned (L V Martin was 80% owned at 30 April 2007) included in the consolidated accounts as at 30 April 2008 are as follows:

TRADING
» Smithcorp Finance Limited - finance
» Smiths City Properties Limited – property
» SCG Finance Limited (incorporated Oct 2006)
» Smiths City (Southern) Limited - retail
» L V Martin & Son Limited – retail (2007 80% owned)

NON TRADING
» Smiths City (Auckland) Limited
» Smiths City (Nelson) Limited
» Smiths DIY (Southern) Limited
» Alectra Limited
» Smiths City (Christchurch) Limited
» Smiths City Rotorua Limited (in liquidation)
» Quintana Investments Limited
» Smiths City (Wellington) Limited
» Powerstore Limited
» Smiths City Staff Share Plan Trustees Limited

All Directors of Smiths City Group Limited are also Directors of the 100% owned subsidiaries except for Mr Hellings who is not a Director of Smiths City Staff Share Plan Trustee Limited and Ms Sheldon who is not a Director of Smiths City (Rotorua) (In Liquidation). The Directors of L V Martin & Son Limited are Messrs J W Holdsworth; R Hellings and T E Douthett.

31) OPERATING LEASES

Non cancellable operating lease rentals are payable as follows:

	GROUP		PARENT	
	2008 ($000)	**2007 ($000)**	**2008 ($000)**	**2007 ($000)**
Less Than 1 Year	11,869	10,877	-	-
Between 1-5 Years	23,801	24,727	-	-
More Than 5 Years	3,701	5,048	-	-
	39,371	40,652	-	-

The Group leases the majority of its stores under operating leases. The leases typically run for between three 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.

32) CAPITAL COMMITMENTS

The value of capital commitments at 30 April 2008 was $nil (2007 $nil).

33) CONTINGENT LIABILITIES

The Group has contingent liabilities of $nil at 30 April 2008 (2007 $nil). The Parent Company has guaranteed $400,000 of borrowings by Adventure Brands Limited from The National Bank of New Zealand Limited (2007 $400,000).

34) EVENTS SUBSEQUENT TO STATEMENT OF FINANCIAL POSITION DATE

On 27 June 2008 the Directors announced to the NZX that they propose to pay a dividend of 3.0cents per share on 15 August 2008 (2007 4.0 cents). Since balance date the Group has opened a new Smiths City store at Bethlehem in Tauranga.

35) EXPLANATION OF TRANSITION TO NEW ZEALAND EQUIVALENTS TO IFRS

a) Group – Reconciliation of Equity

	Notes	GROUP Previous NZGAAP 30.4.06 ($000)	GROUP Effect of Transition To NZIFRS ($000)	GROUP NZIFRS 1.5.06 ($000)	GROUP Previous NZGAAP 30.4.07 ($000)	GROUP Effect of Transition To NZIFRS ($000)	GROUP NZIFRS 30.4.07 ($000)
CURRENT ASSETS							
Cash and Cash Equivalents	a(i)	3,928	(2,013)	1,915	101	1,000	1,101
Receivables	b, c, d(i)	14,052	(526)	13,526	15,364	(700)	14,664
Asset Held For Sale		-	-	-	1,183	-	1,183
Inventories	e	40,669	(1,737)	38,932	42,043	(2,121)	39,922
TOTAL CURRENT ASSETS		**58,649**	**(4,276)**	**54,373**	**58,691**	**(1,821)**	**56,870**
SMITHCORP FINANCE RECEIVABLES							
Smithcorp Cash and Cash Equivalents		1,081	-	1,081	850	5	855
Smithcorp Finance Receivables	c, d(ii)	91,704	(1,529)	90,175	93,524	(1,550)	91,974
TOTAL SMITHCORP ASSETS		**92,785**	**(1,529)**	**91,256**	**94,374**	**(1,545)**	**92,829**
OTHER ASSETS							
Property, Plant and Equipment	g	23,705	(133)	23,572	28,548	(899)	27,649
Intangible Assets	g	1,737	133	1,870	1,717	899	2,616
Investments (Including Investment Properties)	h	1,075	-	1,075	1,550	-	1,550
Deferred Tax	f	-	3,793	3,793	-	3,793	3,793
TOTAL OTHER ASSETS		**26,517**	**3,793**	**30,310**	**31,815**	**3,793**	**35,608**
TOTAL ASSETS		**177,951**	**(2,012)**	**175,939**	**184,880**	**427**	**185,307**
CURRENT LIABILITIES							
Bank Overdraft	a(i)	-	-	-	2,947	(1,935)	1,012
Short Term Loan on Asset Held For Sale		-	-	-	1,183	-	1,183
Secured Borrowings	a(i)	-	5,112	5,112	-	10,065	10,065
Accounts Payable	b	32,450	-	32,450	28,665	667	29,332
Provisions	d(ii)	2,355	(1,491)	864	2,113	(1,355)	758
TOTAL CURRENT LIABILITIES		**34,805**	**3,621**	**38,426**	**34,908**	**7,442**	**42,350**
SMITHCORP FINANCE NON CURRENT BORROWINGS		81,969	-	81,969	83,968	-	83,968
NON CURRENT LIABILITIES							
Secured borrowings	a(i)	20,225	(7,125)	13,100	20,225	(7,004)	13,221
TOTAL LIABILITIES		**136,999**	**(3,504)**	**133,495**	**139,101**	**438**	**139,539**
NET ASSETS		40,952	1,492	42,444	45,779	(11)	45,768
SHAREHOLDERS' FUNDS							
Share Capital Reserves		10,652	-	10,652	10,652	-	10,652
Revaluation Reserve		5,433	-	5,433	8,971	-	8,971
Other Reserves		94	-	94	94	-	94
Cash Flow Hedge Reserve	b	-	197	197	-	(788)	(788)
Retained Earnings		24,075	1,295	25,370	25,305	777	26,082
		40,254	1,492	41,746	45,022	(11)	45,011
Minority Interests		698	-	698	757	-	757
TOTAL EQUITY		**40,952**	**1,492**	**42,444**	**45,779**	**(11)**	**45,768**

b) Parent - Reconciliation Of Equity

	Notes	PARENT Previous NZGAAP 30.4.06 ($000)	PARENT Effect of Transition To NZIFRS ($000)	PARENT NZIFRS 1.5.06 ($000)	PARENT Previous NZGAAP 30.4.07 ($000)	PARENT Effect of Transition To NZIFRS ($000)	PARENT NZIFRS 30.4.07 ($000)
CURRENT ASSETS							
Cash		-	-	-	-	-	-
Cash and Cash Equivalents	a(i)	7,952	(7,929)	23	3,524	(2,524)	1,000
Receivables	b, c, d(i)	4,706	-	4,706	2,416	-	2,416
Asset Held For Sale		-	-	-	-	-	-
Inventories	g	-	-	-	-	-	-
TOTAL CURRENT ASSETS		**12,658**	**(7,929)**	**4,729**	**5,940**	**(2,524)**	**3,416**
SMITHCORP FINANCE RECEIVABLES		-	-	-			
Smithcorp Cash and Cash Equivalents		-	-	-	-	-	-
Smithcorp Finance Receivables	c, d(ii)	-	-	-	-	-	-
TOTAL SMITHCORP ASSETS		**-**	**-**	**-**	**-**	**-**	**-**
OTHER ASSETS		-	-	-			
Property, Plant and Equipment	g	18	-	18	14	-	14
Intangible Assets	g	-	-	-	-	-	-
Investments (Including Investment Properties)		15,291	(164)	15,127	15,386	(259)	15,127
Deferred Tax	f	-	-	-	-	-	-
TOTAL OTHER ASSETS		**15,309**	**(164)**	**15,145**	**15,400**	**(259)**	**15,141**
TOTAL ASSETS		**27,967**	**(8,093)**	**19,874**	**21,340**	**(2,783)**	**18,557**
CURRENT LIABILITIES							
Bank Overdraft	a(i)	-	-	-	-	-	-
Short Term Loan on Asset Held for Sale		-	-	-	-	-	-
Secured Borrowings	a(i)	-	6,196	6,196	-	1,476	1,476
Accounts Payable	b	856	-	856	30	-	30
Provisions	d(ii)	-	-	-	-	-	-
TOTAL CURRENT LIABILITIES		**856**	**6,196**	**7,052**	**30**	**1,476**	**1,506**
SMITHCORP FINANCE NON CURRENT BORROWINGS		-	-	-	-	-	-
NON CURRENT LIABILITIES							
Secured Borrowings	a(i)	14,125	(14,125)	-	4,000	(4,000)	-
TOTAL LIABILITIES		**14,981**	**(7,929)**	**7,052**	**4,030**	**(2,524)**	**1,506**
NET ASSETS		12,986	(164)	12,822	17,310	(259)	17,051
SHAREHOLDERS' FUNDS							
Share Capital Reserves		10,652	-	10,652	10,652	-	10,652
Revaluation Reserve		-	-	-	-	-	-
Other Reserves		-	-	-	-	-	-
Cash Flow Hedge Reserve	b	-	-	-	-	-	-
Retained Earnings		2,334	(164)	2,170	6,658	(259)	6,399
		12,986	(164)	12,822	17,310	(259)	17,051
Minority interests		-	-	-	-	-	-
TOTAL EQUITY		**12,986**	**(164)**	**12,882**	**17,310**	**(259)**	**17,051**

c) Reconciliation Of Profit

	Notes	GROUP Previous NZGAAP 30.4.07 ($000)	GROUP Effect of Transition To NZIFRS ($000)	GROUP NZIFRS 30.4.07 ($000)	PARENT Previous NZGAAP 30.4.07 ($000)	PARENT Effect of Transition To NZIFRS ($000)	PARENT NZIFRS 30.4.07 ($000)
Sales Revenue	a, d(i)	271,730	143	271,873	8,000	-	8,000
Cost of Goods Sold	d(i), e	(200,019)	(456)	(200,475)	-	-	-
Gross Profit		71,711	(313)	71,398	8,000		8,000
Other Income		487	-	487	-	-	-
Store and Distribution Expenses	c	(60,849)	(48)	(60,897)	-	-	-
Administrative Expenses		(5,614)	-	(5,614)	(1,227)	-	(1,227)
Results From Operating Activities		5,735	(361)	5,374	(1,227)	-	(1,227)
Net Finance Income (Costs)	d(ii)	(1,629)	(157)	(1,786)	368	-	368
Share of Profit of Equity Accounted Investees	h	94	-	94	95	(95)	-
Profit Before Tax		4,200	(518)	3,682	7,236	(95)	7,141
Taxation	f	-	-	-	-	-	-
Profit for the period		4,200	(518)	3,682	7,236	(95)	7,141
Profit Attributable to Minority Interests		(58)	-	(58)	-	-	-
Profit Attributable to Members of the Company		4,142	(518)	3,624	7,236	(95)	7,141

d) Reconciliation Of Cash Flows

	Notes	GROUP Previous NZGAAP 30.4.07 ($000)	GROUP Effect of Transition To NZIFRS ($000)	GROUP NZIFRS 30.4.07 ($000)	PARENT Previous NZGAAP 30.4.07 ($000)	PARENT Effect of Transition To NZIFRS ($000)	PARENT NZIFRS 30.4.07 ($000)
Cash Flows From Operating Activities							
Cash Was Provided From:							
Receipts From Customers	a(iii),d(i)	269,273	(1,856)	267,417	-	-	-
Interest Received – Smithcorp Finance		3,927	-	3,927	8,000	-	8,000
Dividend Received							
Interest Received – Other		399	-	399	368	-	368
Total Cash Flows From Operating Activities		273,599	(1,856)	271,743	8,368	-	8,368
Cash Was Applied To:							
Payments to Suppliers and Employees	a(iii),c,d(i)	(265,152)	1,535	(263,617)	(1,949)	-	(1,949)
Purchase Properties Subsequently Sold	a(i)	(1,183)	1,183	-	-	-	-
Interest Paid – Smithcorp Finance		(6,919)	-	(6,919)	-	-	-
Interest Paid – Other		(2,221)	-	(2,221)	-	-	-
Total Cash Flows Applied to Operating Activities		(275,475)	2,718	(272,757)	(1,949)	-	(1,949)
Net Cash Flow From Operating Activities		(1,876)	862	(1,014)	6,419	-	6,419
Cash Flows From Investing Activities							
Cash Was Applied To:							
Advances to Customers	a(iii),d(i)	-	(1,799)	(1,799)	-	-	-
Purchase of Property, Plant and Intangibles		(3,400)	-	(3,400)	-	-	-
Net Cash Inflow (Outflow) From Investing Activities		(3,400)	(1,799)	(5,199)	-	-	-
Cash From Financing Activities							
Cash Was Provided From:							
Receipts From Inter Company Advances		-	-	-	2,189	-	2,189
Receipt of Advances to Fund Finance Receivables	a(iii)	-	1,999	1,999	-	-	-
Receipt of Loan for POS (Property 2007)	a(i)	1,183	3,891	5,074	-	-	-
Total Cash Flows From Financing Activities		1,183	5,890	7,073	2,189		2,189
Cash Was Applied To:							
Repayment of Loan	a(i)	-	-	-	(10,125)	5,406	(4,719)
Pay Dividend		(2,912)	-	(2,912)	(2,912)	-	(2,912)
Total Cash Flows Applied to Financing Activities		(2,912)	-	(2,912)	(13,037)	5,406	(7,631)
Net Cash Flows Used in Financing Activities		(1,729)	5,890	4,161	(10,848)	5,406	(5,442)
Net Increase(Decrease) in Cash Held	a(i)	(7,005)	4,953	(2,052)	(4,429)	5,406	977
Cash at Beginning of the Period	a(i)	5,009	(2,013)	2,996	7,952	(7,929)	23
Cash at End of Period		(1,996)	2,940	944	3,523	(2,523)	1,000
RECONCILIATION OF NET PROFIT WITH CASH FLOW FROM OPERATING ACTIVITIES							
Profit per Accounts After Earnings From Associate		4,200	(518)	3,682	7,235	(94)	7,141
Less Share of Earnings From Associate		(94)	-	(94)	(94)	94	-
Less Revaluation of Investment Properties		(380)	-	(380)	-	-	-
Add Depreciation (incl Refurbishment)		2,116	-	2,116	4	-	4
		5,842	(518)	5,324	7,145	-	7,145
Add/(Deduct) Movements in Working Capital							
Add Decrease (Deduct Increase) Smithcorp Receivables		(1,820)	1,820	-	-	-	-
Add Increase (Deduct Decrease) Smithcorp Borrowings		1,999	(1,999)	-	-	-	-
Add Decrease (Deduct Increase) Receivables		(1,312)	174	(1,138)	101	-	101
Add Decrease (Deduct Increase) Property Intended for Sale		(1,183)	1,183	-	-	-	-
Add Decrease (Deduct Increase) Inventories		(1,374)	384	(990)	-	-	-
Add Increase (Deduct Decrease) Accounts Payable and Provisions		(4,028)	(182)	(4,210)	(827)	-	(827)
Movements in Working Capital		(7,718)	1,380	(6,338)	(726)	-	(726)
Net Cash Flows From Operations		(1,876)	862	(1,014)	6,419	-	6,419

e) NZIFRS Adjustments

a) Reclassifications

i) A portion of the secured borrowings have been reclassified as current in accordance with the balance sheet disclosure requirements under NZIFRS.

ii) Certain income and expenses have been reclassified in accordance with the Income Statement disclosure requirements under NZIFRS.

iii) The movement in Smithcorp Finance Receivables has been reclassified to Investing Activities and the movement in Smithcorp Finance Borrowings has been reclassified to Financing Activities. Previously both were shown in Operating Activities.

b) Derivative Financial Instruments
In accordance with NZIAS 39 all derivatives have been recognised at fair value on the balance sheet.

c) Loan Loss Provisioning
In accordance with NZIAS 39 significant loans are individually assessed for impairment and smaller loans impairment tested on a portfolio basis using objective evidence.

d) Revenue

i) In accordance with NZIAS 18 revenue is recognised when the significant risks and rewards of ownership have passed to the buyer.

ii) In accordance with NZIAS financial service fees that are integral to the effective rate of a financial asset or liability are included in the determination of the effective interest rate.

e) Closing Inventory
In accordance with NZIAS 2 and previous GAAP closing inventory has been valued inclusive of all purchasing driven rebates.

f) Deferred Tax
A deferred tax asset has been recognised on employee benefits and tax losses to the extent that future taxable profits are considered to be available against which the asset can be recognised.

g) Intangible Assets
Software assets are classified as intangibles to comply with NZIAS 38.

h) Investments in equity accounted investees are stated at cost in the Parent Company Balance Sheet.

i) The cumulative effect on retained earnings of the above changes is as follows:

	Notes (above)	**GROUP**		**PARENT**	
		1.5.06	**30.4.07**	**1.5.06**	**30.4.07**
Retained Earnings Under Previous NZGAAP		24,075	25,305	2,334	6,658
Loan Loss Provisioning	c	(199)	(247)	-	-
Revenue	d(i), (ii)	(562)	(648)	-	-
Inventory Valuation Adjustment	e	(1,737)	(2,121)	-	-
Deferred Tax	f	3,793	3,793	-	-
Investments – Parent Only	h	-	-	(164)	(259)
		25,370	26,082	2,170	6,399

EXECUTIVE EMPLOYEES' REMUNERATION

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

REMUNERATION	NUMBER OF EMPLOYEES	REMUNERATION	NUMBER OF EMPLOYEES
$100,000-$109,999	4	$150,000-$159,999	1
$100,000-$119,999	4	$170,000-$179,999	1
$120,000-$129,999	1	$190,000-$199,999	1
$140,000-$149,999	1	$210,000-$219,000	1
		TOTAL	14

20 LARGEST REGISTERED HOLDERS OF EQUITY SECURITIES AS AT 14 JULY 2008

HOLDER NAME	BALANCE	%
John William Holdsworth	7,732,284	14.60
Retail Management Services 2000 Limited	4,778,075	9.02
Extra Strength No 164 Limited	3,615,039	6.83
Accident Compensation Corporation	1,857,520	3.51
Ace Finance Limited	1,742,600	3.29
Douglas Carrick Belton	1,439,433	2.72
ANZ Nominees Limited	1,275,603	2.41
Arthur Christopher Peglar	1,180,649	2.23
Philip Julian Eriksen & Julian Hans Eriksen	1,000,000	1.89
Merrill Inez Holdsworth	881,993	1.67
Superannuation & Mutual Savings	878,600	1.66
HSBC Nominees	625,342	1.18
Colin David Smith and Glennis Elizabeth Smith	557,792	1.05
Russell Dillon Horlor	540,000	1.02
Ian Russell Smith and Jean Maree Smith	530,620	1.00
J A & P S Dobson & J R & N S Thomson	501,579	0.95
Margaret Anne O'Keefe	500,000	0.94
Forsyth Barr Custodians	444,752	0.84
Gordon Henry Boyle	440,000	0.83
William Aubrey Cocks	386,247	0.73
TOTAL FOR 20 LARGEST	30,908,128	58.6
TOTAL ON ISSUE	52,956,884	100.0

DISTRIBUTION OF REGISTERED HOLDERS OF EQUITY SECURITIES AS AT 14 JULY 2008

RANGES	NUMBER OF HOLDERS	NUMBER OF SECURITIES	%
1-1,000	879	536,820	1.01
1,001-5,000	801	2,116,874	4.00
5,001-10,000	311	2,498,333	4.72
10,001-50,000	301	6,804,801	12.85
50,001-100,000	44	2,996,408	5.66
100,001 and above	56	38,003,648	71.76
	2,392	52,956,884	100.00

SUBSTANTIAL SECURITY HOLDERS

The following are Substantial Security Holders as at 30 June 2008 as defined by the Securities Markets Act 1988:

Substantial Security Holder	Number Of Voting Securities With Beneficial Interest	Number Of Voting Securities With No Beneficial Interest	Date of Notice
Richard Hellings	4,778,075	-	14 November 2003
Craig David Boyce	3,615,039	-	17 February 2006
John William Holdsworth	7,732,284	1,064,320	14 November 2003

SMITHS CITY

The chain of stores operating under the Smiths City brand is the largest trading arm of the Group. From July 2008 it has 27 stores in total, with 17 stores in the South Island, six in the North Island and three Clearance Centres.

Smiths City stocks a wide range of product including computers, whiteware, televisions, digital cameras, beds, household furniture, flooring, cycles, camping goods, mowers, barbeques and hardware.

Smiths City offers both a home delivery service and a range of installed products such as air-conditioning, carpets and gas heating products. The response of customers to an "installed" sales offering has always been very positive and this fits well into our full service philosophy. Solar heating products have been added to the product range with a fully installed service, again using the trade skills of Alectra, the Group's installation division.

Management's strategy during the year has been to continue expanding into the North Island and continuing to improve the South Island stores.

Highlights for Smiths City during the year were

» The introduction of gift cards using our new Point of Sale technology substituting this for the previous paper based systems.

» Moving to larger premises in Blenheim in March 2008 allowing an improvement in the product selection available to Marlborough customers.

» Relocating the Gore store to larger premises in July 2007. Product range and selection have been improved greatly as a result of the move.

» Rolling out the new Point of Sales System to give management the tools it needs to improve store performance, stock turns and manage costs.

» The rebranding of the Smiths City *Easy*Card which gives our customers instant identification, access to flexible payment options and special offers.

» Negotiation of the opening of a new store in Bethlehem, Tauranga, scheduled for July 2008. This is the third greenfields store in the North Island.

SMITHS CITY BLENHEIM OPENED MARCH 2008

POWERSTORE

Powerstore is a chain of eight specialist stores strategically located in the main South Island centres. It sells a complete range of branded consumer electronics, computers and household appliances. Selling only quality brands Powerstore recognises the desires of customers for the latest in technology.

Highlights for Powerstore during the year were:

» Relocating its Invercargill store to Bond Street. The larger store is situated close to the centre of the town and is better able to fulfill the needs of customers including free parking in the customer car park next to the store. Product range and selection have improved greatly as a result of the move.

» Rolling out the new Point of Sale System to give management the tools it needs to improve store performance, stock turns and manage costs.

» Enhancing Powerstore's position as a preeminent retailer of LCD and plasma flat panel televisions. This market continues to be a growth area for the chain.

POWERSTORE RICHMOND MALL 2008

Smiths City Group bought 80% of the trading assets of L V Martin's business in Wellington in November 2004 and having purchased the remaining 20% shareholding in August 2008 L V Martin & Son Limited is now a 100% owned subsidiary of Smiths City Group Limited.

L V Martins retails high quality white goods, consumer electronics and small appliance products from five stores in the Wellington area, one in Rotorua, and on a fully featured internet site. The 74 year old brand is meeting the needs and expectations of the modern consumer while still providing long held values of trust and performance.

The driving proposition for the business continues to be *Excellence in Customer Service*. This provided across the full customer experience: pre purchase advice and advertising, the in-store buying experience; delivery and installation; and after sales service.

Highlights for the year for L V Martin & Son were:

- *Strong growth of internet activities* as a growing proportion of customers become comfortable with, and confident in, purchasing over the net;

- *Upgrades of our point-of-sale system* which give us even better connection with our huge loyal base of customers;

- *Strengthening supplier relationships* to deliver the best of new technologies.

L V MARTIN PORIRUA STORE

Alectra operates in two parts - a trade based operation (Alectra Services and Alectra Industries) and a business to business trading operation (Alectra Commercial and Alectra Manufacturing).

Alectra's trades operation consists of:

» Alectra Services: a trades operation which installs and services air conditioners, electrical and gas heating products, floor coverings, in-home entertainment systems, security, kitchen appliances and solar heating products sold through our retail operations. Alectra Services operates throughout New Zealand and also provides after sales service where required.

» Alectra Industries: an electrical contracting business based in Dunedin which designs and installs hard wiring, security, data, fire protection, heating and ventilation products for large or small developments (commercial customers). The operation also assists with the Group's retail store developments.

» The continued commitment to train trades people through recognised apprentice training schemes.

Alectra's business to business operation consists of:

» Alectra Commercial – supplies products to commercial customers for the fit out of resorts, apartments, hotels and bars and residential dwellings including furnishings and carpets.

» Alectra Manufacturing – supplies made to measure soft furniture to the commercial market as well as core line furniture to our retail operation.

ALECTRA ON THE JOB FOR THE DUNEDIN AIRPORT CONTRACT

SMITHCORP FINANCE LIMITED AND SCG FINANCE LIMITED

Smithcorp Finance Limited and SCG Finance Limited are the Group's finance companies.

The major functions of these companies are:

» The provision of flexible finance options to our retail customers. These finance options are secured over the goods sold and can be fixed instalment agreements (formerly known as "hire purchase") or revolving credit contracts.

» The provision of unsecured loan facilities – under the brand "Lifestyle Plus" – to customers with a proven credit history with Smiths City or Powerstore.

» To provide finance to the wholesale and retail industry.

As at 30 April the gross value of the finance portfolio was approximately $133million. There were approximately 80,000 active accounts.

The finance companies have funding facilities with Fisher & Paykel Finance Limited.

SCG Finance Limited is a wholly owned subsidiary of Smithcorp Finance.

SMITHS CITY PROPERTIES LIMITED

Smiths City Properties Limited is the Group's property owning company.

Prime locations and superior store presentation are critical to the success of any retail organisation. The Group has recognised this and retained ownership of its key Colombo Street location. This site, based in central Christchurch, houses the Group's largest retail store as well as the Group administration and marketing offices.

Included in the property portfolio are four properties adjacent to the Colombo Street retail site. These properties have been purchased as investments and are rented to third parties at commercial rents. The portfolio also currently includes the Smiths City store site in Gisborne, which is available for sale.

The 2008 financial year also saw the completion of the development project in Gore, housing the Smiths City retail store. This property was sold during the year.

OUR PEOPLE WHO WERE PART OF THE SMITHS CITY GROUP OF COMPANIES AS AT 30 JUNE 2008

ABERHART David
ABERHART Neville
ACKROYD Jasmine
ADAMSON Nyrena
ADIE Shaun
AITCHESON Ross
AITCHESON Shaun
ALLAN Nicholas
ALLAN Tony
ALLEN David
ALLEN Diane
ALMOND Annette
ALMOND Hula
AMOS Garry
ANDERSON Garry
ANDERSON Matthew
ANDERSON Rick
ANDREWS Genna
ANDREWS Shona
ARCHER Jeff
ARCHER Kevin
ARCHIBALD Karen
ARMSTRONG Paul
ASHWORTH Scott
ATGER Carolyn
AUSTIN John
AYERS Sarah-Lee
AYNSLEY Bradley
BAGNALL Simon
BAILEY Lisa
BAKER Ricky
BALAKRISHNAN Dharrini
BALFOUR Craig
BARBER Craig
BARDELL Warren
BARKE Paul
BATCHELOR Ian
BATCHELOR Nicole
BECK Deidre
BECKINGSALE Lisa
BECKLEY Grant
BENEDETTI Liliana
BENNETT Robin
BEUKENHOLDT Sonia
BHANDARI Avtar
BIDDINGTON Blair
BIDDLE Tanara
BINNIE Grant
BIRD Jason
BLACK Thomas
BLAGDON Gregory
BLANCHARD Lesley
BODLE Gary
BONIS Helen
BOOTH Andrew
BOYCE Maree
BRADLEY Dawn
BREACH Bonnie
BREMNER Helen
BRIGGS Jamie
BRINSDON Micheal
BROMBY-ROBSON Jodi
BROOK Jackie
BROOK Michelle
BROWN Darrell
BROWN Heather
BROWN Matthew
BROWN Michelle
BROWN Michelle
BROWN Todd
BROWNE Stefan
BUBB Colleen
BUICK Neil
BULLIMORE Martyn
BUNKER John
BURDON Barbara
BURKE Colin
BURKE Keryn
BURNELL Paul
BURNEY Kate
BURROWS Kerry
BURROWS Marg
BURTON Ann
BUTCHER Lynne
BYRNE Leigh
BYRNE Michael
CAIN Shirley
CALCOTT Mikoi
CALLISTER Carolyn
CAMPBELL Stacy
CAMOIN Anne-Marie
CARSTON Paul
CATTELL John
CAWOOD Darin
CHAIPANIT Ning
CHAMBERLAIN David
CHANT Brent
CHAPMAN Jamie-Lee
CHAPMAN Sarah
CHETTY Daniel
CHING Marcia
CHISHOLM Murray
CHONG Pau Fang (Sharon)
CHRISTENSEN Dennis
CHUI-YEN Shionaka
CINCO Merlita
CLARK Jim
CLARK Michael
CLARKE Tania
CLEVERLEY Lynne
CLINGIN Amanda
COFFEY Mike
COFFEY Sandra
COFFIN Trenna
COLL Garry
COLLIER Nigel
COLLINS Shenna
COOK Trevor
COOPER Michael
COSTA Marco
COSTER Scott
COTTLE Debbie
COUNIHAN Melanie
COUPE Tim
COWIE Amie
COWIE Norman
COX Warren
CRAIG Sheila
CRAIGIE Murray
CRAGGS Kay
CRAVEN Rebecca
CREED Michael
CRIGHTON Lance
CROSS Daisy
CROSS Kohi
CROTON Barry
CROUCHER Boyd
CROWE Ben
CUMBERLAND Jill
CUMMINGS Samantha
CUNNINGHAM Ian
CURRAGH Robert
CURTIS Kerri
DALGARNO Daniel
DALTON Andrew
DALY Brian
DALY Margaret
DAVIDSON Chris
DAVIDSON Rosalene
DAVIES Christopher
DAVIES Gregory
DAVIES Lynn
DAVIES Nicholas
DAWSON Curtis
DAWSON Kristen
DAWSON Nicholas
DE CANNE Chas
DELANEY Patricia
DELANY Joanne
DELIS Terry
DELPORT Travis
DEMPSEY Natalya
DENNETT Joshua
DEVI Aarti
DIAMOND Sharleyne
DICKIE Adam
DICKIE Peter
DID-DELL Tim
DILLIMORE Michelle
DILLON Susan
DODDS Stuart
DONAHUE Stephen
DONALDSON Diana
DONGHI Toni
DOUGHERTY Mike
DOWNIE Kevin
DOWNIE Peter
DREDGE Shaun
DRYSDALE Martin
DUDLEY Dawn
DUNCAN Adrienne
DUNCAN Joanne
DUNLOP John
EARL Fallon
EASTERBROOK Alistair
EASTWOOD Kelly
ECKHOLD Alison
EDINGTON John
EDWARDS Mike
EDWARDS Nikau
EGGERS Brent
EGGERS Cory
EGERTON Tania
ELLENDEN Kelley
ELLIS Jodie
ELLIS John
ELLIS Mike
ELSTONE Kurt
ELWOOD Grant
ERSKINE Kathryn
EWAN Emily
EYLES Kenneth
FALWASSER Paul
FEARN Richard
FEATHERS Glenys
FERGUSON Ann
FETHERSTON Maria
FIFITA Leroy
FIELDING Debra
FINAU Ian
FINDLAY Jodi
FINDLAY Paul
FLINT Melissa
FOLKERTS Hayden
FOOTE Jaron
FORSTER Marie
FRENCH Thomas
FREW Jason
FREW Shane
FRY Pam
FULTON Grant
GALLAGHER Michael
GALT Daniel
GALT Jared
GALT John
GAMBLE Barry
GARDINER Tonia
GARDNER Ian
GARDNER Mary
GEDDES Michael
GEEVES Gill
GEMPTON Krystal
GERRAND Glyn
GERRARD Bryan
GIBBS Melinda
GIBLIN James
GIFKINS Matthew
GILCHRIST Samuel
GILL Ann-Marie
GILLESPIE Allan
GLUE Susan
GOFFIN Lynda
GORT Doug
GORTON Jeanette
GOWER Brodie
GRANGER Antony
GRANT Judith
GRAVER Marilyn
GREAVES Shaun
GREDIG Barry
GRIFFITHS Michael
GRIGG Stella
GRIMWOOD Jaryd
GUBB Chris
GULLERY Toni
GUY Daniel
HACKSHAW Janet
HAGUE Bob
HAGUE Matthew
HAILES Melissa
HALE Nigel
HALL Carolyn
HALL Patricia
HAMMERSLEY Melissa
HAMMOND Michael
HARDIE Fiona
HARKNESS Pauline
HARPER Hayden
HARRIS Michael
HARRISON James
HARRISON Tunis
HARTSTONGE Trevor
HARVEY Carrie
HARVEY Christine
HARVEY Jason
HASKETT Steve
HASLEMORE Karen
HAWKE Michael
HAYCOCK Rodger
HAYWARD Tony
HEANEY Michelle
HELLIER Joanne
HEMI Glenn
HENDERSON Mark
HENDERSON Yvonne
HENNIG Sonia
HEPI Eru
HEPI Keryn
HEPI Latasha
HEREWINI Wade
HERNANDEZ Kenneth
HERRICK Jonathon
HEWLETT Brent
HEY John
HIBBS Bradley
HICKMAN Brent
HIGGS Samantha
HIGHTON Joanne
HIGINBOTTOM Brent
HILLMAN Paula
HOBERN Elisabeth
HODGSON Rochelle
HODSON Alice
HOEFLICH Elaine
HOGAN Donna
HOGARTH Chris
HOLLAND Liz
HOLLOWS Chad
HOLT Kaye
HOLMES Susan
HOOD Kahn
HOOK Jason
HOOPER Geoffrey
HOPKINSON Susan
HORNE Alison
HORNE Rachael
HORSCROFT Michael
HOSKIN Vicki
HOUSE Allyson
HUDSON Carey
HUFFAM Aaron
HUGHES Alisha
HUIA Simon
HUMPHREY Lynne
HUNTLEY Lynne
HUSTON Jerram
HUTA Michael
HYDE Alister
ISAAC Miranda
JARAM Gordon
JARVIS Chris
JENKINS Andrea
JENKINS Bryce
JENKINS Leeanne
JENKINS Ray
JENNINGS Stephen
JOBSON Albie
JOHN Rhys
JOHNSON Allan
JOHNSON Harold
JOHNSON Laureen
JOHNSON Shane
JOHNSTON Lois
JOLLY Alan
JOPE Kerrin
JOYCE Graeme
JURY Sam
KAGLUND Marion
KAYE Nicholas
KELLETT Dave
KELLY Lynda
KERR Gavin
KERR Geoff
KERR Logan
KERR Rowan
KERRIDGE Susan
KHANNA Sandeep
KHATRI Chatar
KING Alana
KING Michael
KING Nicola
KING Russell
KINGI Hunia
KINSMAN Murray
KIRCHER Tony
KIRK Melanie
KIRNER Jackie
KNIGHT Fiona
KNIGHT Lorraine
KNOWLER Michael
KNOX Jocelyn
KOIA Alison
KOSTER Karen
KUMAR Vivek
LAGAN Matthew
LAING David
LAMB Bernadette
LAMB Bryan
LAMB Nicholas
LAMBERT Steven
LANCASTER Vickie
LANGDON Jason
LANGE Colin
LATIMER Brett
LATIMER Vicki
LAWRENCE Sandra
LAWSON Sharon
LAY Jeffrey
LEADER Tim
LEARMOND Bob
LEARMOND Cheryl
LE COMTE Clint
LEE Brian
LEE Nicole
LEE Sim
LEI Hong
LEMIN Brian
LE-MON Nick
LEPPER Krystal
LEWIS Kristine
LEWIS Michael
LEWIS Philip
LIND Joyce
LINDSAY Rachel
LINTON Kevin
LIST Gavin
LLOYD Grant
LOADER Grant
LOCHRIE Nichola
LOCKIE Hadyn
LOGIE Judy
LONG Gavin
LORMANS Vince
LOUTTIT Glenda
LOW Gary
LOW Nathan
LOWE Liam
LUAFUTU Lino
LUAFUTU Samantha
LUCAS Chris
LUDLOW Craig
LUSTY Alisha
McANELLY Robert
McCAFFREY Halie
McCANN Quenton
McCARTAIN Carol
McCLOY Murray
McCONCHIE Philip
McCONCHIE Susan
McDONALD Ellen
McDONALD Jane
MacDONALD Noel
McDONALD Tracey
McDOUGALL Dean
McFADDEN Dayle
MacFARLANE Cuillin
MacFARLANE Heath
MacFARLANE Michael
McFARLANE Sue
McFELIN Lynette
McHUGH Andrew
McINTYRE Allen
MacKAY Ken
McKAY Laura
MacKAY Shawn
MacKENZIE Brooke
McKILLOP Colin
McKILLOP Darrin
McKINNON Neil
McLEAN Jamie
McMILLAN Lance
MacPHERSON Vikki
McVICAR Mark
MACKIE Glen
MACKLIN Blair
MAGEE John
MANDER Alan
MANDER Jayne
MANSON Charmaine
MANSON Sheryl
MASON Elliott
MATTHEWS Jason
MATTHEWS Shane
MATTSON Rachel
MEIKLE Judy
MEIKLE Mark
MELROSE Tania
MELVILLE Eve
MELVIN Jaimie
MEULI Robin
MEXTED Peter
MIDFORD Tully
MIRFIN Alan
MILLAR Andrew
MILLER Eric
MILLNS Diane
MILNE Hamish
MILNE Nicholas
MILNE Sandie
MINNEE Eugene
MITCHELL Trish
MOIR Chantae
MOONEY Kelvin
MOORE Andrew
MOORE Geoff
MOORE Shane
MOREL Arthur
MORGAN Kevin
MORRIS Adam
MOYLE Roxanne
MOYNIHAN Paul
MUIR Dianne
MULQUEEN Kay
MULVEY Sarndra
MUNRO Marcus
MURDOCH James
MURDOCH Kevin
MURPHY Brad
MURRAY Darren
MURRAY Jamie
MURRAY Warren
MWAITA Aloysius
MYALL Shane
MYTTON Scott
NALLY Terence
NAYLOR Brendan
NEAL Thomas
NEAME Melissa
NEIL Jenni
NEILL Michael
NELSON Darren
NEPATA Paki (JNR)
NEWALL Alison
NEWBY Paul
NICOLL Lisa
NICHOLSON Fran
NIXON Philip
NOBLE Trish
NOFFKE Diane
NORTON Rowena
NOSSITER Gwendolin
NUDD Simon
NUNN Alaster
NYBERG Jamie
O'BRIEN Alex
O'CONNELL Hannah
O'CONNOR Rose
O'CONNOR Tom
O'DONNELL Chrissie
OFFICER Gillian
OLIVER Faye
O'NEAL Rodney
ORAM Grant
ORANJE Josh
ORLOWSKI Jason
ORR Greg
OSBORNE Anna
OSBORNE Geoff
PAISLEY Natalie
PALATCHIE Kathryn
PALMER Bruce
PALMER Simon
PANIRAU Phyllis
PARATA Judith
PARKER Kyle
PARSONS Craig
PARSONS Iain
PARTRIDGE Rebecca
PATERSON Anita
PEARCE Megan
PEARCE Vanessa
PEARSON Brian
PEAUFA Clay
PENMAN Brian
PETERSON Melissa
PETERSON Shane
PETRIE Robin
PHILLIPS Gerard
PHILLIPS Sally
PHILLIPS Sarah
PORT Heather
PREST Shane
PRESTON Jason
PRICE Michael
PRICE Vicki
PRIDDY Judith
PRINCE Kathryn
PROUDFOOT Simon
PRUE Helen
PYE Bruce
QUINN Hayden
QUINN Roger
QUINN Warren
RADFORD Grant
RAMSAY Bronwyn
RANGI Denise
RAPANA Jarrod
RAPANA Sonny
REDDELL Simone
REDDING Gail
REI Jamie
REID Andrew
REID Murray
REKITTKE Robert
RENATA Audrey
RETI Whai
RICH Nicola
RICHMOND Adam
RIETVELD Joanne
RIINI John
RIVERS Sam
ROBERTS Barbara
ROBERTS Dave
ROBERTSON Craig
ROBERTSON Melanie
ROBERTSON Teleisha
ROBISON Wendy
ROBSON Rodney
RODGERS Mark
ROHAN Sarah
ROLLESTON James
ROLSTON Paul
ROSE Kathleen
ROWAN Paul
ROWLAND Allan
RUCK Sharon
RUEGG Mark
RUMP Maria
RUSS Christine
RUSSELL James
RUSSELL Philippa
RUSSELL Wallace
RUTHERFORD Heather
RYAN Warrick
RYDER Keith
SANERIVI Aasa
SAUNDERS Gene
SAVAGE Hamish
SAVIDAN Pamela
SAYERS Jamie
SAZANOV Vasily
SCHERRER Markus
SCHIKKER Michelle
SCOTT Christopher
SCOTT Hamish
SCOTT Kerri Ann
SEDDON Allan
SEDDON Lynne
SEDDON Rhys
SELBY Darren
SENEVIRATNE Tyrone
SHARFE Kenneth
SHARLAND Garry
SHARP Craig
SHAW Bronwyn
SHAW Renae
SHIRLEY Brenda
SIDON Darrell
SIMCOCK Martin
SIMPSON Aaron
SIMPSON Jacqueline
SIMPSON Vanessa
SIXTUS Liam
SKEA Vaughan
SKELTON Karen
SKJOTT Paul
SMART Kylie
SMITH Blair
SMITH Craig
SMITH Dean
SMITH Doug
SMITH Ian
SMITH Jason
SMITH John
SMITH Jonathon
SMITH Kelly
SMITH Margaret
SMITH Michael
SMITH Nathan
SMITH Ryan
SOLOMON George
SOLOMON Tau
SPERRY Grant
STANTON Craig
STEER Amanda
STEVENS Brendan
STEVENS Lisa
STEWART James
STEWART Lyndsay
STEWART-SMITH Michael
STICKLE Nicole
STILL Debra
STOWELL Megan
STUART Janet
STUBBINGS Phoebe
SULLIVAN Jennifer
SULLIVAN Sarah
SULLIVAN Sharon
SUTTON Paul
SWAIN Trudi
SYDNEY Kirk
SYKES Holly
SYME Andrea
TA'ALA Cheyenne
TAHAPEEHI Tete
TAKITIMU Michaela
TALL Colleen
TANGIITI Teri
TAURIMA Dean
TAYLOR Adrian
TAYLOR Andrew
TAYLOR Jason
TAYLOR Jason
TAYLOR Paige
TEBAY Russell
TE-EVALE Suli
TE MAIPI Robert
TE RUPE Nan
TE WHATA Heeni
THOMAS Sam
THOMAS Thelma
THOMPSON Lyndon
THOMSEN Christine
THOMSON Craig
THOMSON Jean
THOMSON Murray
THOMSON Sloane
THORMAN Gary
THORNLEY Peter
TIFFEN Tracey
TIHI Lynley
TILLER Slade
TIMBLICK Skye
TIMBLICK Wayne
TINDALL Gregg
TINETTI Leslie
TINKER Aleisha
TODD Natalie
TODD Phillip
TOMPKINS Nicholas
TONKIN Paul
TONKIN Shane
TONKIN Victor
TOOHEY Brendon
TOPP Julie
TORRES DAVILA
TRAINER Harvie
TRAINOR Paul
TRENT Nathan
TREWEEK Julie
TRITT Marta
TULLETT Steven
TUMAHAI Luke
TURNBULL Campbell
TURNBULL Christopher
TURNER Gareth
TURNER Sam
TURTON Kayla
TYRRELL Stephen
UNDERWOOD Jonathon
UGHY Bela
VAN DER AA Kim
VAN DER LEM Martin
VAN IRSEL Jordan
VAN ROOY Logan
VATTALA Uthpala
VENKTAIYA Rose
VULAONO Sisaro
WAITE Alan
WALKER Robyn
WANLESS Garry
WARD Chris
WARD Judi
WARD Michelle
WARD Peter
WARD Sam
WARDROP Daniel
WARDS Andrew
WARDS Claire
WARREN Stephen
WATSON Andrew
WATT Gladstone
WEBB Nigel
WEBBY Christine
WEEKLY Peter
WEIR Daniel
WEIR Susan
WENLOCK Tony
WERDER Jeremy
WESSING Cherie
WESTWOOD Wendy
WHAITIRI Michael
WHITE Debbie
WHITE Jan
WHITE Suzanne
WHITE Tamotu
WHITEHOUSE Stephen
WHITING Wendy
WHITTLESTON Karl
WILD Paul
WILLIAMS Arnie
WILLIAMS Isdale
WILLIAMS Shane
WILLIAMSON Neil
WILLIAMSON Tim
WILLIS Gerry
WILLIS Nola
WILSON Lisa
WILSON Owen
WILSON Sandra
WILSON Tony
WINDERS Jonathon
WINDSOR Val
WINTER Teresa
WISHART Jan
WOLFE Aaron
WOOD Peter
WOOD Sharon
WOOD Sheryl
WOODHEAD Angus
WOODS Helen
WOODS Janice
WORSLEY Anthony
WRIGHT Brendon
WYLIE Hayden
YATES Neville
YOUNG Gill
YOUNG Oliver
YOUNG Tony

L V MARTIN STAFF

Ackley Simon
Aldridge Kaye
Alofoe Faaleufi
Anderson Shaun
Aperi Hine Mai
Armstrong Andrew
Ashworth Graham
Ballantine Andrew
Barbara Lisa
Barrett Fraser
Beaton Jacquiline
Blake Tracy
Boreham Wayne
Bradley Steve
Bradley Roger
Brajkovic Elizabeth
Breen Chris
Buckley Graeme
Bucknall Phillip
Calder Glenn
Challis Gary
Chin Henry
Christiansen Stephen
Cook Ralph
Cribb-Lankey Patricia
Crilly James
Crozier Maurice
Domb Murray
Douthett Trevor
Duff Neville
Fagan Rosalie
Field Warren
Fleming Nigel
Fraser Stewart
Fraser John
Fu Zhe
Goodwin Phillip
Hale Debra
Hallam Angela
Halligan Andrew
Ham Nigel
Hansen Dennis
Hayward Christopher
Hearn Stephen
Huff Colin
Hvid Wayne
John Sharleen
Kallahar Philip
Karystinos Konstantinos
Kelekolio Lee
Kent Brendan
Koenders Daniel
Kumar Janend
Lambert Nathan
Lesa Faamoemoe
Llorico Emilio
MacArthur Paul
Mainland George
Makiha Alfred
Mannion Heath
Marsh Michael
Martin Brett
Mason Sandra
McCaskill Irene
McDougall Jared
McLaren Stuart
McLaughlan Mark
McMeekin Peter
Mills Susan
Morgan Andrew
Peat Maureen
Pereira Lui
Preece David
Provines Jamie
Rautao May
Rice Lance
Saipani David
Small David
Smith Margaret
Steedman Karla
Stempa Noel
Sutherland Alexander
Taylor Frederick
Thoresen Tracey
Tichbon Roger
Tsao Daniel
Turchie Craig
Turfrey Stacey
Walker Karen
Walker Garry
White Stuart
Willard Kerry
Williams Lowell
Wright James
Xue Wen

BOYCE Craig
HELLINGS Rick

STORE LOCATIONS 2008
Incorporating Smiths City; Powerstore; L V Martin; Alectra