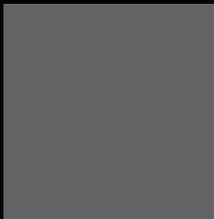
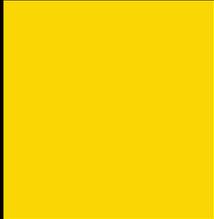
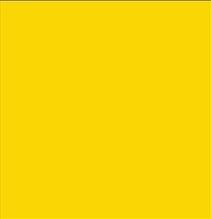
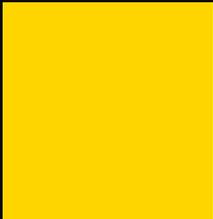


## ANNUAL REPORT 2015



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### Annual General Meeting

The 2015 Annual General Meeting of Dick Smith Holdings Limited will be held at Dick Smith Support Office, 2 Davidson Street Chullora, New South Wales on Wednesday 28 October 2015 at 11.00am



# CHAIRMAN'S AND MANAGING DIRECTOR AND CEO'S LETTER



Robert Murray  
Chairman



Nick Abboud  
Managing Director  
and CEO

## Dick Smith continues to sustainably deliver on its strategic growth agenda

### Dear fellow shareholders

Two years ago, when Dick Smith embarked on a successful road show with investors prior to our IPO, we conveyed our strategy as becoming 'the leading consumer electronics retailer in Australia and New Zealand, assisting our customers in achieving the most from technology at the right value'. We identified five strategic growth initiatives to deliver sustainable growth over the medium term.

Two years later our focus on our strategy is unwavering with these initiatives delivering the sustainable growth we anticipated and continuing to position the Company for superior future growth.

Our performance in these five strategic growth initiatives can be summarised as:

- **New stores:** With 393 stores in Australia and New Zealand and opening 15-20 stores annually, we provide our customers with unprecedented convenience wherever they are located.
- **New formats:** Our four formats cater for differing demographics ranging from a traditional Dick Smith customer to a younger demographic at MOVE, a more discerning consumer at David Jones and international travellers at MOVE by Dick Smith (at Sydney Airport's International Terminal).
- **Private Label:** An integral part of Dick Smith for 45 years, Private Label growth continues to provide the Company with flexibility to trade competitively and maintain favourable margins.
- **Online/omni-channel:** Considered by many as a disrupter, we view online as a competitive advantage. With all 393 stores offering Pay & Collect and 210 stores acting as distribution/fulfilment locations, our low cost model and multiple online platforms allow your Company to offer leading prices.
- **Cost transformation:** Having inherited a cost base that was unsustainable, our investment in people, systems and supply chain, combined with the restructures of the Company's support office and Australian supply chain, has sustainably transformed the cost structure.

#### 2015 performance

Our strong performance in 2015 is consistent with delivering on our five strategic growth initiatives. Your Directors are pleased to report that sales grew 7.5%, with comparative sales growth of 1% and Australian sales growth of 10%. Underlying net profit after tax (NPAT) grew 3.1% to \$43.4 million, despite a challenging retail environment. At the time of listing on the Australian Stock Exchange, your Directors indicated streamlining to a sustainable performance structure would continue after we became a listed entity. This year's statutory profit includes restructuring charges of \$5.5 million incurred in positioning Dick Smith for continued stronger performance. As a result, Dick Smith's statutory NPAT is \$37.9 million compared to last year's IPO restructure impacted NPAT of \$19.8 million.

The Australian performance was consistent with the strategic growth initiatives we've implemented. Australian sales growth of 10% delivered underlying Australian EBITDA growth of 21.9%. New Zealand was challenging during the year reflecting macro and competitive pressures. We have implemented initiatives to meet the challenges in the New Zealand market.

The ubiquitous Dick Smith store network, with 351 stores in Australia and New Zealand, is the backbone of our enhanced performance. An expansion of store-in-store concepts and fixtures, new categories and further development in our service model drove the improvement in Dick Smith's performance, notwithstanding the investment in new stores and systems. In 2015, we opened 13 Dick Smith stores and closed seven. We will continue to critically look at our store base and open or close stores as demographics and performance dictates – consistent with our focus on improving returns and cost-efficiencies.

Our award-winning MOVE format, with 10 stores, continues to excite consumers which is increasingly benefiting its sales and profit performance.

In February, we opened four temporary locations within Sydney Airport's International Terminal under the banner, MOVE by Dick Smith. We are extremely pleased with the results to date and look forward to further improvement when we move to our permanent locations before Christmas 2015.

#### Dividends

Our intention is to pay dividends of between 60% and 70% of NPAT (before significant items). Your Directors believe this ratio suitably balances the resources required to grow the business with rewarding shareholder investment.

The Board has resolved to pay a fully franked final dividend of 5.0 cents per share. Combined with the interim dividend, this brings total dividends to be paid on the 2015 profit to 12.0 cents per share, fully franked; and represents a dividend payout ratio of 65% (before significant items).

#### People

During the year there was significant change in the Board. We welcomed three new Board members: Rob Murray, Michael Potts (both in August 2014) and Jamie Tomlinson (in April 2015). Having been actively engaged throughout the period from acquisition and private ownership through our first year as a listed Company, Phil Cave AM and Bill Wavish stepped down from the Board in February and March, respectively. We would like to take this opportunity to thank both Phil and Bill for their mentoring, guidance and dedication during the initial acquisition and subsequent restructuring which provides a solid platform for the Company's growth. Your Board continues to review and revise programs in place to ensure we recruit and retain the best people within the Company. The ongoing evolution of the Company has necessitated a commensurate development of these practices, consistent with long-term shareholder wealth creation.

This has resulted in changes to the Company's short-term and long-term incentive schemes, including underlying NPAT being the key driver and implementing hurdles more consistent with long-term shareholder wealth creation. These changes are explained in more detail in the Remuneration Report section of the Directors' Report.

#### Outlook

The transition from private ownership to a highly profitable listed consumer electronics company is not without its challenges. The Board is cognisant of the significant dedication and considerable effort expended by all staff in achieving the results to date and would like to thank the Managing Director and CEO and all staff for their ongoing contributions and commitment to the Company.

We would also like to thank our suppliers and other stakeholders for their support and look forward to further growth in 2016.

Fellow shareholders, your Board is pleased with the operational performance achieved by our Company in 2015 particularly given the continued high level of investment for future growth and we are grateful to you for your continued support of Dick Smith. We are confident that our Company will achieve further growth in 2016, facilitating the appropriate rewards for your continued loyalty.



**Robert Murray**  
Chairman



**Nick Abboud**  
Managing Director and CEO

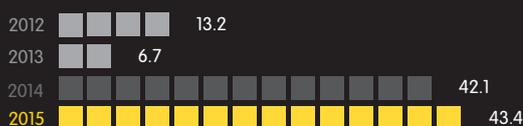
Sydney, 17 August 2015

## FINANCIAL HIGHLIGHTS

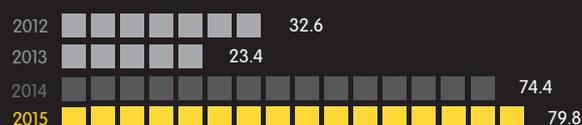
### Sales \$m



### NPAT \$m



### EBITDA \$m



	2012	2013	2014	2015
Sales	1,369.5	1,280.4	1,227.6	1,319.7
GP	340.0	303.6	308.0	326.8
CODB	307.4	280.1	233.6	247.0
EBITDA	32.6	23.4	74.4	79.8
EBIT	20.1	10.9	61.6	65.0
NPAT	13.2	6.7	42.1	43.4

2014 excludes the impact of the Company reorganisation, 2015 excludes restructure costs. Refer to page 30 for a reconciliation of statutory financial statements to pro forma results.

# GROWTH

**25** stores opened

TOTAL SALES<sup>1</sup>  
GREW  
**+7.5%**  
IN 2015

LAUNCHED NEW  
STORE FORMAT  
**MOVE**  
BY DICK SMITH,  
AT SYDNEY  
INTERNATIONAL  
AIRPORT

MARKET  
LEADER IN  
FITNESS  
CATEGORY

Online sales  
**DOUBLED**  
to over  
**8%**  
of retail sales

Reinvigoration  
of fitness, audio  
and mobility  
areas – driving  
**1%** market  
share growth

**934**  
new Private  
Label products  
introduced  
in FY15

Online store fulfilment  
from **210** locations  
across Australia and  
New Zealand

FUTURE  
GROWTH

Grow LFL Sales:  
**1-2%**

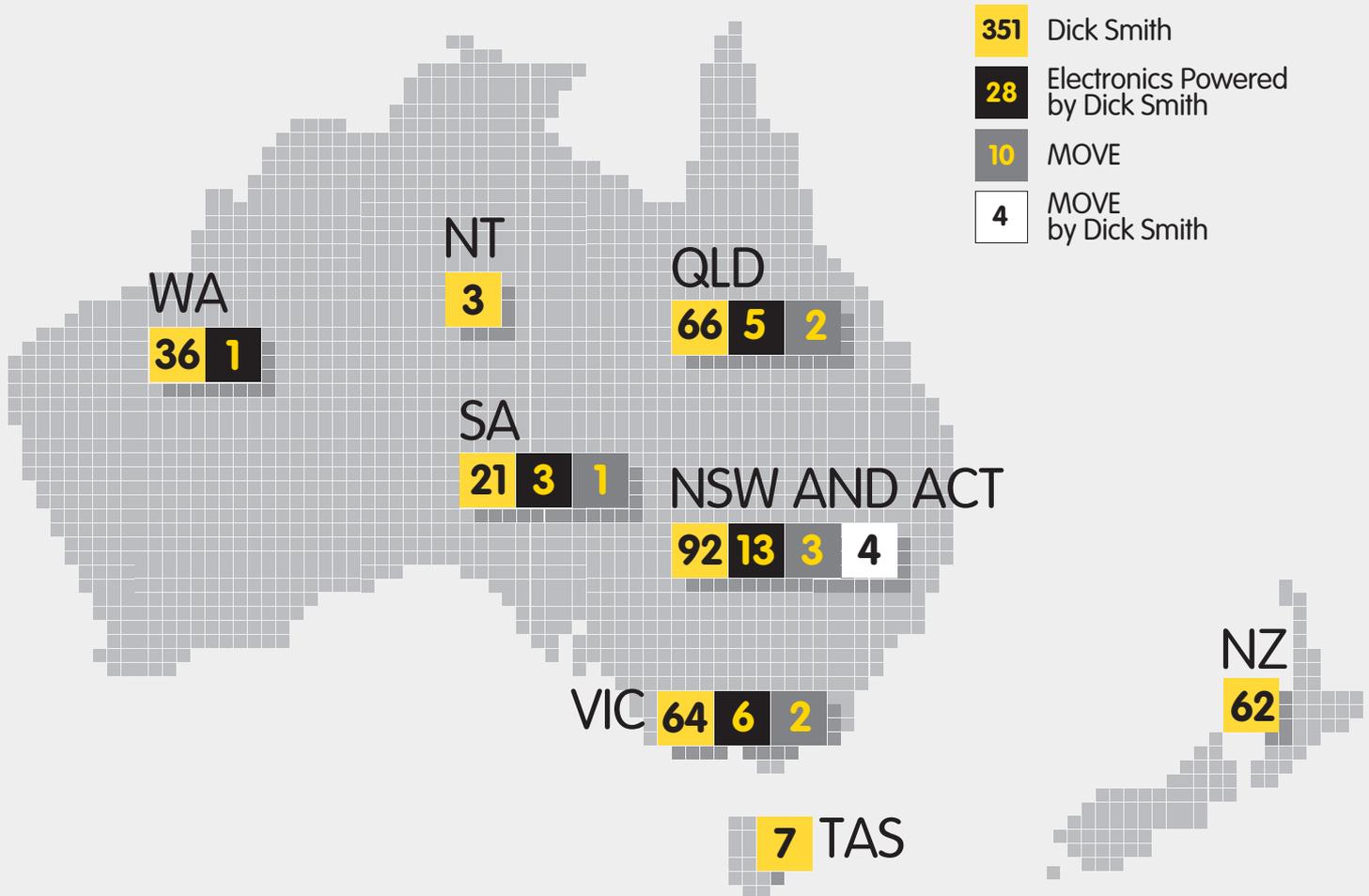
Online sales  
to grow to  
**10%**  
of retail sales  
by 2017

Private Label  
share to grow to  
**15%**  
of sales by 2017

1. Pro forma adjusted sales growth.

Future STORE  
NETWORK  
by 2017

# 420-430 Stores



## REVIEW OF OPERATIONS SELLING

**Dick Smith, Australasia's largest and most convenient consumer electronics retailer, has grown its store footprint to 393 stores (as at 28 June 2015) across four distinct retail formats. Dick Smith's integrated, comprehensive omni-channel platforms are designed to maximise convenience for our customers, whether they shop in-store, on-the-go or at home.**

During the year, the Company significantly expanded its store network, opening 25 new stores in locations optimising customer convenience. In addition to opening 13 Dick Smith stores, the Company has seen the successful MOVE store format grow to 10 stores and launched our fourth store format, MOVE by Dick Smith, across four locations within Duty Free at Sydney International Airport.

Improving returns on a sustainable basis is a core focus for Dick Smith. During the year, the Company closed nine stores (seven Dick Smith and two within David Jones), reflecting centre redevelopments, switching to better opportunities within the catchment area or, in some cases, underperforming stores.

The Company intends opening approximately 15 to 20 new stores across Australia and New Zealand in 2016 (before potential

store closures) and has identified opportunities to grow to 420 to 430 stores.

### DICK SMITH

Dick Smith's flagship store network consists of 351 stores with 289 in Australia and 62 in New Zealand. Dick Smith stores have a broad appeal across the market, selling an extensive brand and product range, with a key focus on computing, entertainment, mobility products and accessories.

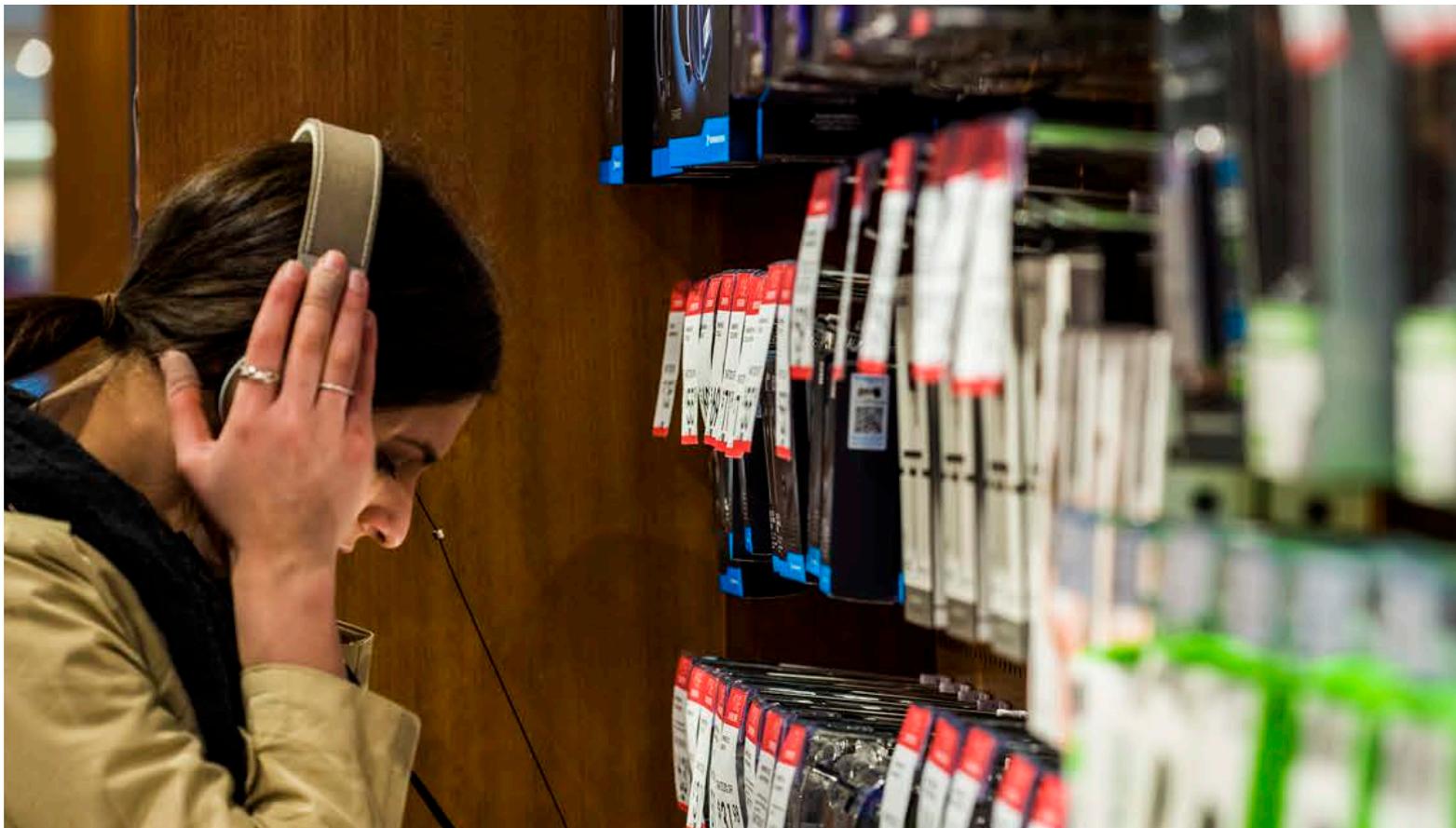
Dick Smith maintains strong relationships with all of its suppliers and partners locally and overseas. The Company has a number of strategic partnerships with suppliers, including Apple, Samsung, Sony and Microsoft. A feature of these partnerships is a dedicated store-in-store environment with custom-built features in which suppliers often contribute to costs.

Throughout Australia and New Zealand, Apple has a dedicated selling space in 186 stores – which includes a number of store-in-store environments. Samsung has 63 store-in-store areas and presently has dedicated staff serving in a number of stores across Australia.

### MOVE

Launched in October 2013, MOVE remains a unique concept – fusing consumer electronics with fashion. MOVE focuses on connectivity and offers customers an extensive range of computers, headphones, mobile phones, fashionable accessories (including handbags and clutches which can recharge your phone), Bluetooth headsets and cameras.

MOVE's range is frequently updated, providing customers with the latest in consumer electronics fashion accessories. Collaborating with leading designers, including We



Are Handsome and Dion Lee, MOVE is at the forefront of fashionable technology.

With 10 MOVE stores open at June 2015, the Company plans to expand the network to up to 20 stores in the medium term.

### MOVE by Dick Smith

The Company commenced operating consumer electronics at Sydney International Airport's Duty Free locations in February 2015 under a new banner, MOVE by Dick Smith. We anticipate relocating to our 'permanent' homes within the main thoroughfare between customs and boarding gates before Christmas. With the four temporary locations having delivered above our expectations to date, we anticipate further improvement through 2016 and will continue to explore additional duty free growth opportunities.

### DAVID JONES ELECTRONICS POWERED BY DICK SMITH

Dick Smith operates the consumer electronics division of David Jones which presently consists of 28 stores and an online offering under the brand 'Electronics Powered by Dick Smith'. The banner is operated under a concession model with an initial term of three years, from 1 October 2013, and three one-year extension options.

The product range offered by David Jones Electronics Powered by Dick Smith is primarily mid to premium price aspirational consumer electronics products – with a focus on televisions, high-end audio, computers and mobility. Dick Smith remains focused on improving the performance of this format through increased depth and breadth of products,

the expansion of an extensive array of accessories, and optimising the service model.

### OMNI-CHANNEL

Complementing Dick Smith's extensive store network is a comprehensive consumer electronics omni-channel platform. Our transactional websites include: Dick Smith Australia and Dick Smith New Zealand, MOVE, the consumer electronics platform of David Jones, eBay, Catch of the Day (Catch of the Day Powered by Dick Smith), Westfield, Trade Me and Groupon.

These diverse and complementary platforms ensure the full range of Dick Smith products is available to consumers when and where it's most convenient to them.

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

A key feature of Dick Smith's omni-channel platforms is the Company's Pay & Collect capability, whereby consumers can buy online and collect the products from their most conveniently located store. A fully integrated front and back-end model allows customers to select the most convenient location from where to collect their products purchased online from Dick Smith, MOVE, David Jones or eBay online platforms.

In addition, Dick Smith's operating model for delivering products to our customers' homes is highly efficient and well managed, maximising online operating margins. At 28 June 2015, 210 locations are designated online fulfilment centres with store staff picking and dispatching products for delivery to the customer, improving in-store sales efficiency and returns. Employing local fulfilment minimises customer delivery time and cost,

whilst ensuring maximum product availability and stock efficiency. The Company anticipates all stores will be capable of online fulfilment in the medium term.

Reflecting the strong customer convenience offer and multiple diverse and complementary online trading platforms, online sales represented over 8% of retail sales in 2015. The omni-channel strategy underpins the Company's expectation to grow online sales to approximately 10% of retail sales.

### OTHER

The Company continues to develop its Commercial operations, while expanding its corporate partner program, improving the quality of its education sales (particularly with the expansion of Bring Your Own Device (BYOD)) and maintaining a strong trading platform.



## REVIEW OF OPERATIONS BUYING

### 2015 highlights:

- Further reinforced consumers' perception that Dick Smith is the place to go for value and competitive prices, achieved whilst maintaining trading margins;
- A significant increase in market share during the year in computers (including Apple and Windows based notebooks) and entertainment (particularly televisions and audio);
- Strong growth in televisions, ultra-book computers and fitness products;
- Attained market leadership in the fitness category, the fastest growing category in 2015;
- Strong growth in smart phones and prepaid mobile phones plus growth in mobile post-paid plans;

- Streaming related products continue to perform well including Google Chromecast, Apple TV, Nexus from Asus and Microsoft Player;
- Unveiled new products including Fitbit Surge, Charge and Charge HR, Apple Macbooks, iPhone 6 and iPad Air 2, Samsung Galaxy Note A and S6, and 4K curved televisions;
- A return to unit pricing growth in key products including computers, phones and televisions;
- The launch of MOVE Private Label, providing customers with access to premium accessories at attractive prices; and
- The launch of 'the exchange', Dick Smith's annual conference, which provides suppliers the opportunity to showcase their latest products and educate the Company's store managers and top sales performers about their

attributes. Knowledge gained from 'the exchange', and other supplier educational events held during the year, is instrumental in keeping Dick Smith sales staff at the leading edge of consumer electronic technology, benefiting our customers.

### 2016 opportunities

In 2016 we anticipate further strong growth in Home Automation, with smart phones the centre of internet-based connectivity. Dick Smith is well placed to continue capitalising on this connectivity, growing market share in pre-paid and post-paid plans and maintaining outright phone sales.

In October 2015, Dick Smith anticipates launching small appliances in 100 stores across Australia and New Zealand. With mobility the key driver of 'Connected Home by Dick Smith', the consumer will have greater

connectivity than ever before – able to operate small appliances in the home directly from their electronic devices. Brands such as Braun, Breville, Delonghi, Dyson, Nespresso and Philips will be a compelling part of this successful launch.

Wearable technology enjoyed significant growth in 2015. As market leader, Dick Smith is well positioned to benefit from additional growth with the broader launch of smart watches and increasingly sophisticated fitness products.

Dick Smith Private Label branded products have long been an integral part of the business, representing over 12.5% of sales in 2015. Brand extensions with MOVE and Tandy facilitate 'good, better, best' ranging. New packaging, improved sourcing and over 800 additional products will further drive Private Label growth to over 15% of sales mix within two years.



Ethical sourcing of our Private Label product is critical to maintaining and enhancing consumers' trust in the Dick Smith brand. The Company's Ethical Sourcing Policy encompasses contractual requirements on labour rights, discrimination and environmental requirements, all of which are audited annually.

## KEY BRANDS

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





**Robert Murray**

Independent Non-Executive  
Chairman  
(Appointed 28 February 2015)  
BA Hons Economics,  
MA Hons (Cantab)  
Age: 52

Rob was appointed an Independent Non-Executive Director of the Company on 12 August 2014; and on 28 February 2015, appointed Chairman.

Rob has extensive knowledge of fast moving consumer goods, sales and marketing. Rob served as Managing Director and CEO of Lion Limited and predecessor Lion Nathan Limited from October 2004 and as an Executive Director until 2012, prior to which he was Chief Executive Officer of Nestlé Oceania. Rob will be Chairman of Metcash Limited (from 27 August 2015, having been appointed an Independent Director in April 2015) and an Independent Non-Executive Director of Southern Cross Media Limited (appointed September 2014).

Rob is a former Independent Non-Executive Director of Super Retail Group Limited (April 2013 to April 2015) and unlisted Lion Pty Limited, Linfox Logistics Pty Limited (June 2013 to July 2015) and the Kirin Limited International Advisory Board (March 2013 to March 2015).

Rob is currently a member of the Remuneration and Nomination Committee.



**Nicholas Abboud**

Managing Director and CEO  
Age: 45

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

Prior to his current role, Nick held various roles over a 19-year period with Myer. Most recently, Nick was Executive General Manager of National Store Operations, leading a team of approximately 12,000 people. Prior to this, Nick was Director of Retail Stores at Myer, managing the regional management team and the execution of the strategy. In these roles, his leadership and innovation were integral to the turnaround of Myer.

Nick has spent 26 years in retail and is a highly regarded senior executive within the Australian retail industry. He has extensive experience and a consistent track record of performance within retail operations and turnaround situations, and has strong analytical and strategic experience.



**Jamie Tomlinson**

Independent Non-Executive  
Director  
(Appointed 10 April 2015)  
BBS, GAICD  
Age: 53

Jamie was appointed as an Independent Non-Executive Director of the Company on 10 April 2015.

Jamie was Chief Financial Officer of Lion Limited, a role he held from 2003 to 2015. Lion has sales exceeding \$5 billion with current or prior operations in brewing, soft drinks, property, dairy, retail and wine. As Lion's CFO Jamie's accountabilities included strategy, governance, risk, tax, accounting and reporting (IFRS, J-GAP, J-SOX, ASX), investor relations, treasury, shared services, IT, team culture and leadership development. Jamie was a Non-Executive Director of ASX-listed Little World Beverages Pty Ltd from 2000 to 2012. Jamie has extensive knowledge and experience in strategy development and implementation, debt and equity markets, stakeholder engagement, mergers and acquisitions, leadership through change, and joint ventures. Jamie has a Bachelor of Business degree and completed the Program of Management Development at Harvard Business School.

Jamie is currently Chair of the Finance and Audit Committee and a member of the Remuneration and Nomination Committee.

## BOARD OF DIRECTORS



**Lorna Raine**

Independent Non-Executive Director  
B.Comm (Hons) Acc., CA  
Age: 45

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

Lorna is the Chief Financial Officer at George Weston Foods Limited. Prior to this, Lorna held senior financial management roles with Fairfax Media, including as Operations Director of Australian Publishing Media Division, Yum Restaurants International (Australia) including General Manager Operations – KFC, KFC Market Manager (NSW), Chief Financial Officer and Strategic Planning Director. Lorna has significant experience across finance and audit in a multi-store and online environment, and as General Manager Operations – KFC, Lorna was responsible for the operations of approximately 700 stores across Australia and New Zealand. Lorna was Chief Financial Officer for McDonalds South Africa. Lorna holds a Bachelor of Commerce degree, as well as a post-graduate degree, majoring in accountancy and auditing, from the University of Johannesburg, and is a member of the Institute of Chartered Accountants.

Lorna is currently Chair of the Remuneration and Nomination Committee and a member of the Finance and Audit Committee.



**Robert Ishak**

Independent Non-Executive Director  
B.Com(Acc) LLM, GAICD  
Age: 38

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

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

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

Robert is currently a member of the Finance and Audit Committee and the Remuneration and Nomination Committee.



**Michael Potts**

Finance Director and CFO  
(Appointed 12 August 2014)  
B.Comm, CPA  
Age: 48

Michael was appointed an Executive Director of the Company on 12 August 2014.

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

Michael previously served as the Chief Financial Officer and Company Secretary of Nick Scali Limited and has more than 21 years of experience in senior finance roles with major retail companies, including the Sussan Group, Bunnings and Myer.

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

The Board of Directors of Dick Smith Limited are committed to achieving the highest standards of corporate governance in the way in which we conduct business.

We continue to measure our corporate governance practices against the ASX recommendations as outlined in the ASX Corporate Governance Principles and Recommendations (3rd Edition) ('**ASX Recommendations**').

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

RECOMMENDATIONS	Comply?	Reference
<b>PRINCIPLE 2 – Structure the board to add value</b>		
A listed entity should have a board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively.		
2.1	The board of a listed entity should: (a) have a nomination committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.	Yes  Page 18 See Board Charter at dicksmithholdings.com.au
2.2	A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	Yes  Page 18
2.3	A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 (generally relating to non-independent activity within the prior three years, a material contract or a substantial security holding) but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.	Yes  Page 18
2.4	A majority of the board of a listed entity should be independent directors.	Yes  Page 18
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	Yes  Page 18
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their roles as directors effectively.	Yes  Page 17
<b>PRINCIPLE 3 – Act ethically and responsibly</b>		
A listed entity should have a board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively.		
3.1	A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	Yes  Page 18 See Code of Conduct Policy at dicksmithholdings.com.au

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

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

**PRINCIPLE 1:**

**LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT**

**1.1 Roles and Responsibilities of the Board and Management**

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

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

**1.2(a) Background checks on Directors**

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

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

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

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

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

Additional information will be provided as required. For candidates standing for the first time, this will include details of interests, positions, associations or relationships which might materially influence their capacity to act in the best interests of the Company.

**1.3 Written contracts of appointment**

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

**1.4 Company Secretary**

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

**1.5 Diversity**

Dick Smith recognises the value of diversity and is committed to ensuring equal opportunity employment based on merit, ability, performance and potential. The Company's Diversity Strategy and supporting policies are designed to contribute to the achievement of its corporate objectives, including diversity of gender, age, ethnicity, cultural backgrounds and disability and to progressively developing measurable objectives.

The Diversity Policy is overseen by the Board, and includes a requirement for the Company to establish measurable objectives for achieving gender diversity within the organisation, with management to report to the Board annually on progress against the objectives established. Diversity objectives will be reviewed and updated annually by the Board.

In 2014 and 2015, the percentage of women at each of the following levels within Dick Smith was:

Level	June 2014	June 2015
NED (Non-Executive Directors)	25%	25%
Executive Leadership Team (Managing Director and CEO and his direct reports)	11%	12%
Senior Management (second level below Managing Director and CEO)	22%	22%
All employees (Support Office and Stores)	27%	27%

At the time of reporting, the Company has set gender diversity targets as outlined below:

Level	June 2018
NED (Non-Executive Directors)	30%
Executive Leadership Team (Managing Director and CEO and his direct reports)	29%
Senior Management (second level below Managing Director and CEO)	31%
All employees (Support Office and Stores)	30%

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

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

The Company is committed to promoting diversity in the workplace and to increasing the participation of women in the Company in order to broaden the talent pipeline from where future leaders can be drawn. Planned initiatives for FY2016 include:

- A 'People Council' with a pro diversity agenda comprising cross functional Senior Leaders;
- A refreshed Performance and Talent program;
- Launch of the People Dashboard to promote awareness of metrics and to support reporting requirements;
- Promotion of flexible working practices through a suite of options for employees aligned to the diversity agenda;
- A schedule of events that raises awareness and celebrates diversity in the workplace;
- Investment in community partnerships and initiatives to support our diversity agenda;
- Implementation of a new learning management system and a refreshed communication platform to assist with learning and communication; and
- Promotion of the Employee Assistance Program with monthly focus topics to build awareness and extend support.

Dick Smith's 'Gender Equality Indicators' assessed by the Workplace Gender Equality Agency may be viewed at the Investor Centre at [dicksmithholdings.com.au](http://dicksmithholdings.com.au) under the heading 'Corporate Governance'.

The Diversity Policy may be viewed at the Investor Centre at [dicksmithholdings.com.au](http://dicksmithholdings.com.au) under the heading 'Corporate Governance'.

### **1.6, 2.6 Board reviews, induction and professional development**

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

A performance evaluation was completed by the Board in 2015, with the Chairman's evaluation undertaken by the Independent Directors. The evaluation indicates the Board's performance is appropriate and efficient with respect to the Board Charter.

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

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

### **1.7 Management reviews**

The Company develops senior executive performance plans annually and undertakes formal reviews of its senior executives on a semi-annual basis, with informal reviews conducted as and when required. These reviews are conducted by the Managing Director and CEO and the Board, in the case of the Managing Director and CEO, and were conducted bi-annually in 2015. The reviews assess the performance of the senior executive against their performance plan, which encompasses key performance and key behavioural indicators, including profit performance, the Company's strategic objectives and personal objectives.

**PRINCIPLE 2:**

**STRUCTURE THE BOARD TO ADD VALUE**

**2.1 Nomination Committee**

In May 2015, the Board expanded the role of the Remuneration Committee to incorporate the functions of a Nomination Committee, establishing a Remuneration and Nomination Committee. Prior to this date the duties of a designated Nomination Committee were performed by the Board directly, reflecting the size and composition of the Company at the time.

The functions of the newly established Remuneration and Nomination Committee include Board renewal, succession planning, induction and evaluation. These functions are incorporated in the Remuneration and Nomination Committee Charter, which is available at the Dick Smith Investor Centre at [dicksmithholdings.com.au](http://dicksmithholdings.com.au) under the heading 'Corporate Governance'.

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

**2.2, 2.3 Board skills**

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

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

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

**2.3, 2.4, 2.5 Director Independence**

The Board is comprised of a majority of Independent Directors. The Board consists of six Directors, four of whom are considered to be independent, having regard to the factors relevant to assessing independence set out in Recommendation 2.3 of the ASX Recommendations.

This recommendation states that an Independent Director should not have any material interest or association in the last three years with any entity that may interfere with the Director's capacity to convey an independent judgement on issues before the Board and to act in the best interests of shareholders.

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

As at the date of this report, Nick Abboud and Michael Potts are considered by the Board not to be independent, given their roles in the Company as Managing Director and CEO and Finance Director and CFO respectively.

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

**PRINCIPLE 3:**

**ACT ETHICALLY AND RESPONSIBLY**

**3.1 Code of Conduct**

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

The key aspects of this code are to:

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

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

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

The Company has adopted a Whistleblower Policy which is available at the Investor Centre at [dicksmithholdings.com.au](http://dicksmithholdings.com.au) under the heading 'Corporate Governance'.

**PRINCIPLE 4:**

**SAFEGUARD INTEGRITY IN CORPORATE REPORTING**

**4.1 Finance and Audit Committee**

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

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

The current members of the Committee are Jamie Tomlinson, Lorna Raine and Robert Ishak, each of whom is a Non-Executive Director considered by the Board to be independent. The Chairman of the Finance and Audit Committee is Jamie Tomlinson who is not the Chair of the Board. Each Committee member is financially literate. Jamie Tomlinson has over 12 years experience as the Chief Financial Officer of a large public company. Lorna Raine is a qualified Chartered Accountant.

Bill Wavish retired as Chairman of the Committee in March 2015 and was replaced by Jamie Tomlinson in April 2015.

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

Member	Qualifications	Meetings eligible to attend during 2015 while in office	Meetings attended during 2015 financial year
Jamie Tomlinson*, Chair	BBS, GAICD	1	1
Lorna Raine	B.Comm (Hons) Acc., CA	4	4
Robert Ishak	B.Com(Acc) LLM, GAICD Notary Public	4	4
William Wavish**	ACA (NZ) (RET)	3	3

\* Appointed to the Committee in April 2015.

\*\* Retired from the Committee in March 2015.

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

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

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

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

The Charter of the Finance and Audit Committee may be viewed at the Investor Centre at [dicksmithholdings.com.au](http://dicksmithholdings.com.au) under the heading 'Corporate Governance'.

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

Prior to approving the Company's financial statements for the 2015 reporting period, the Board received from each of the Managing Director and CEO and the Finance Director and CFO a written declaration in accordance with section 295A of the *Corporations Act 2001* (Cth) that, in their opinion, the financial records of the Company have been properly maintained and that the financial

statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company (see the Directors' Report on page 26).

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

#### **4.3 External auditor available at AGM**

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

Shareholders are entitled, and encouraged, to submit written questions to the auditor that are relevant to the content of the auditor's report or the conduct of the audit. They may submit questions online at [linkmarketservices.com.au](http://linkmarketservices.com.au) by 21 October 2015.

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

### **PRINCIPLE 5:**

#### **MAKE TIMELY AND BALANCED DISCLOSURE**

##### **5.1 Disclosure Policy**

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

The Company has established a Continuous Disclosure Policy which establishes processes and procedures designed to ensure compliance with, and Board and senior executive responsibilities and accountabilities for, its continuous disclosure obligations under the Listing

Rules and the *Corporations Act 2001* (Cth). The aim of the Policy is to ensure all investors have equal and timely access to material information concerning the Company.

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

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

Under the Continuous Disclosure Policy, if an employee or officer of the Company becomes aware of any information at any time that should be considered for release to the market, it must be reported immediately to the Disclosure Officer or the Managing Director and CEO. The Continuous Disclosure Policy may be viewed at the Investor Centre at [dicksmithholdings.com.au](http://dicksmithholdings.com.au) under the heading 'Corporate Governance'.

Announcements pursuant to the requirements for continuous disclosure are made available at the Investor Centre on the Company's website at [dicksmithholdings.com.au](http://dicksmithholdings.com.au) under the heading 'ASX Announcements'.

## **PRINCIPLE 6:**

### **RESPECT THE RIGHTS OF SECURITY HOLDERS**

#### **6.1 Information on website**

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

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

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

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

#### **6.2 Investor relations program**

The Company is committed to facilitating effective two-way communication with investors, with the aim of

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

The Company's Shareholder Communications Policy may be viewed at the Investor Centre at [dicksmithholdings.com.au](http://dicksmithholdings.com.au) under the heading 'Corporate Governance'.

#### **6.3 Facilitating participation at meetings of security holders**

The Company views the AGM as an important forum for two-way communication between the Company and its shareholders. The AGM is an opportunity for shareholders to hear from and put questions to the Board, management and the external auditor. In order to maximise shareholder participation at the AGM, the Company will host a webcast to communicate its financial and operational overview for 2015 and its expectations for 2016.

Shareholders who are unable to attend the AGM to exercise their right to ask questions about, or make comments on, the management of the Company, are encouraged to provide questions or comments ahead of the AGM. Such questions or comments can be received at [linkmarketservices.com.au](http://linkmarketservices.com.au) or by mail prior to 21 October 2015 and will, where appropriate, be answered or responded to at the AGM, either verbally or in writing.

The Company's Shareholder Communications Policy may be viewed at the Investor Centre at [dicksmithholdings.com.au](http://dicksmithholdings.com.au) under the heading 'Corporate Governance'.

#### **6.4 Facilitating electronic communications**

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

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

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

Shareholders are able to access information relevant to their holding via the Share Registry website [linkmarketservices.com.au](http://linkmarketservices.com.au).

The Company's Shareholder Communications Policy may be viewed at the Investor Centre at [dicksmithholdings.com.au](http://dicksmithholdings.com.au) under the heading 'Corporate Governance'.

**PRINCIPLE 7:**

**RECOGNISE AND MANAGE RISK**

**7.1 Risk Management framework**

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

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

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

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

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

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

Material business risks identified include:

- macro-economic, including impacts on consumer discretionary spend;
- corporate governance, compliance and legal, including competition and consumer laws;
- workplace health and safety;
- financial processes, management reporting and internal controls;
- human resource management including key staff and succession planning;
- fraud and malfeasance;
- information technology, including systems and online sales disruption;
- supply chain/operations/warehouse, including foreign exchange exposure, supplier concentration and ethical sourcing of product;
- customer relations/reputational risks;
- sustainability/environment/community; and
- cash management.

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

**7.2 Annual risk review**

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

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

**7.3 Internal audit**

The Company has identified stores as providing a higher risk profile. Whilst the Company does not have a separate internal audit function, it has a store-focused loss prevention function tasked with assessing and managing risk of loss at stores and in the Company's supply chain. The Board believes that specific responsibilities for risk management are clearly communicated, understood and managed by it, the Finance and Audit Committee and management, as appropriate.

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

This is supplemented by the Finance and Audit Committee:

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

**7.4 Economic, environmental and social sustainability risks**

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

Economic risks include impacts to consumers' willingness to spend, including on discretionary retail and consumer electronics in particular. The Company mitigates this risk through constant monitoring of the macro-economic environment and adjusting its buying, marketing and selling activity accordingly. The Company experienced a challenging Australian and New Zealand retail environment in 2015, with patchy consumer sentiment impacting overall retail demand. The Company was able to mitigate this impact through robust selling activity, undertaken in conjunction with its suppliers.

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

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

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

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

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

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

**Sustainability** risks include workplace health and safety, as well as personnel management and corporate conduct. The Company has an extensive workplace health and safety policy, incorporating the early identification and correction of potential risks, both in-store and at the support office. The Board is informed of all incidents and material potential risks at each Board meeting and the appropriate action taken. The Remuneration and Nomination Committee is responsible for managing personnel risk. Refer to Principles 2 and 8 of this Corporate Governance Statement.

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

**PRINCIPLE 8:**

**REMUNERATE FAIRLY AND RESPONSIBLY**

**8.1 Remuneration and Nomination Committee**

In May 2015, the Board expanded the role of the Remuneration Committee to incorporate the functions of a Nomination Committee, establishing a Remuneration and Nomination Committee. Prior to this date the duties of a designated Nomination Committee were performed by the Board directly, reflecting the size and composition of the Company at the time.

The functions of the newly established Remuneration and Nomination Committee include, but are not limited to, Board renewal, succession planning, induction and evaluation.

The primary purpose of the Committee is to assist the Board to fairly and responsibly remunerate Directors and senior executives, evaluate the performance of Directors and senior executives and attract and retain suitable candidates for senior positions within the business. These functions are incorporated in the Remuneration and Nomination Committee Charter.

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

The Remuneration and Nomination Committee is currently comprised of four Non-Executive Directors, being Rob Murray, Lorna Raine, Robert Ishak and Jamie Tomlinson (appointed 1 July 2015). All Directors are considered by the Board to be Independent Directors. The Chair of the Remuneration and Nomination Committee is Lorna Raine.

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

<b>Member</b>	<b>Qualifications</b>	<b>Meetings eligible to attend during 2015 while in office</b>	<b>Meetings attended during 2015 financial year</b>
Lorna Raine, Chair	B.Comm (Hons) Acc., CA	3	3
Rob Murray	BA Hons Economics, MA Hons (Cantab)	1	1
Robert Ishak	B.Com(Acc) LLM, GAICD Notary Public	3	3
Phillip Cave AM*	B. Bus, FCPA	2	2

\* Retired from the Board in February 2015.

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

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

The Charter of the Remuneration and Nomination Committee may be viewed at the Investor Centre at [dicksmithholdings.com.au](http://dicksmithholdings.com.au) under the heading 'Corporate Governance'.

### **8.2 Remuneration Policy**

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

Details of compensation for Non-Executive Directors and Executive Directors and senior management are also separately disclosed within the Remuneration Report.

The structure of remuneration for Non-Executive Directors is clearly distinguished from that of Executive Directors and senior executives, including in relation to termination entitlements of the Managing Director and CEO and senior management.

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

### **8.3 Policy on hedging equity incentive schemes**

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

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

The Securities Trading Policy may be viewed at the Investor Centre at [dicksmithholdings.com.au](http://dicksmithholdings.com.au) under the heading 'Corporate Governance'.

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

### Safety and Wellbeing

Dick Smith is committed to ensuring the health, safety and welfare of its employees, customers and visitors. This is a key performance measure across our business and integral in performance assessments in our stores, warehouse and support office.

Dick Smith is pleased to have recently been invited to participate in the Queensland WorkCover Return at Work (RAW) program. Representing the electronics retail sector in providing injured employees from other industry sectors with opportunities to return to work with proactive employers as part of those workers' graduated return to work programs, this invitation enhances our reputation as a 'safe and proactive employer' intent on ensuring employee safety and wellbeing.

Our injury prevention strategy is multi-faceted. A safety and wellbeing induction module is integral to the Company's training platform, which is mandatory for all staff. Management uses lead key performance indicators to measure and mitigate potential safety hazards, including mandatory immediate reporting of identified workplace hazards or non-injury 'near miss' events. This has assisted Dick Smith in achieving a lost time incident frequency rate (LTIFR) of 3.9 per one million hours worked. This compares favourably to the broader retail trade, as recently measured in the Australian Workers Compensation Statistics 2012-2013, of 6.7 per one million hours worked.

### Employee ownership

Dick Smith recognises the contribution its employees provide to the long-term performance of the Company and encourages employees to share in the benefits of this performance through share ownership. We are pleased that over a third of our employees are shareholders in Dick Smith, owning approximately 8.1% of the Company, as at the date of this report.

### Ethical sourcing

Dick Smith acknowledges that being a good corporate citizen extends to those significantly reliant on it, particularly suppliers of Private Label product. The Board has developed a detailed ethical sourcing policy in which the Company is committed to upholding human rights, fair working conditions and environmental protection.

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

The Company conducts audits of all Private Label suppliers at least annually. These audits cover requirements incorporating bribery and corruption, labour rights, freedom of association, working conditions, child labour, living wages, working hours, discrimination, harsh and inhumane treatment,

entitlement to work and environmental compliance. Non-compliant suppliers are encouraged to adjust their practices to conform within a required timeframe, with non-compliance subject to further action including supply termination.

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

### Sustainability

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

- **Australian Packaging Covenant:** Dick Smith is a signatory to the Australian Packaging Covenant. This is a voluntary program involving both government and industry to ensure the environmental impact from packaging is reduced, measured and understood. Dick Smith is committed to the principles of the Australian Packaging Covenant and will report annually to the Australian Packaging Covenant Council, with that report available on the [dicksmithholdings.com.au](http://dicksmithholdings.com.au) website.
- **Mobile Muster** is an initiative of the Australian Mobile Telecommunications Association introduced to facilitate mobile phone recycling. Dick Smith utilises this initiative in all stores to enable customers to take advantage of postage-paid envelopes to return used mobile phones as they update to new models.
- **Cartridges 4 Planet Ark** recycling bins are used throughout the support office and in all stores.
- **Product Efficiency labels:** Minimum Energy Performance Standards require retailers to ensure that products for sale in Australia and New Zealand have energy efficiency labels. Dick Smith ensures this labelling is prominent on relevant products to assist customers making purchases regarding energy efficiency.
- **Store recycling:** stores utilise paper and cardboard recycling bins where possible.
- **E-waste:** The Product Stewardship Act 2011 provides the framework to effectively manage the environmental, health and safety impacts of electronic products (primarily televisions and computer), and in particular those impacts associated with the disposal of products. Dick Smith supports and promotes the sustainable recycling of televisions and computers.
- **Store design:** Dick Smith utilises LED Lighting in all stores for both our general and showcase requirements. Most joinery units use recycled materials and 80% of our fixtures can be, and are, recycled.

**Social involvement**

Dick Smith is passionate about local community support, and building strong relationships in the communities in which we operate. In 2015, Dick Smith has committed to donate more than \$700,000 to communities throughout Australia and New Zealand.

**Ability First Australia**

Ability First Australia is one of Australia's largest, national, not for profit organisations, representing the interests of 12 of Australia's oldest disability service providers. Ability First Australia and its members have been providing life-changing services to 150,000 people with a range of disabilities for over 85 years. Its mission is to ensure that all Australians living with disabilities, together with their families and carers, have access to programs that maximise their potential by creating opportunities so that they can make their own decisions. In 2015, Dick Smith continued to support Ability First Australia through the sponsorship of various events and initiatives, including their national event Dick Smith Walk with Me. Walk With Me is an opportunity to support and celebrate diversity within our community in an inclusive and festive environment. Walks are non-competitive and are community engagement events that encourage participation from all ages and abilities. Dick Smith again hosted the Ability First Australia Gala Dinner, in August 2014, where more than 600 guests gathered together and raised over \$230,000 for Ability First Australia. There is a third Gala Dinner being hosted in October 2015.

**Variety – The Children's Charity**

Variety Australia nationally provides more than \$800,000 worth of equipment and services each month for children across Australia who are sick, disadvantaged or have special needs. Dick Smith is proud to be the naming rights sponsor for the Variety NSW Dick Smith Bash. In 2014, the Variety NSW Dick Smith Bash travelled from Brisbane to Busby's Bore (Sydney) and in 2015 the Bash will travel over 4,000 kilometres from Bass Hill to Bunbury with senior executives and other Dick Smith team members taking part.

**Epilepsy Action Australia**

Epilepsy Action Australia (EAA) undertakes research and advocacy, and delivers innovative, high quality service across Australia to optimise life outcomes for people with epilepsy. In 2015, Dick Smith was a proud supporter of EAA and raised over \$15,000 from locally and social media driven merchandise sold in stores.

**Regional Community Funding**

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

**Computers in Homes – New Zealand**

Computers in Homes – New Zealand has a vision to help all New Zealanders benefit from the opportunities of the new digital era. Dick Smith presented Computers in Homes with \$10,000 to commence digital literacy programs across schools on the waiting list. In addition to this, Dick Smith has provided Computers in Homes with new computer equipment to allow the regional coordinators to better support their local community groups.

**Nepal Earthquake Appeal**

The devastating 7.9 magnitude earthquake that hit Nepal on 25 April 2015 claimed more than 8,000 lives, caused thousands of injuries, and destroyed homes and infrastructure. Dick Smith supported Oxfam Australia by initiating a national fundraising program through the Dick Smith store network. Over the four week commitment, Dick Smith raised over \$4,100 to support the Himalayan Community of Nepal.



Your Directors submit their report of Dick Smith Holdings Limited (Dick Smith or the Company) and its controlled entities for the 52-week period ('year') ended 28 June 2015.

**DIRECTORS**

The Directors of the Company at any time during or since the end of the financial period are:

<b>Name</b>	<b>Position</b>
Robert Murray	Chairman (appointed as Non-Executive Director on 12 August 2014 and appointed Chairman on 28 February 2015)
Nick Abboud	Managing Director and CEO
Lorna Raine	Non-Executive Director
Robert Ishak	Non-Executive Director
Michael Potts	Finance Director and CFO (appointed on 12 August 2014)
Jamie Tomlinson	Non-Executive Director (appointed on 10 April 2015)
Phillip Cave AM	Chairman (resigned on 28 February 2015)
William Wavish	Non-Executive Director (resigned on 25 March 2015)

**DIRECTORS' QUALIFICATIONS AND EXPERIENCE**

The qualifications and experience of the Directors are detailed below:

**Robert Murray**

Independent Non-Executive Chairman (Appointed 28 February 2015)  
 BA Hons Economics,  
 MA Hons (Cantab)  
 Age: 52

Rob was appointed an Independent Non-Executive Director of the Company on 12 August 2014 and appointed Chairman on 28 February 2015.

Rob has extensive knowledge of fast moving consumer goods, sales and marketing. Rob served as Managing Director and CEO of Lion Limited and predecessor Lion Nathan Limited from October 2004, and as an Executive Director until 2012, prior to which he was Chief Executive Officer of Nestlé Oceania. Rob will be Chairman of Metcash Limited (from 27 August 2015, having been appointed an Independent Director in April 2015) and an Independent Non-Executive Director of Southern Cross Media Limited (appointed September 2014).

Rob is a former Independent Non-Executive Director of Super Retail Company Limited (April 2013 to April 2015) and unlisted Lion Pty Limited, Linfox Logistics Pty Limited (June 2013 to July 2015) and the Kirin Limited International Advisory Board (March 2013 to March 2015).

Rob is currently a member of the Remuneration and Nomination Committee.

**Nicholas Abboud**

Managing Director and CEO  
 Age: 45

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

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

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

Nick has spent 26 years in retail and is a highly regarded senior executive within the Australian retail industry. He has extensive experience and a consistent track record of performance within retail operations and turnaround situations, and has strong analytical and strategic experience.

**Jamie Tomlinson**

Independent Non-Executive Director (Appointed 10 April 2015)  
 BBS, GAICD  
 Age: 53

Jamie was appointed as an Independent Non-Executive Director of the Company on 10 April 2015.

Jamie was Chief Financial Officer of Lion Limited, a role he held from 2003 to 2015. Lion has sales exceeding \$5 billion with current or prior operations in brewing, soft drinks, property, dairy, retail and wine. As Lion's CFO, Jamie's accountabilities included strategy, governance, risk, tax, accounting and reporting (IFRS, J-GAP, J-SOX, ASX), investor relations, treasury, shared services, IT, team culture and leadership development. Jamie was a Non-Executive Director of ASX-listed Little World Beverages Pty Ltd from 2000 to 2012. Jamie has extensive knowledge and experience in strategy development and implementation, debt and equity markets, stakeholder engagement, mergers and acquisitions, leadership through change, and joint ventures. Jamie has a Bachelor of Business degree and completed the Program of Management Development at Harvard Business School.

Jamie currently is Chair of the Finance and Audit Committee and a member of the Remuneration and Nomination Committee.

**Lorna Raine**

Independent Non-Executive Director  
 B.Comm (Hons) Acc., CA  
 Age: 45

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

Lorna is the Chief Financial Officer at George Weston Foods Limited. Prior to this, Lorna held senior financial management roles with Fairfax Media, including as Operations Director of Australian Publishing Media Division, Yum Restaurants International (Australia) including General Manager Operations – KFC, KFC

Market Manager (NSW), Chief Financial Officer and Strategic Planning Director. Lorna has significant experience across finance and audit in a multi-store and online environment, and as General Manager Operations – KFC, Lorna was responsible for the operations of approximately 700 stores across Australia and New Zealand. Lorna was Chief Financial Officer for McDonalds South Africa. Lorna holds a Bachelor of Commerce degree, as well as a post-graduate degree, majoring in accountancy and auditing, from the University of Johannesburg, and is a member of the Institute of Chartered Accountants.

Lorna is currently Chair of the Remuneration and Nomination Committee and a member of the Finance and Audit Committee.

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**Robert Ishak**

Independent Non-Executive Director  
B.Com(Acc) LLM, GAICD  
Age: 38

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

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

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

Robert is currently a member of the Finance and Audit Committee and the Remuneration and Nomination Committee.

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**Michael Potts**

Finance Director and CFO  
(Appointed 12 August 2014)  
B.Comm, CPA  
Age: 48

Michael was appointed an Executive Director of the Company on 12 August 2014.

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

Michael previously served as the Chief Financial Officer and Company Secretary of Nick Scali Limited and has more than 21 years of experience in senior finance roles with major retail companies, including the Sussan Group, Bunnings and Myer.

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

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**Former Non-Executive Directors****Phillip Cave AM**

Former Non-Executive Chairman  
(Retired February 2015)  
B.Bus, FCPA  
Age: 66

Phil was Chairman of Dick Smith Holdings Limited and its predecessor Company from November 2012 and also a member of the Remuneration Committee from November 2013 until his retirement in February 2015.

Phil is a Founding Partner and Chairman of Anchorage Capital Partners, a turnaround and special situations private equity firm. He is Chairman of Bisalloy Steel Group Limited and Mark Group Australia, and of the not-for-profit organisations Ability First Australia and Wesley Institute. Phil is also a Director of Acrow Formwork & Scaffolding Pty Limited.

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**William Wavish**

Former Independent Non-Executive Director  
(Retired March 2015)  
ACA (NZ) (RET)  
Age: 67

Bill was an Independent Non-Executive Director of Dick Smith Holdings Limited and Chairman of the Finance and Audit Committee from November 2013 until his retirement in March 2015.

Bill is currently Non-Executive Chairman of Bendon Limited, an unlisted company. He has over 45 years of experience covering retail, property development, acquisitions, consulting, manufacturing and fast moving consumer goods. He has held a range of director positions and executive and senior management roles in companies operating in Australia, New Zealand and Hong Kong. Bill now focuses on charitable, scientific and sporting bodies.

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**Company Secretary****David Cooke**

B.Ec, CA  
(Appointed 12 August 2014)

David was appointed Company Secretary on 12 August 2014.

David is also the Director of Investor Relations and Corporate Affairs. David has more than 26 years of experience with consumer-related companies, including over 16 years as an equities analyst covering listed retail and consumer companies in Australia.

**Directors' meetings**

The following table sets out the number of Directors' meetings (including meetings of Committees of Directors) held during the financial year and the number of meetings attended by each Director (while they were a Director or Committee member). During the financial year, nine Directors' meetings, three Remuneration and Nomination Committee meetings and four Finance and Audit Committee meetings were held.

	Directors' meetings		Remuneration and Nomination Committee		Finance and Audit Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Robert Murray	8	8	1	1	–	–
Nicholas Abboud	9	9	–	–	–	–
Lorna Raine	9	9	3	3	4	4
Robert Ishak	9	9	3	3	4	4
Michael Potts	8	8	–	–	–	–
Jamie Tomlinson	3	3	–	–	1	1
Phillip Cave AM	5	5	2	2	–	–
William Wavish	6	6	–	–	3	3

**Interests in Shares and Options of the Company**

Interests in Shares and Options over shares of the Company held by Directors at the date of the Report are:

	Fully paid Ordinary Shares				Executive Share Options		
	Directly owned	Directly owned escrow <sup>1</sup>	Indirectly owned	Total	Directly owned	Indirectly owned	Total
Robert Murray	12,658	–	–	12,658	–	–	–
Nick Abboud <sup>2</sup>	–	–	15,345,639	15,345,639	3,432,485	–	3,432,485
Lorna Raine	45,455	–	–	45,455	–	–	–
Robert Ishak	–	–	90,909	90,909	–	–	–
Michael Potts <sup>2</sup>	363,994	363,994	18,182	746,170	900,605	–	900,605
Jamie Tomlinson	–	–	–	–	–	–	–

1. The following shares are held in escrow until the release of the Company's 2015 results:

Shares held by LMA Investments as trustee for the NL Abboud Trust in which N. Abboud has a beneficial interest: 5,519,030.

Shares held by M. Potts: 363,994.

2. Excludes any options which may be granted by the Board in respect of the 2015 results. The issue of any such options to N. Abboud and M. Potts, the Executive Directors of the Company, is also subject to approval by shareholders at the Company's Annual General Meeting on 28 October 2015.

**OPERATING AND FINANCIAL REVIEW**

**Principal activities**

Dick Smith is a leading retailer of consumer electronics products with 393 stores (FY2014: 377 stores) across Australia and New Zealand generating \$1.32 billion in revenue. Dick Smith is the largest consumer electronics retailer in Australia and New Zealand by total number of stores and is one of the largest by total retail sales value. Dick Smith sells an extensive range of products across four categories, being office, mobility, entertainment, and other products and services. Dick Smith offers approximately 7,000 SKUs from a wide selection of the leading consumer electronics brands, as well as its own Dick Smith, MOVE and other Private Label brands. The Company has over 3,300 staff (2014: 3,700). The staff movement reflects the recent restructuring of the support office and an increased use of permanent staff over casual, which has improved in-store efficiencies, whilst reducing employee numbers.

Dick Smith's network of stores has four formats:

**Dick Smith branded stores (351 stores)**

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

**MOVE stores (10 stores)**

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

**MOVE by Dick Smith Sydney International Airport (four locations)**

- Targeting all age groups arriving at and departing from Sydney International Airport.

**David Jones Electronics Powered by Dick Smith stores (28 stores)**

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

There have been no significant changes in the principal activities of the Company during the financial year.

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

**Financial review**

The Company's net profit attributable to owners of Dick Smith Holdings Limited for the financial year was \$37,905 thousand (2014: \$19,826 thousand). Excluding restructuring charges and the 2014 Company reorganisation underlying net profit attributable to owners of Dick Smith Holdings Limited for the financial year was \$43,437 thousand (2014 pro forma: \$42,146 thousand).

Total sales grew 7.5% in 2015 to \$1,319.7 million (2014: \$1,227.6 million), from the continued delivery of the Company's strategic growth initiatives, including new stores, new formats, a focus on Private Label and omni-channel. Comparable sales grew 1.0% (2014: -1.9%). Improved sales, a constant gross margin and cost transformation drove a 7.3% improvement in EBITDA before restructuring costs to \$79.8 million (2014: \$74.4 million).

	Underlying/Pro forma		Statutory	
	FY2015	FY2014	FY2015	FY2014
Sales (A\$m)	1,319.7	1,227.6	1,319.7	1,227.6
Gross margin (A\$m)	326.8	308.0	326.8	308.0
Cost of doing business (A\$m)	247.0	233.6	254.9	264.1
EBITDA (A\$m)	79.8	74.4	71.9	43.9
Net profit after tax (A\$m)	43.4	42.1	37.9	19.8
Earnings per share (cents)	18.4	17.8	16.0	8.0

**Non-IFRS financial measures**

The financial measures included in the Directors' Report have been calculated to exclude the impact of a \$7.9 million pre-tax (\$5.5 million post-tax) corporate restructuring in 2015 and various costs and adjustments associated with the Company's 2014 reorganisation. These are explained below. The Directors believe the presentation of non-IFRS financial measures is useful for the users of this financial report as they reflect the underlying financial performance of the business.

A reconciliation of the 2015 statutory to underlying results is summarised as follows:

(A\$m)	Sales	EBITDA	EBIT	NPAT
2015 statutory results	1,319.7	71.9	57.1	37.9
Restructuring costs <sup>1</sup>		7.9	7.9	5.5
<b>2015 underlying results</b>	<b>1,319.7</b>	<b>79.8</b>	<b>65.0</b>	<b>43.4</b>

**Explanation of 2015 underlying adjustments:**

1. Restructuring costs: Includes supply chain and support office restructuring and redundancy expenses incurred in 2015.

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

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

**Explanation of 2014 pro forma adjustments:**

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

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

**Segment results**

Dick Smith has two reportable segments, being Australia and New Zealand. The Australian operations consist of 331 stores operating under the Dick Smith (289 stores), MOVE (10 stores), David Jones Electronics Powered by Dick Smith (28 stores) and MOVE by Dick Smith (four locations) banners. In New Zealand, the Company operates 62 Dick Smith stores. In addition to the customer-convenient store network, Dick Smith has an extensive omni-channel presence, with transactional websites in Australia and New Zealand as well as with third party websites.

	FY2015	FY2014	FY2015	FY2014
	Underlying	Pro forma	Statutory	Statutory
<b>Australia</b>				
Sales (A\$m)	1,153.1	1,048.6	1,153.1	1,048.6
EBITDA (A\$m)	75.7	62.1	67.9	55.6
<b>New Zealand</b>				
Sales (A\$m)	166.6	179.0	166.6	179.0
EBITDA (A\$m)	4.1	12.3	4.0	10.5

### Australia

Australia's comparable sales increased by 2.4% while total sales increased by 10.0%, driving underlying EBITDA growth of 21.9% to \$75.7 million. The growth was driven by the strategic growth initiatives of new stores, the launch of MOVE by Dick Smith at the Sydney International Airport, improving brand perception, reducing the impact of low-margin sales, maintaining gross margin at 24.9% (FY2014: 25.1%), and strong cost control including a restructure of the support office in March 2015.

### New Zealand

Challenging and competitive market conditions in New Zealand saw comparable sales and total sales decrease by 7.0% and 6.9%, respectively. This drove a decline in New Zealand's gross margin by 2.1% from 25.6% in FY2014 to 23.5%, and underlying EBITDA of A\$4.1 million.

### Financial position

The Company's net assets remained fairly consistent at \$169.1 million (FY2014: \$166.9 million). The Company's current assets have increased by \$54.1 million to \$390.0 million in FY2015 predominantly due to the increase in inventory.

As at 28 June 2015, the Company has \$70.5 million in loans and borrowings (FY2014: Nil). The utilisation of loan facilities in the current financial period reflects increased working capital requirements due to strong business growth, including investments in Private Label and brand inventory earlier in the season to maximise returns. On 22 June 2015, the Company entered into a syndicated facility agreement with National Australia Bank Limited, Bank of New Zealand and HSBC Bank Australia Limited that has secured improved financial flexibility and margin rates.

The Company's net debt of \$41.0 million as at 28 June 2015 reflects the short-term cash flow impacts from the timing of the investment in inventory and is largely expected to unwind in first half FY2016.

### Dividends

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

In respect of the financial year ended 29 June 2014, a final dividend of 8.0 cents per share, franked to 100% at the 30% corporate income tax rate, representing approximately 65% of the pro forma NPAT from date of listing to 29 June 2014 was paid to the holders of fully-paid ordinary shares on 21 October 2014.

In respect of the financial year ended 28 June 2015, an interim dividend of 7.0 cents per share, franked to 100% at the 30% corporate income tax rate, was paid to the holders of fully-paid ordinary shares on 30 April 2015. The Directors have declared a final dividend of 5.0 cents per share, franked to 100% at the 30% corporate income tax rate, to be paid on 30 September 2015 to the holders of fully-paid ordinary shares on 31 August 2015. The dividend payout represents approximately 65% payout of underlying net profit after tax.

### Outlook

The Company continues to deliver on its strategic growth agenda, focusing on maximising shareholder returns.

**New stores:** The Company intends opening 15 to 20 new stores in 2016, with 15 locations confirmed. To maximise returns, the Company could close an as-yet-undetermined number of stores where performance dynamics are unsatisfactory.

**New formats:** The Company continues to explore opportunities for new and existing formats following the recent successful launches of MOVE and MOVE by Dick Smith. The Directors believe it inappropriate to provide further information on these opportunities at this time.

**New categories:** Consumer electronics is a dynamic sector, with categories continuously evolving. The Company anticipates continued growth in its core offerings of office (computers, tablets, etc), entertainment (TVs, audio, etc) and mobility, which will offset anticipated declines in categories such as cameras and navigation. The Company intends to expand its recent entry into small appliances to over 100 stores in 2016.

**Omni-channel:** The Company anticipates online sales continuing to grow strongly from more than 8% of retail sales presently to more than 10% by 2017. The integrated, omni-channel model, with all stores providing Pay & Collect convenience and 210 stores supporting the fulfilment model, provides ongoing competitive and sustainable advantage with lower costs of doing business.

**Private Label:** The Company's Private Label brands include Dick Smith, MOVE and Tandy. They allow the Company to provide customers with a tiered price and value range which continues to drive sales and gross profit growth. Having grown Private Label sales from over 11.5% of sales in 2014 to over 12.5% of sales in 2015, the Company remains confident in Private Label sales exceeding 15% of sales by 2017 through new category and product expansion.

**Cost transformation:** Driving cost efficiency improvements remains an integral component of the Company's DNA. The March 2015 support office restructure will primarily benefit the 2016 results. Further opportunities in supply chain and other business costs are actively being explored. An example is the implementation of a loyalty rewards program launched in December 2014, 'Mates Rates', which allows the Company to efficiently and effectively communicate offers and value to our key customers.

### **Material business risks**

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

#### *Retail environment and discretionary consumer spending*

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

#### *Changing consumer demands*

The consumer electronic products which Dick Smith sells can be subject to unpredictable changes in consumer preferences. Many of the products sourced by Dick Smith are from suppliers based overseas and there can be a delay between the time products are purchased and when they are available for sale in stores. Dick Smith has a highly experienced buying team which has a strong understanding of consumer preferences and a track record of anticipating changes in technology and new products. Dick Smith is not overly reliant on any one supplier and has introduced a number of highly successful selling products to the market, demonstrating the Company's ability to adapt to changes in consumer demands and technologies. Increases in prices of specific products could potentially impact consumer demand for those products, manifesting in lower sales volume or impacting the profit the Company is able to generate from it.

#### *Formats*

The Company operates four formats, including Electronics Powered by Dick Smith under a concession model with David Jones. Comprising 28 stores, sales in David Jones represent less than 3% of Company sales and a smaller proportion of performance. The concession's initial term is to 30 September 2016, with three one-year options to extend. MOVE by Dick Smith is a Company-owned format operating within Sydney International Airport under a long-term concession agreement. Potential risks associated with these formats may be a reduction in term and/or changes to agreements.

#### *Competition*

The Australian and New Zealand consumer electronics industry is highly competitive, has relatively low barriers to entry and is subject to ever-changing customer preferences. Dick Smith has a number of significant competitive advantages and strategic initiatives to grow its market share. Dick Smith operates an extensive omni-channel platform which complements its extensive consumer electronics store network. The omni-channel platform includes a variety of transactional websites. Dick Smith also offers Pay & Collect, which allows customers the convenience of local store collection from all its stores, and delivers direct from 210 stores to customers to provide a faster and more cost-effective customer delivery experience.

#### *Exchange rates*

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

#### *Increasing costs of doing business*

There are a number of costs which are outside of the control of Dick Smith, such as Fair Work pay awards, whilst other costs (such as leases) have historically risen despite challenging economic conditions. Dick Smith continues to strive for, and achieve, cost-saving efficiencies to mitigate these impacts.

### **Subsequent events**

There are no material matters or events which have occurred subsequent to 28 June 2015 up to the date of this report that have not been disclosed in this Directors' Report which may significantly affect the Company's operations in future years or the results of those operations.

### **Remuneration Report**

The Remuneration Report, which comprises part of this Directors' Report, is presented separately on pages 34 to 46.

**Indemnification of Officers and Auditors**

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

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

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

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

**Auditor's independence declaration**

The auditor's independence declaration is included on page 47 of the financial report.

**Non-audit services**

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 21 to the financial statements.

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

The Directors are of the opinion that the services as disclosed in Note 21 to the financial statements do not compromise the external auditor's independence, based on advice received from the Finance and Audit Committee, for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 'Code of Ethics for Professional Accountants' issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company, or jointly sharing economic risks and rewards.

**Rounding off of amounts**

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

Signed in accordance with a resolution of the Directors made pursuant to s.298(2) of the *Corporations Act 2001* (Cth).

On behalf of the Directors



Rob Murray, Chairman  
Sydney, 17 August 2015



Nick Abboud, Managing Director and CEO  
Sydney, 17 August 2015

**Key executives are driven to sustainably improve shareholder returns through a closely aligned incentive structure and significant shareholdings**

## TO OUR SHAREHOLDERS

On behalf of the Board and the Remuneration and Nomination Committee, I am pleased to present Dick Smith Holdings Limited's Remuneration Report for the 52 weeks to 28 June 2015. As detailed in the Chairman's and Managing Director and CEO's letter, the Company delivered a solid performance in 2015 and the Board recognises the contribution of the staff to this result and congratulates them for this achievement.

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

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

The underlying framework is reviewed annually to ensure a close alignment between shareholders' interests and executive incentive awards, with executives rewarded for the delivery of consistently strong growth in financial performance.

The Board is of the opinion that this framework is being achieved.

In addition, executive KMP own approximately 7.3% of the Company's shares, further aligning management with shareholders' interests.

In 2015 the Board approved a remuneration framework which incorporated changes that reflected the ownership of Dick Smith transferring from private equity to being publicly held. Key changes in 2015 to the remuneration framework included a reduction in the total dollar value of the STIP pool, as well as the addition of specific measurable personal and strategic targets (weighted at 30% to 40% of potential STIP). The LTIP remained largely unchanged.

We continue to refine our remuneration framework to further align the structure with long-term shareholder wealth creation. This has resulted in a number of changes to both the STIP and LTIP components of the remuneration mix of KMP and senior executives for 2016, the key components of which are summarised in this letter. In refining the remuneration framework, the Board has obtained and considered independent advice provided by its Remuneration Consultant, Mercer Consulting.

### Short-Term Incentive Plan (STIP)

The STIP provides an opportunity for the Managing Director and CEO and other executive KMP to share in the annual value creation of the Company.

In 2015, the Managing Director and CEO could achieve short-term incentives of up to 75% of his total fixed remuneration (TFR), whilst other executive KMP were able to achieve up to 40%.

The key drivers for the achievement of the 2015 STIP were financial (60% for the Managing Director and CEO and 70% for other executive KMP), primarily EBITDA-growth related; with the balance specific and measurable strategic and personal targets, including worker safety (10% of the total potential STIP).

The Board further refined the 2016 STIP. The key change is aimed at evolving the financial measures to ensure that a more holistic view of the financial management of the business is taken into account. The 2016 STIP therefore includes target metrics of Net Profit After Tax (NPAT) and cash realisation, rather than EBITDA-related metrics. The successful achievement of specific, measurable, strategic, personal and operational objectives (including workplace safety) remains integral to the plan.

In order to encourage out-performance, the Board implemented stretch targets, which, if achieved, could result in executive KMP receiving a further 50% of their STIP target. The Board believes the setting of such stretch rewards is appropriate as it will drive a strong results-oriented culture in the Company – with shareholders receiving in excess of 85% of any potential uplift.

In setting these targets, the Board has considered independent advice obtained from its Remuneration Consultant, Mercer Consulting, including competitive market benchmarking.

### Long-Term Incentive Plan (LTIP)

The Board regards the key benefits of the Company's long-term incentive plan (LTIP) as ensuring alignment of the KMP rewards with long-term shareholder wealth generation; and as being an important mechanism to encourage the retention of key high-performing personnel.

In 2016, the Board amended the program, with the key metrics summarised below:

1. Performance rights became the preferred incentive instrument.
2. The maximum potential award payable is 60% of TFR for the Managing Director and CEO and 50% for other executive KMP.
3. The TSR component is relative to the S&P/ASX 300 Consumer Discretionary Index, which the Board view as indicative of the competition for capital and talent.
4. The EPS performance component commences at 4% CAGR and is maximised at 10% CAGR, which is more reflective of the achievements of the Company since listing, and the general outlook for consumer discretionary companies including the Company's peers; and consistent with the Board's desire to retain key executives.
5. Implementation of a performance gateway in the form of a minimum ROFE of 25% which must be achieved during the plan period.

The details of the current (2015) remuneration plan are disclosed in the Remuneration Report.

Your Board is committed to ensuring that long-term shareholder value is created for the shareholders of Dick Smith. We trust that you will agree that the proposed remuneration framework strongly aligns our executives with the long-term success of the Company and its shareholders.



**Lorna Raine**

Chair, Remuneration and Nomination Committee

# REMUNERATION REPORT (AUDITED)

The Remuneration Report outlines Dick Smith's remuneration strategy, framework and conditions of employment for Directors and other KMP of the Company. The Remuneration Report is prepared in accordance with the requirements of the *Corporations Act 2007* (Cth) (the Act) and its regulations, and has been audited as required by Section 308(3C) of the Act.

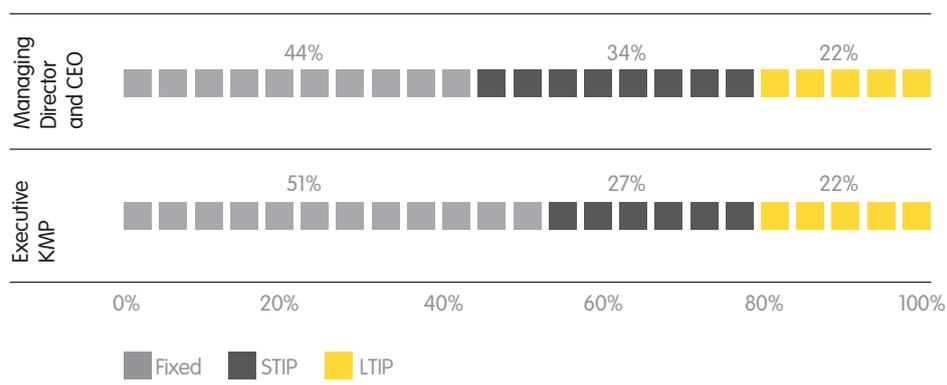
## 1. Remuneration Policy Summary

Dick Smith's Board has adopted and is committed to a remuneration framework designed to attract and retain a high quality executive team, incentivised and aligned to achieve sustainable increases in returns to shareholders, and who are appropriately rewarded for such achievements.

The Company's Remuneration Policy for Executive KMP comprises:

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

For Executive KMP (including the Managing Director and CEO), an average 49% of the 2015 potential remuneration was performance-based.



The primary change in performance-based mix of the maximum potential remuneration available to executive KMP reflects STIP stretch targets available in 2014 which were implemented before the Company was listed.

## 2. Key Management Personnel

The Directors and Executive Key Management Personnel of the Company and its subsidiaries during or since the end of the financial year were:

Name	Position
<b>Non-Executive Directors</b>	
Robert Murray	Non-Executive Chairman (Chairman since 28 February 2015; appointed Director on 12 August 2014)
Phillip Cave AM	Non-Executive Chairman (resigned on 28 February 2015)
William Wavish	Independent Non-Executive Director (resigned on 25 March 2015)
Lorna Raine	Independent Non-Executive Director
Robert Ishak	Independent Non-Executive Director
Jamie Tomlinson	Independent Non-Executive Director (appointed on 10 April 2015)
<b>Executive Key Management Personnel</b>	
Nicholas Abboud	Managing Director and Chief Executive Officer
Michael Potts	Finance Director (appointed on 12 August 2014) and Chief Financial Officer
Rodney Orrock	Director of Buying and Marketing (appointed on 28 July 2014)
Mark Scott	Director of Retail Operations
Neil Merola	Director of Strategy
John Skellern	Director of Commercial, Property, Procurement and Supply Chain

## **Remuneration Governance**

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

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

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

The Remuneration and Nomination Committee comprised three Independent Non-Executive Directors in 2015, with Jamie Tomlinson appointed as a fourth Independent Director appointed on 1 July 2015. The Committee meets as appropriate throughout the year. The Managing Director and CEO attends certain meetings of the Committee by invitation, where management input is required. He is not present during any discussions related to his own remuneration arrangements.

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

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

During the financial year, the Committee approved the engagement of Mercer Consulting (Australia) Pty Ltd ('Mercer Consulting') as remuneration consultants to provide remuneration recommendations regarding the design of incentive programs for the Company. A \$42,000 fee was payable to Mercer Consulting for the remuneration recommendations (\$30,000) and other advisory services (\$12,000).

The engagement of Mercer Consulting by the Committee was based on documented services and protocols that would be followed by Mercer Consulting in providing advice or recommendations to the Committee.

The Committee and the Board are satisfied that the advice received from Mercer Consulting has been made free from undue influence from the KMP to whom the remuneration recommendations apply, as Mercer Consulting was engaged by (and reported directly to) the Board Remuneration and Nomination Committee and/or the Board. Mercer Consulting also confirmed in writing to the Chair of the Committee that remuneration recommendations were made free from undue influence.

### **Non-Executive Director Remuneration**

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

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

Non-Executive Director remuneration consists of the following components:

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

In 2015, additional services were provided by a Non-Executive Director being for consulting services provided at the request of the Board.

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

All current Directors, with the exception of Jamie Tomlinson (who was appointed to the Board on 10 April 2015), hold shares in the Company as outlined in the tables displayed in this report. Jamie has not been a Director during a trading window as defined by the Company's Securities Trading Policy.

Non-Executive Directors' fees and payments are reviewed annually by the Board. Non-Executive Directors' fees are determined within an aggregate limit (including superannuation contributions) set by the Board, in accordance with the Company's Constitution, at \$1,000,000 per annum – the level set at the time of the Company's listing on the Australian Stock Exchange. During the year, the Board resolved to increase and increased the annual fees payable to the Chairman by \$50,000.

The Board has reviewed the Directors' fees for the 2016 year and resolved that the fees will remain unchanged.

Base annual fees (including superannuation)	Chair	Member
Company	\$250,000	\$109,500
Audit and Finance Committee	\$20,531	\$13,688
Remuneration Committee	\$20,531	\$13,688

### 3. Executive remuneration principles and strategy

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

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

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

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

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

#### Remuneration components

The components of the 2015 executive remuneration and links to performance outcomes are listed below. The aim of the Dick Smith Reward Strategy is to reward executives with a level and mix of remuneration appropriate to their position, responsibilities and performance within the Company and aligned with market practice.

The remuneration of Executive KMP and other executives of the Company was reviewed by the Board and its independent remuneration consultants.

Remuneration component	Vehicle	Purpose	Link to performance
Fixed remuneration	Base pay and appropriate benefits including superannuation	To provide competitive fixed remuneration which has been established with reference to position and responsibilities in the context of the market	Group and individual performance assessments are considered in annual remuneration review
Short-term Incentive Plan (STIP)	Cash bonus payment, with deferral component of up to three months	Rewards executives for their contribution to the achievement of financial and strategic outcomes	Sales, CODB, EBITDA and strategic objectives need to be met with an overall EBITDA performance threshold
Long-term Incentive Plan (LTIP)	Awards in the form of share options, with vesting in two tranches over 36 months and 48 months	Rewards executives for their contribution to the creation of shareholder value over the longer term	EPS and TSR targets and VWAP of last five trading days exceeding 105% of the exercise price

#### Fixed remuneration

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

**Variable remuneration**

**Short-Term Incentive Plan (STIP)**

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

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

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

**2015 STIP performance criteria**

In 2015, the Managing Director and CEO's STIP target opportunity percentage was 75% of TFR; and for the other executive KMPs, 40% of TFR.

For the period covered by this report the key financial STIP performance indicators common to all participants were sales, cash Cost of Doing Business (CODB) and EBITDA, with target STIP payable for performance at 100% of the Company's budget.

In determining the level of short-term incentives awarded to executives the Board took into consideration the performance of the Company as well as the assessment of each individual's personal performance. In 2015, STIP entitlements will be paid in September 2015.

**Long-Term Incentive Plan (LTIP)**

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

**2015 LTIP performance criteria**

In 2015, eligible employees were offered share options over ordinary shares in the Company, containing two equally-weighted performance hurdles, being achievement of EPS growth and relative TSR performance.

The relevant EPS performance target is the Company's compound annual EPS growth over the performance period since effective date, adjusted to take into account one-off items (if necessary). The corresponding vesting percentages are as follows:

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

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

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

In addition, the Company's Volume Weighted Average Price (VWAP) must exceed 105% of the exercise price for the five days prior to the vesting date.

Two tranches of share options were offered in 2015, with the same performance hurdles. The first tranche vests after three years, being 30 June 2017; and the second tranche vests after four years, being 30 June 2018.

Performance rights were issued to high potential staff in 2014. None were issued in 2015. These performance rights have a nil exercise price and are subject to the same performance conditions as the share options, except the VWAP requirement.

The EPS performance of the two series of share options on issue and the performance required to vest is summarised in the following table:

	Series 1		Series 2
	Tranche 2	Tranche 1	Tranche 2
Vesting date	June 2016	June 2017	June 2018
EPS CAGR achieved since issue	5.0%	3.1%	3.1%
EPS CAGR required to achieve 7.5% performance target	10.4%	9.8%	9.0%
EPS CAGR required to achieve 12.5% performance target	23.7%	17.5%	15.8%

**Performance remuneration criteria for 2016 (unaudited)**

As Dick Smith evolves in a listed company environment, the remuneration framework continues to be refined to further align the structure with sustainable long-term shareholder wealth creation.

The Board has further refined the STIP to encompass a more holistic view of financial management of the business through incorporating target metrics of NPAT and cash realisation and incorporating a stretch performance target.

The Board regards the key benefits of the LTIP as ensuring executive remuneration is aligned with long-term shareholder wealth generation and as an important mechanism in retaining key high-performing personnel. The Board believes the changes outlined on page 34 strengthen these benefits.

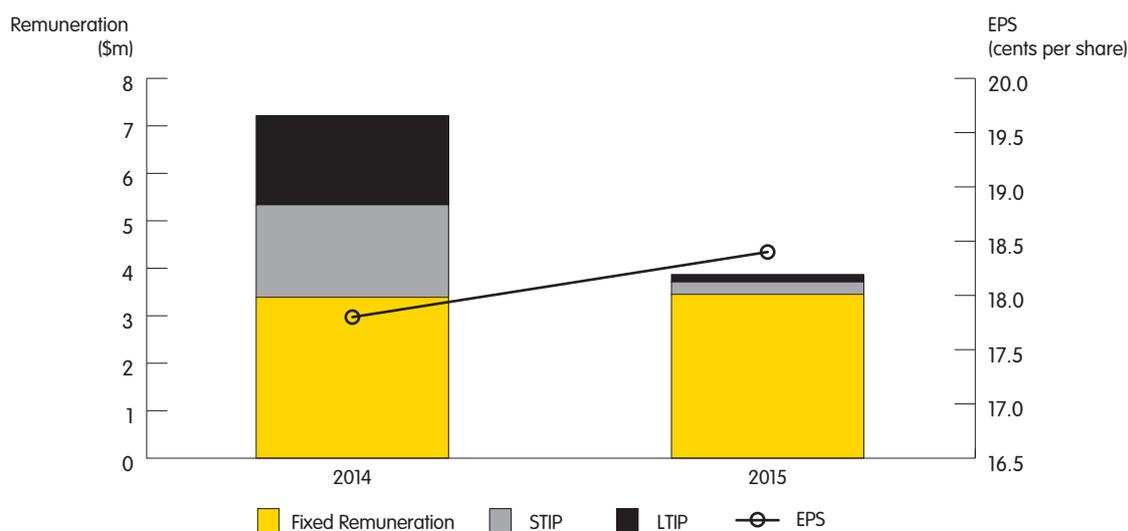
**4. Discussion of the relationship between remuneration policy and Company performance**

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

	28 June 2015	29 June 2014
Profit attributable to owners of the Company (\$'000)	37,905	19,826
Interim dividend (cents per share)	7.0	- <sup>1</sup>
Final dividend (cents per share) <sup>2</sup>	5.0	8.0 <sup>1</sup>
Share price at start of year (\$)	1.93	2.20 <sup>3</sup>
Share price at end of year (\$)	2.06	1.93

1. The Company listed on 4 December 2013. No interim dividend for 2014 was proposed or declared, with the final dividend reflecting the performance of the Company for the period from listing to 29 June 2014.
2. Declared subsequent to year end and the financial effect of the dividend has not been recognised in the respective financial year.
3. Offer price on 4 December 2013 (listing date).

Executive KMP remunerations (fixed, STIP and LTIP) vs. EPS over the last two financial years:



EPS is based on underlying (2015) and pro forma (2014) EPS.

**5. KMP compensation**

The aggregate compensation of the executive KMP of the Group for the financial period ended 28 June 2015 is set out as below:

<b>Total compensation (including superannuation)</b>	<b>28 June 2015 \$</b>	<b>29 June 2014 \$</b>
Short-term employee benefits	4,346,904	6,504,170
Post-employment benefits	169,569	157,875
Long service leave benefits	–	10,622
Share-based payments	178,254	1,893,582
	<b>4,694,727</b>	<b>8,556,249</b>

**6. Details of KMP remuneration**

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

2015	Short-term employee benefits				Post employment benefits	Long-term benefits			Total
	Salary and Fees \$	Cash Bonus \$	Other <sup>(i)</sup> \$	Total Short-term benefits \$	Super- annuation \$	Share- based Payments <sup>(ii)</sup> \$	Long Service Leave \$	Total Long-term benefits \$	\$
<b>Name</b>									
<b>Non-Executive Directors</b>									
Rob Murray	172,308	–	–	172,308	11,619	–	–	–	183,927
Jamie Tomlinson	26,389	–	–	26,389	2,507	–	–	–	28,896
Lorna Raine	131,250	–	–	131,250	12,468	–	–	–	143,719
Robert Ishak	145,000	–	–	145,000	11,875	–	–	–	156,875
<b>Executive Directors</b>									
Nicholas Abboud	1,266,250	95,625	11,874	1,373,749	30,000	79,499	–	79,499	1,483,248
Michael Potts	481,217	32,723	–	513,940	18,783	23,315	–	23,315	556,038
<b>Executive KMP</b>									
Rodney Orrock	541,724	26,362	–	568,086	17,507	24,656	–	24,656	610,249
Mark Scott	367,884	30,497	26,000	424,381	18,783	16,437	–	16,437	459,601
Neil Merola	288,594	23,217	47,550	359,361	18,783	15,141	–	15,141	393,284
John Skellern	371,217	30,497	–	401,714	18,783	19,206	–	19,206	439,703
<b>Former Non-Executive Directors</b>									
Phillip Cave AM	141,664	–	–	141,664	–	–	–	–	141,664
William Wavish	89,062	–	–	89,062	8,461	–	–	–	97,523
<b>Total</b>	<b>4,022,559</b>	<b>238,921</b>	<b>85,424</b>	<b>4,346,904</b>	<b>169,569</b>	<b>178,254</b>	<b>–</b>	<b>178,254</b>	<b>4,694,727</b>

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

(i) Other includes motor vehicles and relocation expenses.

(ii) Share-based payments represent the current year charge recognised in accordance with Australian Accounting Standards.

The relative proportions of 2015 fixed and short-term performance-linked remuneration for executive KMP were:

**Short-term employment benefits**

	Fixed remuneration percentage of total remuneration		STIP remuneration percentage of total remuneration	
	2015	2014	2015	2014
<b>Executive Directors</b>				
Nicholas Abboud	88%	49%	6%	48%
Michael Potts	90%	25%	6%	12%
<b>Executive KMP</b>				
Rodney Orrock	92%	n.a.	4%	n.a.
Mark Scott	90%	100%	7%	–
Neil Merola	90%	67%	6%	15%
John Skellern	89%	46%	7%	13%

The table below reflects the 2015 STIP earned for the executive KMP as a percentage of maximum potential.

	Short-term incentive bonus		
	Included in remuneration	% vested in year	% forfeited in year
<b>Executive Directors</b>			
Nicholas Abboud	95,625	10%	90%
Michael Potts	32,723	16%	84%
<b>Executive KMP</b>			
Rodney Orrock	26,362	11%	89%
Mark Scott	30,497	25%	75%
Neil Merola	23,217	15%	85%
John Skellern	30,497	19%	81%

The relative proportions of 2015 total potential share-based remuneration and the percentage of maximum earned for executive KMP were:

**Share-based payments**

	Actual share-based payments percentage of total remuneration		Actual share-based payments as a percentage of maximum potential	
	2015	2014	2015	2014
<b>Executive Directors</b>				
Nicholas Abboud	5%	3%	13%	19%
Michael Potts	4%	1%	13%	21%
<b>Executive KMP</b>				
Rodney Orrock	4%	n.a.	11%	n.a.
Mark Scott	4%	–	11%	–
Neil Merola	4%	2%	14%	21%
John Skellern	4%	2%	13%	21%

**7. Executive KMP service agreements**

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

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

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

**8. Details of Shares under Option granted during the year**

Details on options over ordinary shares in the Company that were granted as compensation to each key management personnel during the reporting period are as follows:

Series 2 Tranche 1	Number of options granted during 2015	Grant date	Fair value per option at grant date EPS/TSR	Exercise price	Expiry date
<b>Executive Directors</b>					
Nicholas Abboud	874,126	1-Jul-14	\$0.39/\$0.35	\$1.95	30-Jun-17
Michael Potts	268,962	1-Jul-14	\$0.39/\$0.35	\$1.95	30-Jun-17
<b>Executive KMP</b>					
Rodney Orrock	322,754	1-Jul-14	\$0.39/\$0.35	\$1.95	30-Jun-17
Mark Scott	215,169	1-Jul-14	\$0.39/\$0.35	\$1.95	30-Jun-17
Neil Merola	166,218	1-Jul-14	\$0.39/\$0.35	\$1.95	30-Jun-17
John Skellern	215,169	1-Jul-14	\$0.39/\$0.35	\$1.95	30-Jun-17
<b>Series 2 Tranche 2</b>					
Series 2 Tranche 2	Number of options granted during 2015	Grant date	Fair value per option at grant date EPS/TSR	Exercise price	Expiry date
<b>Executive Directors</b>					
Nicholas Abboud	831,840	1-Jul-14	\$0.42/\$0.37	\$1.95	30-Jun-18
Michael Potts	255,951	1-Jul-14	\$0.42/\$0.37	\$1.95	30-Jun-18
<b>Executive KMP</b>					
Rodney Orrock	307,141	1-Jul-14	\$0.42/\$0.37	\$1.95	30-Jun-18
Mark Scott	204,761	1-Jul-14	\$0.42/\$0.37	\$1.95	30-Jun-18
Neil Merola	158,178	1-Jul-14	\$0.42/\$0.37	\$1.95	30-Jun-18
John Skellern	204,761	1-Jul-14	\$0.42/\$0.37	\$1.95	30-Jun-18

The service and performance criteria used to determine the amount of compensation were based on executive remuneration principles and strategy outlined in Section 3 of the Remuneration Report.

The options issued during the 2015 financial year have the following features:

	Series 2 Tranche 1	Series 2 Tranche 2
Issue Price	Nil	Nil
Total number of options issued	4,005,534	3,811,772
Issued to	Executive KMP, senior executives and high potential staff	
Performance conditions	Refer to Section 3 of the remuneration report	
Effective date	1 July 2014	1 July 2014
Vesting date	30 June 2017	30 June 2018
Expiry date	1 year after the vesting	1 year after the vesting
Conversion	1:1 entitlement	1:1 entitlement

There were no options that vested or were exercised during the reporting year.

## 9. KMP shareholding (number of shares)

2015	Number of shares				
	Balance at 30 June 2014	Granted as compensation	Traded on market	Balance at 28 June 2015	Balance held nominally
<b>Non-Executive Directors</b>					
Robert Murray	-	-	12,658	12,658	-
Lorna Raine	45,455	-	-	45,455	-
Robert Ishak	90,909	-	-	90,909	90,909
Jamie Tomlinson	-	-	-	-	-
<b>Executive Directors</b>					
Nicholas Abboud	15,345,639	-	-	15,345,639	15,345,639
Michael Potts	746,170	-	-	746,170	18,182
<b>Executive KMP</b>					
Rodney Orrock	-	-	-	-	-
Mark Scott	-	-	-	-	-
Neil Merola	798,443	-	(359,945)	438,498	45,455
John Skellern	1,077,492	-	(561,473)	516,019	45,455
<b>Total</b>	<b>18,104,108</b>	<b>-</b>	<b>(908,760)</b>	<b>17,195,348</b>	<b>15,545,640</b>
<b>Former Non-Executive Directors</b>					
Phillip Cave AM	1,181,818	-	-	n.a.	n.a.
William Wavish	6,424,148	-	(2,646,030)	n.a.	n.a.

**10. Shares under option**

Details of KMP interests in shares under option at 28 June 2015 are summarised in the table below.

	Grant Date	Effective Date	No. of options at 28 June 2015	Expiry Date	Exercise Price	Exercise Date	Maximum value of Award to vest	Fair Value per Option at grant date	Performance conditions
<b>Executive Director</b>									
Nicholas Abboud	9-Dec-13	1-Jan-14	863,260	30-Jun-17	\$2.20	30-Jun-16	\$310,773	\$0.36	TSR
	9-Dec-13	1-Jan-14	863,260	30-Jun-17	\$2.20	30-Jun-16	\$405,732	\$0.47	EPS
	1-Jul-14	1-Jul-14	437,063	30-Jun-18	\$1.95	30-Jun-17	\$152,972	\$0.35	TSR
	1-Jul-14	1-Jul-14	437,063	30-Jun-18	\$1.95	30-Jun-17	\$170,761	\$0.39	EPS
	1-Jul-14	1-Jul-14	415,920	30-Jun-19	\$1.95	30-Jun-18	\$153,890	\$0.37	TSR
	1-Jul-14	1-Jul-14	415,920	30-Jun-19	\$1.95	30-Jun-18	\$174,686	\$0.42	EPS
			<b>3,432,485</b>				<b>\$1,368,815</b>		
Michael Potts	9-Dec-13	1-Jan-14	187,846	30-Jun-17	\$2.20	30-Jun-16	\$67,625	\$0.36	TSR
	9-Dec-13	1-Jan-14	187,846	30-Jun-17	\$2.20	30-Jun-16	\$88,288	\$0.47	EPS
	1-Jul-14	1-Jul-14	134,481	30-Jun-18	\$1.95	30-Jun-17	\$47,068	\$0.35	TSR
	1-Jul-14	1-Jul-14	134,481	30-Jun-18	\$1.95	30-Jun-17	\$52,542	\$0.39	EPS
	1-Jul-14	1-Jul-14	127,976	30-Jun-19	\$1.95	30-Jun-18	\$47,351	\$0.37	TSR
	1-Jul-14	1-Jul-14	127,976	30-Jun-19	\$1.95	30-Jun-18	\$53,750	\$0.42	EPS
			<b>900,605</b>				<b>\$356,623</b>		
<b>Executive KMP</b>									
Rodney Orrock	1-Jul-14	1-Jul-14	161,377	30-Jun-18	\$1.95	30-Jun-17	\$56,482	\$0.35	TSR
	1-Jul-14	1-Jul-14	161,377	30-Jun-18	\$1.95	30-Jun-17	\$63,050	\$0.39	EPS
	1-Jul-14	1-Jul-14	153,571	30-Jun-19	\$1.95	30-Jun-18	\$56,821	\$0.37	TSR
	1-Jul-14	1-Jul-14	153,571	30-Jun-19	\$1.95	30-Jun-18	\$64,500	\$0.42	EPS
			<b>629,895</b>				<b>\$240,853</b>		
Mark Scott	1-Jul-14	1-Jul-14	107,585	30-Jun-18	\$1.95	30-Jun-17	\$37,655	\$0.35	TSR
	1-Jul-14	1-Jul-14	107,585	30-Jun-18	\$1.95	30-Jun-17	\$42,033	\$0.39	EPS
	1-Jul-14	1-Jul-14	102,381	30-Jun-19	\$1.95	30-Jun-18	\$37,881	\$0.37	TSR
	1-Jul-14	1-Jul-14	102,381	30-Jun-19	\$1.95	30-Jun-18	\$43,000	\$0.42	EPS
			<b>419,930</b>				<b>\$160,568</b>		
Neil Merola	9-Dec-13	1-Jan-14	165,746	30-Jun-17	\$2.20	30-Jun-16	\$59,669	\$0.36	TSR
	9-Dec-13	1-Jan-14	165,746	30-Jun-17	\$2.20	30-Jun-16	\$77,901	\$0.47	EPS
	1-Jul-14	1-Jul-14	83,109	30-Jun-18	\$1.95	30-Jun-17	\$29,088	\$0.35	TSR
	1-Jul-14	1-Jul-14	83,109	30-Jun-18	\$1.95	30-Jun-17	\$32,471	\$0.39	EPS
	1-Jul-14	1-Jul-14	79,089	30-Jun-19	\$1.95	30-Jun-18	\$29,263	\$0.37	TSR
	1-Jul-14	1-Jul-14	79,089	30-Jun-19	\$1.95	30-Jun-18	\$33,217	\$0.42	EPS
			<b>655,888</b>				<b>\$261,608</b>		
John Skellern	9-Dec-13	1-Jan-14	187,846	30-Jun-17	\$2.20	30-Jun-16	\$67,625	\$0.36	TSR
	9-Dec-13	1-Jan-14	197,846	30-Jun-17	\$2.20	30-Jun-16	\$92,988	\$0.47	EPS
	1-Jul-14	1-Jul-14	107,585	30-Jun-18	\$1.95	30-Jun-17	\$37,655	\$0.35	TSR
	1-Jul-14	1-Jul-14	107,585	30-Jun-18	\$1.95	30-Jun-17	\$42,033	\$0.39	EPS
	1-Jul-14	1-Jul-14	102,381	30-Jun-19	\$1.95	30-Jun-18	\$37,881	\$0.37	TSR
	1-Jul-14	1-Jul-14	102,381	30-Jun-19	\$1.95	30-Jun-18	\$43,000	\$0.42	EPS
			<b>805,622</b>				<b>\$321,181</b>		

## REMUNERATION REPORT

The Company recognises the fair value at the grant date of equity-settled securities above as an employee benefit expense proportionally over the vesting period with a corresponding increase in equity and adjusted for non-market vesting conditions. Fair value is measured at grant date using a binomial and/or Monte Carlo simulation option pricing model, performed by an independent valuer. Non-market vesting conditions are determined with reference to the underlying financial or non-financial performance measures to which they relate.

The total expense recognised during the year in relation to equity-settled share-based payments under the LTIP and share rights plans was \$279,553. (2014: \$320,405).

Key inputs to the pricing models for Series 2 include:

	Tranche 1	Tranche 2
Volatility	30.9%	30.9%
Dividend yield	4.1%	4.1%
Risk-free interest rate	3.1%	3.3%

No options or share rights were vested, exercisable or lapsed as at 28 June 2015 (29 June 2014: Nil).



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

17 August 2015

Dear Board Members

**Dick Smith Holdings Limited**

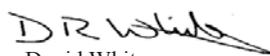
In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Dick Smith Holdings Limited.

As lead audit partner for the audit of the financial statements of Dick Smith Holdings Limited for the financial year ended 28 June 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

  
DELOITTE TOUCHE TOHMATSU

  
David White  
Partner  
Chartered Accountants  
Sydney

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Member of Deloitte Touche Tohmatsu Limited



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

### *Report on the Financial Report*

We have audited the accompanying financial report of Dick Smith Holdings Limited, which comprises the consolidated statement of financial position as at 28 June 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 50 to 82.

### *Directors' Responsibility for the Financial Report*

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

### *Auditor's Responsibility*

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

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

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Member of Deloitte Touche Tohmatsu Limited

# Deloitte.

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

## *Auditor's Independence Declaration*

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

## *Opinion*

In our opinion:

- (a) the financial report of Dick Smith Holdings Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 28 June 2015 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

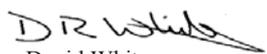
## *Report on the Remuneration Report*

We have audited the Remuneration Report included in pages 35 to 46 of the directors' report for the year ended 28 June 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## *Opinion*

In our opinion the Remuneration Report of Dick Smith Holdings Limited for the year ended 28 June 2015 complies with section 300A of the *Corporations Act 2001*.

  
DELOITTE TOUCHE TOHMATSU

  
David White  
Partner  
Chartered Accountants  
Sydney, 17 August 2015

## DIRECTORS' DECLARATION

The Directors declare that:

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

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

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

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

On behalf of the Directors,



Rob Murray

Chairman

Sydney, 17 August 2015

## FINANCIAL STATEMENTS

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

	Note	Year ended 28 June 2015 \$'000	Year ended 29 June 2014 \$'000
Revenue	3	1,319,670	1,227,604
Cost of sales		(992,828)	(919,602)
<b>Gross profit</b>		<b>326,842</b>	<b>308,002</b>
Other income	3	969	1,217
Marketing and sales costs		(112,935)	(130,544)
Occupancy and rental expenses	3	(93,288)	(79,257)
Administration costs		(57,287)	(45,173)
Finance costs		(4,111)	(2,854)
Other expenses	3	(6,811)	(22,710)
<b>Profit before income tax</b>		<b>53,379</b>	<b>28,681</b>
Income tax expense	5	(15,474)	(8,855)
<b>Net profit for the year</b>		<b>37,905</b>	<b>19,826</b>
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Exchange differences on translating foreign operations		(1,149)	3,522
Net fair value gain/(loss) on hedging instruments		647	(3,906)
Other comprehensive income, net of tax		(502)	(384)
<b>Total comprehensive income for the year</b>		<b>37,403</b>	<b>19,442</b>
<b>Earnings per share</b>			
Basic	13	\$0.16	\$0.08
Diluted	13	\$0.16	\$0.08

Notes to the financial statements are included on pages 56 to 82.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 28 June 2015 \$'000	As at 29 June 2014 \$'000
<b>Current assets</b>			
Cash and cash equivalents	15	29,511	29,944
Trade and other receivables	6	53,323	46,688
Current tax receivables		10,460	2,021
Inventories		293,044	253,814
Financial assets	18	1,755	-
Other current assets	7	1,886	3,439
<b>Total current assets</b>		<b>389,979</b>	<b>335,906</b>
<b>Non-current assets</b>			
Plant and equipment	8	92,548	78,764
Deferred tax assets	5	25,994	36,501
<b>Total non-current assets</b>		<b>118,542</b>	<b>115,265</b>
<b>Total assets</b>		<b>508,521</b>	<b>451,171</b>
<b>Current liabilities</b>			
Trade and other payables	9	228,442	247,691
Borrowings	24	70,500	-
Provisions	10	13,294	13,643
Financial liabilities	18	-	1,304
Current tax liabilities		-	11
Lease liabilities		1,911	1,368
Deferred income		2,380	2,790
<b>Total current liabilities</b>		<b>316,527</b>	<b>266,807</b>
<b>Non-current liabilities</b>			
Provisions	10	6,054	7,332
Lease liabilities		16,793	10,092
<b>Total non-current liabilities</b>		<b>22,847</b>	<b>17,424</b>
<b>Total liabilities</b>		<b>339,374</b>	<b>284,231</b>
<b>Net assets</b>		<b>169,147</b>	<b>166,940</b>
<b>Equity</b>			
Issued capital	11	346,111	346,111
Reserves	12	(339,409)	(339,187)
Retained earnings		162,445	160,016
<b>Total equity</b>		<b>169,147</b>	<b>166,940</b>

Notes to the financial statements are included on pages 56 to 82.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Issued capital \$'000	Retained earnings \$'000	Acquisition reserve \$'000	Employee Share reserve \$'000	Foreign exchange translation reserve \$'000	Cash flow hedge reserve \$'000	Share option reserve \$'000	Total \$'000
<b>Balance at 29 June 2014</b>		346,111	160,016	(351,111)	5,694	6,320	(410)	320	166,940
Profit for the year		-	37,905	-	-	-	-	-	37,905
Other comprehensive income	12	-	-	-	-	(1,149)	647	-	(502)
<b>Total comprehensive income for the year</b>		-	<b>37,905</b>	-	-	<b>(1,149)</b>	<b>647</b>	-	<b>37,403</b>
<i>Transactions with owners in their capacity as owners:</i>									
Payment of dividend	17	-	(35,476)	-	-	-	-	-	(35,476)
Recognition of equity settled share based payments	12	-	-	-	-	-	-	280	280
<b>Balance at 28 June 2015</b>		<b>346,111</b>	<b>162,445</b>	<b>(351,111)</b>	<b>5,694</b>	<b>5,171</b>	<b>237</b>	<b>600</b>	<b>169,147</b>

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

Notes to the financial statements are included on pages 56 to 82.

# CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 28 June 2015 \$'000	Year ended 29 June 2014 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		1,445,971	1,316,364
Payments to suppliers and employees		(1,430,877)	(1,261,131)
Interest and other costs of finance paid		(4,111)	(2,854)
Tax paid		(15,355)	(721)
Interest received		432	519
<b>Net cash (used in)/provided by operating activities</b>	<b>15(a)</b>	<b>(3,940)</b>	<b>52,177</b>
<b>Cash flows from investing activities</b>			
Payments for plant and equipment		(31,615)	(30,523)
Proceeds on sale of plant and equipment		-	518
Payment for acquisition of business, net of cash acquired		-	(24,000)
<b>Net cash used in investing activities</b>		<b>(31,615)</b>	<b>(54,005)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		-	343,611
Payment in relation to corporate reorganisation		-	(358,611)
Proceeds from borrowings		122,500	57,598
Repayment of borrowings		(52,000)	(57,598)
Dividend paid		(35,476)	-
<b>Net cash provided by/(used in) financing activities</b>		<b>35,024</b>	<b>(15,000)</b>
Net decrease in cash and cash equivalents		(531)	(16,828)
Effects of exchange rate changes on cash and cash equivalents		98	234
Cash and cash equivalents at the beginning of the year		29,944	46,538
<b>Cash and cash equivalents at the end of the year</b>		<b>29,511</b>	<b>29,944</b>

Notes to the financial statements are included on pages 56 to 82.

## **1. GENERAL INFORMATION**

Dick Smith Holdings Limited ("the Company") is a company incorporated in Australia and listed on the Australian Securities Exchange. The financial statements of the Company and its controlled entities (the "Group") for the year ended 28 June 2015 represent the 52 weeks to 28 June 2015.

The address of its registered office and principal place of business are as follows:

### **Registered office and principal place of business**

2 Davidson Street  
Chullora NSW 2190

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

### **Approval of financial statements**

The financial statements were approved by the board of directors and authorised for issue on 17 August 2015.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

### **Statement of compliance**

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

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

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

### **Basis of preparation**

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

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

### **New and amended accounting standards and interpretations**

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

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group include:

- *AASB 1031 'Materiality' (2013)*;
- *AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'*;
- *AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non Financial Assets'*;
- *AASB 2013-9 'Amendments to Australian Accounting Standards' – Part B: 'Materiality'*;
- *AASB 2014-1 'Amendments to Australian Accounting Standards'*
  - *Part A: 'Annual Improvements 2010-2012 and 2011-2013 Cycles'*
  - *Part C: 'Materiality'*

### **Impact of the application of AASB 1031 'Materiality' (2013)**

The revised AASB 1031 is an interim standard that cross-references to other Standards and the Framework for the Preparation and Presentation of Financial Statements (issued December 2013) that contain guidance on materiality. The AASB is progressively removing references to AASB 1031 in all Standards and Interpretations, and once all these references have been removed, AASB 1031 will be withdrawn. The adoption of AASB 1031 does not have any material impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### **Impact of the application of AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'**

The Group has applied the amendments to AASB 132 for the first time in the current year. The amendments to AASB 132 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

### **Impact of the application of AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities' (continued)**

The amendments have been applied retrospectively. The Group has assessed whether certain of its financial assets and financial liabilities qualify for offset based on the criteria set out in the amendments and concluded that the application of the amendments does not have any material impact on the amounts recognised in the Group's consolidated financial statements.

### **Impact of the application of AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'**

The Group has applied the amendments to AASB 136 for the first time in the current year. The amendments to AASB 136 remove the requirement to disclose the recoverable amount of a cash generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by AASB 13 'Fair Value Measurements'.

The application of these amendments does not have any material impact on the disclosures in the Group's consolidated financial statements.

### **Impact of the application of AASB 2013-9 'Amendments to Australian Accounting Standards' – Part B: 'Materiality'**

This amending standard makes amendments to particular Australian Accounting Standards to delete references to AASB 1031, at the same time it makes various editorial corrections to Australian Accounting Standards as well. The adoption of amending standard does not have any material impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

### **Impact of the application of AASB 2014-1 'Amendments to Australian Accounting Standards' Part A: 'Annual Improvements 2010-2012 and 2011-2013 Cycle'**

The Annual Improvements 2010-2012 Cycle include a number of amendments to various AASBs, which are summarised below. The amendments to AASB 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to AASB 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

### **Impact of the application of AASB 2014-1 'Amendments to Australian Accounting Standards'**

#### **Part A: 'Annual Improvements 2010-2012 and 2011-2013 Cycle'**

The amendments to AASB 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of AASB 9 or AASB 139 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to AASB 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to the basis for conclusions of AASB 13 clarify that the issue of AASB 13 and consequential amendments to AASB 139 and AASB 9 did not remove the ability to measure short term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.

#### **Part C: 'Materiality'**

This amending standard makes amendments to particular Australian Accounting Standards to delete their references to AASB 1031, which historically has been referenced in each Australian Accounting Standard.

The adoption of amending standard does not have any material impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Application of new and revised Accounting Standards not yet effective

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

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending on or around
AASB 2014-1 Amendments to Australian Accounting Standards [Part E – Financial Instruments]	1 January 2015	30 June 2016
AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle	1 January 2016	30 June 2017
AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	1 January 2016	30 June 2017
AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality	1 January 2016	30 June 2017
AASB 15 Revenue from Contracts with Customers*	1 January 2018	30 June 2019
AASB 9 Financial Instruments, and the relevant amending standards	1 January 2018	30 June 2019
AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments – Part C	1 January 2018	30 June 2019

\* The International Accounting Standards Board (IASB) in its July 2015 meeting decided to confirm its proposal to defer the effective date of IFRS 15 (the international equivalent of AASB 15) from 1 January 2017 to 1 January 2018. The amendment to give effect to the new effective date for IFRS 15 is expected to be issued in September 2015. At this time, it is expected that the AASB will make a corresponding amendment to AASB 15, which will mean that the application date of this Standard for the Group will move from the year ending on or around 30 June 2018 to 30 June 2019.

### Judgements in the application of accounting standards

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

#### *Impairment of inventories*

The Directors have assessed the value of inventory that is likely to be sold below cost using past experience and judgement on the likely sell through rates of various items of inventory, and has recognised a provision for this amount. To the extent that these judgements and assumptions prove incorrect, the Group may be exposed to potential additional inventory write-downs or reversals in future periods.

#### *Onerous leases*

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

#### *Employee entitlements*

Judgement is applied in determining the key assumptions used in the calculation of long service leave at balance date. These key assumptions include future increases in wages and salaries, historical experience of employee departures, period of service and the discount rate applying to the long service leave estimate.

#### *Impairment of assets*

Determining whether plant and equipment is impaired requires an estimation of the value in use or fair value of the cash-generating units. The calculations require the Group to estimate future cash flows expected to arise from cash generating units and suitable discount rates in order to calculate the present value of cash generating units. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Estimates and assumptions applied are reviewed on an ongoing basis.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Judgements in the application of accounting standards (continued)

#### *Useful lives of plant and equipment*

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

#### *Share options*

The Directors use judgment in selecting an appropriate valuation technique for share options. The Group recognises the fair value at the grant date of equity settled options as an employee benefit expense proportionally over the vesting period with a corresponding increase in equity. Fair value is measured at grant date using a binomial and/or Monte-Carlo simulation option pricing model performed by an independent valuer. A change to inputs into the valuation model would result in a change to the fair value of the share options granted.

#### *Valuation of financial instruments*

As described in Note 18, the Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Note 18 provides detailed information about the key assumptions used in the determination of the fair value of financial instruments, as well as the detailed sensitivity analysis for these assumptions.

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

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

#### **(a) Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company and its subsidiaries. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Income and expense of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company. When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

#### **(b) Business combinations**

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (b) Business combinations (continued)

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

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

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

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

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

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

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

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

### (c) Revenue recognition

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

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

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

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (d) Leasing

Operating leases – as a lessee

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

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

### (e) Provisions

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

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

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

Onerous contracts

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

Warranties

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

### (f) Goods and services tax

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

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

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

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

### (g) Employee benefits

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

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

### (h) Borrowing costs

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (i) Foreign currencies

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

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

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

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

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

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

### (j) Taxation

Current and deferred tax for the year

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

#### *Current tax*

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

#### *Deferred tax*

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

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

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (j) Taxation (continued)

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

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

#### *Tax consolidation*

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

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

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

### (k) Plant and equipment

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

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

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

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

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

### (l) Impairment of tangible assets

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (m) Inventories

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

### (n) Financial assets

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

Financial assets at fair value through profit or loss

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

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

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

Loans and receivables

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

Fair values of financial assets

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

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

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

Impairment of financial assets

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

### (o) Derivative financial instruments

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

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

Hedge accounting

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (o) Derivative financial instruments (continued)

#### Cash flow hedges

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

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

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

### (p) Parent company information

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

## 3. PROFIT BEFORE INCOME TAX

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

	Year ended 28 June 2015 \$'000	Year ended 29 June 2014 \$'000
<b>(a) Revenue and other income</b>		
Revenue from the sale of goods	1,319,670	1,227,604
<b>Other income</b>		
Interest income	432	519
Net gain on foreign exchange	87	16
Gain on sale of plant and equipment	-	358
Other income	450	324
<b>Total other income</b>	<b>969</b>	<b>1,217</b>
<b>(b) Expenses</b>		
Depreciation, amortisation and impairment	14,849	12,847
Occupancy and rental expenses		
<b>Leased premises and equipment</b>		
Straight lining of rental amounts	1,670	2,522
Utilisation/write back of onerous lease provision	(1,648)	(6,943)
Minimum lease payments	81,026	73,192
Rental outgoings	12,240	10,486
<b>Total occupancy and rental expenses</b>	<b>93,288</b>	<b>79,257</b>
<b>Other expenses</b>		
Costs associated with initial public offering	-	22,328
Loss on disposals of plant and equipment	2,722	-
Other expenses	4,089	382
<b>Total other expenses</b>	<b>6,811</b>	<b>22,710</b>
Included in expenses are employee benefits as listed below:		
<b>Employee benefits expense</b>		
Post-employment benefits	3,050	2,982
Equity-settled share-based payments	280	4,728
Other employee benefits	121,999	126,680
<b>Total employee benefits expense</b>	<b>125,329</b>	<b>134,390</b>

#### 4. SEGMENT INFORMATION

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

	Dick Smith Australia \$'000	Dick Smith New Zealand \$'000	Unallocated \$'000	Total \$'000
<b>Year ended 28 June 2015</b>				
Revenue from the sale of goods	1,153,079	166,591	-	1,319,670
Other income	536	1	-	537
<b>Total revenue</b>	<b>1,153,615</b>	<b>166,592</b>	<b>-</b>	<b>1,320,207</b>
Cost of sales	(865,310)	(127,518)	-	(992,828)
Operating expenses	(220,392)	(35,080)	-	(255,472)
<b>EBITDA</b>	<b>67,913</b>	<b>3,994</b>	<b>-</b>	<b>71,907</b>
Depreciation expense	(12,772)	(2,077)	-	(14,849)
Net interest expense	(3,379)	(300)	-	(3,679)
Income tax expense	(14,760)	(714)	-	(15,474)
<b>Net profit for the year</b>	<b>37,002</b>	<b>903</b>	<b>-</b>	<b>37,905</b>
Capital expenditure	27,735	3,880	-	31,615
<b>Segment assets and liabilities</b>				
Assets	434,843	73,678	-	508,521
Liabilities	(313,169)	(26,205)	-	(339,374)
<b>Year ended 29 June 2014</b>				
	Dick Smith Australia \$'000	Dick Smith New Zealand \$'000	Unallocated <sup>(i)</sup> \$'000	Total \$'000
Revenue from the sale of goods	1,048,583	179,021	-	1,227,604
Other income	602	59	37	698
<b>Total revenue</b>	<b>1,049,185</b>	<b>179,080</b>	<b>37</b>	<b>1,228,302</b>
Cost of sales	(785,406)	(134,196)	-	(919,602)
Operating expenses	(208,153)	(34,356)	(22,328)	(264,837)
<b>EBITDA</b>	<b>55,626</b>	<b>10,528</b>	<b>(22,291)</b>	<b>43,863</b>
Depreciation expense	(10,758)	(2,089)	-	(12,847)
Net interest (expense)/income	(2,307)	(28)	-	(2,335)
Income tax (expense)/income	(10,308)	(5,246)	6,699	(8,855)
<b>Net profit/(loss) for the year</b>	<b>32,253</b>	<b>3,165</b>	<b>(15,592)</b>	<b>19,826</b>
Capital expenditure	28,834	1,689	-	30,523
<b>Segment assets and liabilities</b>				
Assets	392,765	58,406	-	451,171
Liabilities	(274,244)	(9,987)	-	(284,231)

(i) Unallocated items for the year ended 29 June 2014 relate to the IPO costs in relation to Dick Smith Holdings Limited.

No single customer contributed 5% or more to the Group's revenue for the year ended 28 June 2015 (2014: None).

5. INCOME TAX EXPENSE

	28 June 2015 \$'000	29 June 2014 \$'000
Income tax recognised in profit or loss		
<b>Current tax</b>		
Current tax expense	5,671	10,122
Deferred tax expense/(benefit)	10,385	(1,267)
Over provision in prior year	(582)	-
	15,474	8,855
The income tax expense for the year is reconciled to the accounting profit as follows:		
Profit before income tax expense	53,379	28,681
Tax at the Australian tax rate of 30%	16,014	8,604
Tax effect of amounts in calculating taxable income:		
- Allocable cost adjustment on entry into tax consolidated group	-	(3,993)
- Tax losses written off relating to New Zealand subsidiary on change of ownership	-	3,193
- Statutory income tax differential on New Zealand subsidiary	(32)	(179)
- Other non-deductible expenses	74	1,230
	16,056	8,855
Over provision in prior year	(582)	-
Income tax expense	15,474	8,855

Deferred tax assets and liabilities are attributable to the following:

As at 28 June 2015	Opening balance \$'000	Acquired \$'000	Charged to Equity \$'000	Credited (charged) to Income <sup>(ii)</sup> \$'000	Closing balance \$'000
Temporary differences					
Provision for doubtful debts	214	-	-	759	973
Inventory provisions	2,524	-	-	(2,692)	(168)
Financial assets	-	-	(746)	-	(746)
Financial liabilities	171	-	(171)	-	-
Plant and equipment	13,258	-	-	(3,696)	9,562
Employee provisions	5,000	-	-	(1,638)	3,362
Lease liabilities including provisions	5,425	-	-	1,563	6,988
Deferred income	886	-	-	(328)	558
Other provisions and accruals	1,247	-	-	(107)	1,140
Deferred black hole expenditure	5,437	-	-	(1,340)	4,097
	34,162	-	(917)	(7,479)	25,766
Tax losses <sup>(i)</sup>	2,339	-	-	(2,111)	228
<b>Total</b>	<b>36,501</b>	<b>-</b>	<b>(917)</b>	<b>(9,590)</b>	<b>25,994</b>

(i) The Board concluded as at 28 June 2015 that there is sufficient evidence to estimate a base level of recurring taxable profit for the next financial year and the likelihood of the tax losses continuing to be available to offset future taxable income.

(ii) Net of \$795,000 due to changes in foreign denominated deferred tax balances.

## 5. INCOME TAX EXPENSE (continued)

Deferred tax assets and liabilities are attributable to the following (continued):

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

(i) The Board concluded as at 29 June 2014 that there was sufficient evidence to estimate a base level of recurring taxable profit for the next financial year and the likelihood of the tax losses continuing to be available to offset future taxable income.

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

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

### Tax amounts recognised in equity

	28 June 2015 \$'000	29 June 2014 \$'000
Deferred tax recognised on hedging instruments and hedged payables	(917)	(171)

### Franking credits

	28 June 2015 \$'000	29 June 2014 \$'000
Franking account balance	207	-

## 6. TRADE AND OTHER RECEIVABLES

	28 June 2015 \$'000	29 June 2014 \$'000
Trade receivables	7,862	9,184
Provision for trade receivables	(200)	(200)
	<b>7,662</b>	<b>8,984</b>
Other receivables	48,660	38,221
Provision for other receivables	(2,999)	(517)
	<b>45,661</b>	<b>37,704</b>
<b>Total trade and other receivables</b>	<b>53,323</b>	<b>46,688</b>

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

Other receivables relate primarily to amounts due for concession sales and from vendors. The average credit period for vendor receivables is 30-45 days. No interest is charged on these receivables. An allowance has been estimated for unrecoverable amounts arising from a review of individual debtors.

## 6. TRADE AND OTHER RECEIVABLES (continued)

The Group has not impaired all debts that are past due at the reporting date as the Group considers the majority of these amounts to be recoverable. During the year ended 28 June 2015, \$20,387 of bad debts were written off (29 June 2014: \$9,818).

As at 28 June 2015	Current \$'000	30-60 \$'000	60-90 \$'000	90+ \$'000	Total \$'000
Trade and other receivables	40,476	9,472	1,248	5,326	56,522
Provision	-	(85)	(89)	(3,025)	(3,199)
	<b>40,476</b>	<b>9,387</b>	<b>1,159</b>	<b>2,301</b>	<b>53,323</b>

Total trade and other receivables past due but not considered impaired amount to \$15,291 thousand for balances over 30 days. Payment terms on these amounts have not been renegotiated. The Directors are satisfied that payment will be received in full.

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

Total trade and other receivables past due but not considered impaired amount to \$7,356 thousand for balances over 30 days. Payment terms on these amounts have not been renegotiated. The Directors, at 29 June 2014, were satisfied that payment will be received in full.

## 7. OTHER CURRENT ASSETS

	28 June 2015 \$'000	29 June 2014 \$'000
Prepayments	1,886	3,439

## 8. PLANT AND EQUIPMENT

	Plant and equipment at cost \$'000	Leasehold improvement at cost \$'000	IT equipment at cost \$'000	Total \$'000
<b>Cost</b>				
Opening balance at 29 June 2014	73,924	18,511	4,863	97,298
Additions	22,621	2,765	6,229	31,615
Disposals	(2,593)	(675)	(100)	(3,368)
Foreign exchange differences	(230)	(185)	(37)	(452)
<b>Balance at 28 June 2015</b>	<b>93,722</b>	<b>20,416</b>	<b>10,955</b>	<b>125,093</b>
<b>Accumulated depreciation and amortisation</b>				
Opening balance at 29 June 2014	(12,384)	(4,921)	(1,229)	(18,534)
Depreciation and amortisation	(10,377)	(2,850)	(1,622)	(14,849)
Disposals	488	153	5	646
Foreign exchange differences	72	92	28	192
<b>Balance at 28 June 2015</b>	<b>(22,201)</b>	<b>(7,526)</b>	<b>(2,818)</b>	<b>(32,545)</b>
<b>Net book value at 28 June 2015</b>	<b>71,521</b>	<b>12,890</b>	<b>8,137</b>	<b>92,548</b>

## 8. PLANT AND EQUIPMENT (continued)

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

## 9. TRADE AND OTHER PAYABLES

	28 June 2015 \$'000	29 June 2014 \$'000
Trade payables	200,838	217,310
Accruals	19,356	17,434
Other payables	8,248	12,928
Related party payable <sup>(i)</sup>	-	19
	<b>228,442</b>	<b>247,691</b>

(i) The related party payable amount of \$19,479 for FY14 relates to the amount payable to Anchorage Partners who was a related party by virtue of owning 20% of Dick Smith Holdings Limited as at 29 June 2014.

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

## 10. PROVISIONS

	28 June 2015 \$'000	29 June 2014 \$'000
<b>Current</b>		
Employee benefits <sup>(i)</sup>	7,613	7,494
Onerous contracts <sup>(ii)</sup>	1,482	1,648
Other provisions <sup>(iii)</sup>	4,199	4,501
	<b>13,294</b>	<b>13,643</b>
<b>Non-current</b>		
Employee benefits <sup>(i)</sup>	2,366	2,535
Onerous contracts <sup>(ii)</sup>	2,727	4,245
Other provisions <sup>(iii)</sup>	961	552
	<b>6,054</b>	<b>7,332</b>

## 10. PROVISIONS (continued)

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

	Employee benefits <sup>(i)</sup> \$'000	Onerous contracts <sup>(ii)</sup> \$'000	Other provisions <sup>(iii)</sup> \$'000	Total \$'000
<b>Balance at 29 June 2014</b>	<b>10,029</b>	<b>5,893</b>	<b>5,053</b>	<b>20,975</b>
Additional provisions	11,287	-	1,677	12,964
Utilisation of provisions	(11,311)	(1,636)	(1,549)	(14,496)
Foreign exchange differences	(26)	(48)	(21)	(95)
<b>Balance at 28 June 2015</b>	<b>9,979</b>	<b>4,209</b>	<b>5,160</b>	<b>19,348</b>
<b>Balance at 30 June 2013</b>	<b>11,127</b>	<b>12,370</b>	<b>6,434</b>	<b>29,931</b>
Additional provisions	8,198	-	2,506	10,704
Utilisation/derecognition of provisions	(9,434)	(6,943)	(3,929)	(20,306)
Foreign exchange differences	99	466	42	607
Acquired <sup>(iv)</sup>	39	-	-	39
<b>Balance at 29 June 2014</b>	<b>10,029</b>	<b>5,893</b>	<b>5,053</b>	<b>20,975</b>

(i) The provision for employee benefits represents annual leave and long service leave entitlements accrued.

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

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

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

## 11. ISSUED CAPITAL

	28 June 2015 \$'000	29 June 2014 \$'000
236,511,364 fully paid ordinary shares (2014: 236,511,364 fully paid ordinary shares)	346,111	346,111
Movement in issued capital		
Opening balance	346,111	10,000
236,511,364 fully paid ordinary shares issued on 4 December 2013	-	346,111
Corporate reorganisation adjustment	-	(10,000)
	<b>346,111</b>	<b>346,111</b>

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

## 12. RESERVES

	28 June 2015 \$'000	29 June 2014 \$'000
Cash flow hedge reserve <sup>(i)</sup>	237	(410)
Foreign exchange translation reserve <sup>(ii)</sup>	5,171	6,320
Share option reserve <sup>(iii)</sup>	600	320
Employee share reserve <sup>(iv)</sup>	5,694	5,694
Acquisition reserve <sup>(v)</sup>	(351,111)	(351,111)
	<b>(339,409)</b>	<b>(339,187)</b>

### (i) Cash flow hedge reserve

	28 June 2015 \$'000	29 June 2014 \$'000
Opening balance	(410)	3,496
Net movement in fair value of hedging instruments	1,564	(5,767)
Deferred tax	(917)	1,861
	<b>237</b>	<b>(410)</b>

## 12. RESERVES (continued)

The cash flow hedge reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments are recognised and accumulated under the heading of cash flow hedging reserve will be included as a basis adjustment to the non-financial hedged item, being purchases of inventories denominated in foreign currencies.

### (ii) Foreign exchange translation reserve

	28 June 2015 \$'000	29 June 2014 \$'000
Opening balance	6,320	2,798
Exchange differences relating to translation of foreign operations	(1,149)	3,522
	<b>5,171</b>	<b>6,320</b>

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

### (iii) Share option reserve

	28 June 2015 \$'000	29 June 2014 \$'000
Opening balance	320	3
Share options granted to employees	280	3,906
Amounts received and receivable on exercise of share options	-	1,283
Amount reclassified to profit and loss on cancellation of options	-	(118)
Exercised options transferred to employee share reserve	-	(4,754)
	<b>600</b>	<b>320</b>

The share option reserve relates to share options/rights granted by the company to its employees under its employee share option/right plan.

### Share-based payments

Dick Smith Holdings Limited granted certain Directors and management options in the Company with an effective date of 1 July 2014 (Series 2) as part of its Long Term Incentive Plan (LTIP). The options vest as follows and are subject to meeting three exercise conditions:

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

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

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

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

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

Neither the EPS or the TSR options will vest unless at the time of satisfaction of all other performance criteria or hurdles, the VWAP of shares traded on the ASX calculated over the last five trading days on which sales in the Shares are recorded, is 105% or more of the exercise price, or such other percentage as determined by the Board. In certain circumstances, employees are granted share rights in order to encourage longevity of employment for key employees. These rights are subject to the same performance conditions as the LTIP share options, with the exception of the Price hurdle noted above.

The following share-based payment arrangements were in existence during the current and prior reporting period:

	Grant date	Exercise price	Share price at grant date	Fair value at grant date
Series 1 - LTIP Share options	9 Dec 2013	\$2.20	\$2.30	\$3,181,906
Series 1 - Share rights	9 Dec 2013	\$2.20	\$2.30	\$93,004
				<b>\$3,274,910</b>

## 12. RESERVES (continued)

### Share-based payments (continued)

There has been no alteration of the terms and conditions of the above share-based payment arrangement since the grant date.

Fair value of options granted in the year:

	Grant date	Exercise price	Share price at grant date	Fair value at grant date
Series 2 Tranche 1	1 July 2014	\$1.95	\$1.94	\$1,472,034
Series 2 Tranche 2	1 July 2014	\$1.95	\$1.94	\$1,496,121
				<b>\$2,968,155</b>

The Group recognises the fair value at the grant date of equity settled securities above as an employee benefit expense proportionally over the vesting period with a corresponding increase in equity. Fair value is measured at grant date using a binomial and/or Monte-Carlo simulation option pricing model, performed by an independent valuer, and models the future share price of Dick Smith Holdings Limited shares. Non-market vesting conditions are determined with reference to the underlying financial or non-financial performance measures to which they relate.

The total expense recognised during the year in relation to equity settled share-based payments under the LTIP and share right plans was \$279,553 (2014:\$320,405).

Key inputs to the pricing models include:

	Series 2		Series 1
	Tranche 1	Tranche 2	
Volatility	30.9%	30.9%	34.6%
Dividend yield	4.1%	4.1%	5.0%
Risk-free interest rate	3.1%	3.3%	3.0%

Movement of share options during the year:

	2015		2014	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at beginning of year	6,200,086	\$2.20	-	-
Granted during the year	7,817,306	\$1.95	7,682,980	\$2.20
Cancelled/Forfeited during the year	(1,889,924)	\$2.03	(1,482,894)	\$2.20
Exercised during the year	-	-	-	-
<b>Balance at end of year</b>	<b>12,127,468</b>	<b>\$2.05</b>	<b>6,200,086</b>	<b>\$2.20</b>
Exercisable at end of year	-	n.a.	-	n.a.

No options or share rights were vested or exercisable as at 28 June 2015 (29 June 2014: Nil).

#### (iv) Employee share reserve

	28 June 2015 \$'000	29 June 2014 \$'000
Opening balance	5,694	-
Shares issued under Employee Award Offer <sup>(i)</sup>	-	940
Transfers from share option reserve <sup>(ii)</sup>	-	4,754
	<b>5,694</b>	<b>5,694</b>

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

(ii) Employee share options which were exercised during the year have been transferred into the employee share reserve.

**12. RESERVES (continued)**

Share-based payments (continued)

(v) Acquisition reserve

	28 June 2015 \$'000	29 June 2014 \$'000
Opening balance	(351,111)	-
Proceeds from issue of shares in legal acquirer	-	(343,611)
Return of capital to shareholders of accounting acquirer	-	(15,000)
Equity retained by shareholders of accounting acquirer	-	(2,500)
Adjustment to share capital of accounting acquirer	-	10,000
	<b>(351,111)</b>	<b>(351,111)</b>

Acquisition reserve relates to proceeds of shares issued by the legal acquirer (Dick Smith Holdings Limited) as part of the float and the equity retained by the shareholders of the accounting acquirer (Dick Smith Sub-Holdings Pty Limited) recognised at the time of the corporate reorganisation.

**13. EARNINGS PER SHARE**

		Year ended 28 June 2015	Year ended 29 June 2014
Basic earnings per share		\$0.16	\$0.08
Diluted earnings per share		\$0.16	\$0.08
Profit after tax	\$'000	37,905	19,826
Weighted average number of shares used in the calculation of:			
- Basic earnings per share	No. of shares	236,511,364	236,511,364
- Diluted earnings per share	No. of shares	237,045,011	236,538,339

11,593,821 (2014: 7,682,980) options and share rights on ordinary shares are anti-dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted earnings per share.

**14. OPERATING LEASE ARRANGEMENTS**

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

	28 June 2015 \$'000	29 June 2014 \$'000
<b>Non-cancellable operating lease payments</b>		
No longer than 1 year	73,062	69,829
Longer than 1 year and not longer than 5 years	172,493	181,957
Longer than 5 years	20,085	28,003
	<b>265,640</b>	<b>279,789</b>

At 28 June 2015, there is \$469,792 (29 June 2014: \$5,737,692) of bank guarantees outstanding in relation to operating leases.

## 15. CASH AND CASH EQUIVALENTS

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

	28 June 2015 \$'000	29 June 2014 \$'000
Cash on hand	815	792
Cash at bank	28,696	29,152
	<b>29,511</b>	<b>29,944</b>

	28 June 2015 \$'000	29 June 2014 \$'000
<b>(a) Reconciliation of profit for the year to net cash flows from operating activities</b>		
<b>Profit for the year after tax</b>	<b>37,905</b>	<b>19,826</b>
Depreciation and amortisation of plant and equipment	14,849	12,110
Impairment of plant and equipment	-	737
Loss/(Profit) on sale of plant and equipment	2,722	(358)
Other non-cash movements in plant and equipment	277	(1,223)
Movement in working capital:		
Increase in trade and other receivables	(6,635)	(36,283)
Increase in inventories	(39,230)	(85,281)
Decrease in other current assets	249	10,269
Decrease in current and deferred tax	1,720	6,380
(Decrease)/Increase in current payables	(19,249)	118,391
(Decrease)/Increase in current provisions	(349)	3,190
(Decrease)/Increase in other current liabilities	(1,622)	2,565
Increase in other non-current liabilities	5,423	1,854
<b>Net cash (used in)/generated by operating activities</b>	<b>(3,940)</b>	<b>52,177</b>

## 16. PARENT ENTITY DISCLOSURES

	28 June 2015 \$'000	29 June 2014 \$'000
<b>(a) Statement of profit or loss and other comprehensive income</b>		
Profit/(Loss) for the year	47,231	(3,052)
<b>Total comprehensive profit/(loss) for the year</b>	<b>47,231</b>	<b>(3,052)</b>
<b>(b) Statement of financial position</b>		
<b>Current assets</b>	<b>15,420</b>	<b>208</b>
<b>Total assets</b>	<b>361,531</b>	<b>348,528</b>
<b>Current liabilities</b>	<b>15,420</b>	<b>14,454</b>
<b>Total liabilities</b>	<b>15,423</b>	<b>14,454</b>
Equity		
Issued capital	346,111	346,111
Accumulated profit/(loss)	8,702	(3,052)
Reserves	(8,706)	(8,985)
<b>Total equity</b>	<b>346,108</b>	<b>334,074</b>

### (c) Subsidiaries

Details of the Group's material subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Country of incorporation	Percentage of ownership
Dick Smith Electronics Pty Limited	Australia	100%
DSE (NZ) Limited	New Zealand	100%

## 17. DIVIDENDS

	Year ended 28 June 2015		Year ended 29 June 2014	
	Cents per share	\$'000	Cents per share	\$'000
Final dividend – previous financial year	0.08	18,921	-	-
Interim dividend – current financial year	0.07	16,555	-	-
		<b>35,476</b>		

On 17 August 2015, the Directors declared a fully franked final dividend of 5.0 cents per share to the holders of fully paid ordinary shares in respect of the financial year ended 29 June 2015, to be paid to shareholders on 30 September 2015. This dividend has not been included as a liability in these consolidated financial statements. The dividend will be paid to all shareholders on the Register of Members on 30 September 2015. The total estimated dividend to be paid is \$11,826 thousand.

## 18. FINANCIAL INSTRUMENTS

### Capital management

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

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

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

The Board continually reviews the capital structure of the Group and considers the cost of capital and the risks associated with each class of capital.

### Financial risk management objectives

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

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

Interest rate risk on cash and short term deposits is not considered to be a material risk due to the short term nature of these instruments.

### Credit risk management

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

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

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

### Interest rate risk management

The Group is exposed to interest rate risk because entities in the Group borrow funds at floating interest rate. The risk is managed by the Group by monitoring working capital requirements to minimise loan borrowings.

## 18. FINANCIAL INSTRUMENTS (continued)

### Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended and equity at 28 June 2015 would decrease/increase by \$352,000 (2014: Nil; as there was no borrowings as at 29 June 2014). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

### Foreign currency risk management

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

### Forward foreign exchange contracts

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

As at 28 June 2015	Average exchange rate (AUD)	Foreign currency \$'000	Notional value \$'000	Fair value \$'000
<b>Outstanding contracts</b>				
Cash flow hedges				
<i>AUD buy USD</i>				
Less than 3 months	0.796	22,801	28,659	1,141
3 to 6 months	0.780	5,500	7,048	196
<i>NZD buy USD</i>				
Less than 3 months	0.744	3,025	4,065	341
3 to 6 months	0.742	650	876	78
				<b>1,755</b>
<b>As at 29 June 2014</b>				
<b>Outstanding contracts</b>				
Cash flow hedges				
<i>AUD buy USD</i>				
Less than 3 months	0.897	12,443	13,867	(608)
3 to 6 months	0.898	11,500	12,803	(484)
<i>NZD buy USD</i>				
Less than 3 months	0.879	1,208	1,374	(85)
3 to 6 months	0.875	1,837	2,099	(127)
				<b>(1,304)</b>

The Group is primarily exposed to the foreign currencies of USD and NZD.

## 18. FINANCIAL INSTRUMENTS (continued)

### Forward foreign exchange contracts (continued)

The following table details the Group's sensitivity to a 10% increase and decrease in the Australian dollar (AUD) against USD and NZD. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents the Directors' assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 10% change in foreign currency rates.

A positive number below indicates an increase in equity where the Australian dollar strengthens 10% against the relevant currency. For a 10% weakening of the Australian dollar against the relevant currency, there would be an impact on equity, and the balances below would be negative. No impact on profit or loss would be noted as a result of foreign exchange movements due to the Group's hedging arrangements.

At 28 June 2015	Foreign currency increases by 10% \$'000	Foreign currency decreases by 10% \$'000
<b>Equity impact</b>		
AUD buy USD	4,117	(3,368)
NZD buy USD	53	(53)
	<b>4,170</b>	<b>(3,421)</b>

At 29 June 2014	Foreign currency increases by 10% \$'000	Foreign currency decreases by 10% \$'000
<b>Equity impact</b>		
AUD buy USD	2,184	(1,512)
NZD buy USD	21	(30)
	<b>2,205</b>	<b>(1,542)</b>

### Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Group manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the Group's remaining contractual maturity for its financial assets and liabilities. The table has been drawn up based on the undiscounted cash flows of financial assets and liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

As at 28 June 2015	Less than 1 month \$'000	1-3 months \$'000	4-12 months \$'000	Greater than 12 months \$'000	Total \$'000
<b>Financial liabilities</b>					
Borrowings	-	-	21,156	51,600	72,756
Trade and other payables	111,215	107,275	9,911	41	228,442
	<b>111,215</b>	<b>107,275</b>	<b>31,067</b>	<b>51,641</b>	<b>301,198</b>
<b>Financial assets</b>					
Cash and cash equivalents	29,511	-	-	-	29,511
Trade receivables	38,035	14,716	572	-	53,323
Foreign exchange contracts <sup>^</sup>	1,162	542	51	-	1,755
	<b>68,708</b>	<b>15,258</b>	<b>623</b>	<b>-</b>	<b>84,589</b>

As at 29 June 2014	Less than 1 month \$'000	1-3 months \$'000	4-12 months \$'000	Greater than 12 months \$'000	Total \$'000
<b>Financial liabilities</b>					
Trade and other payables	74,038	169,045	4,090	518	247,691
Foreign exchange contracts <sup>^</sup>	195	528	581	-	1,304
	<b>74,233</b>	<b>169,573</b>	<b>4,671</b>	<b>518</b>	<b>248,995</b>
<b>Financial assets</b>					
Cash and cash equivalents	29,944	-	-	-	29,944
Trade receivables	33,155	13,248	-	285	46,688
	<b>63,099</b>	<b>13,248</b>	<b>-</b>	<b>285</b>	<b>76,632</b>

<sup>^</sup> Foreign exchange contracts mature within 6 months. The Directors consider that the impact of discounting is not material.

## 18. FINANCIAL INSTRUMENTS (continued)

### Liquidity risk management (continued)

The fair value of foreign exchange contracts is determined using a generally accepted pricing model based on discounted cash flow analysis using assumptions supported by observing market rates. The discounted future cash flow analysis is performed for material contracts.

Except as disclosed below, the Directors consider that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the consolidated financial statements approximate their fair values.

The following table represents financial assets and liabilities that were measured and recognised at fair value:

	As at 28 June 2015 \$'000	As at 29 June 2014 \$'000
<b>Derivative liabilities that qualify as effective under hedge accounting rules</b>		
Cash flow hedges	-	(1,304)
<b>Derivative assets that qualify as effective under hedge accounting rules</b>		
Cash flow hedges	1,755	-

### Fair value hierarchy

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There were no transfers between levels during the year.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>As at 28 June 2015</b>				
Financial assets carried at fair value				
Foreign exchange contracts	-	1,755	-	1,755
<b>As at 29 June 2014</b>				
Financial liabilities carried at fair value				
Foreign exchange contracts	-	(1,304)	-	(1,304)

For financial instruments not quoted in active markets, the Group uses valuation techniques such as present value, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These valuation techniques use both observable and unobservable market inputs.

Foreign exchange contracts are financial instruments that use valuation techniques with only observable market inputs and are included in Level 2 above. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

The Group does not have any Level 1 or Level 3 financial instruments.

## 19. RELATED PARTY TRANSACTIONS

Dick Smith Holdings Limited is the ultimate parent entity.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

Sales to and purchases from related parties for goods and services are made in arm's length transactions at normal prices and on normal commercial terms.

The aggregate compensation of the executive key management personnel of the Group for the financial year ended 28 June 2015 is set out as below:

	28 June 2015 \$	29 June 2014 \$
Short-term employee benefits	4,346,904	6,504,170
Post-employment benefits	169,569	157,875
Long-term employee benefits	-	10,622
Share-based payment	178,254	1,893,582
	<b>4,694,727</b>	<b>8,556,249</b>

## 20. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

At 28 June 2015, there are no material contingent assets or liabilities other than bank guarantees and letters of credit described in Note 24 (2014: Nil).

## 21. REMUNERATION OF AUDITORS

	29 June 2015 \$	29 June 2014 \$
Audit and review of the financial report	338,000	325,000
Other assurance services	26,860	62,000
Investigating accountants' report and review of forecast for Initial Public Offering	-	784,000
Tax consulting and compliance services	66,000	177,000
	<b>430,860</b>	<b>1,348,000</b>
<b>Network firm of the auditor of the parent entity</b>		
Audit and review of subsidiary financial reports	18,491	15,000
Tax consulting and compliance services	11,067	
	<b>460,418</b>	<b>1,363,000</b>

The auditor of Dick Smith Holdings Limited is Deloitte Touche Tohmatsu.

## 22. DEED OF CROSS GUARANTEE

Pursuant to ASIC Class Order 98/1418, the wholly-owned subsidiaries are relieved from the *Corporations Act 2001* (Cth) requirements for the preparation, audit and lodgement of financial reports.

It is a condition of the class order that the Company and each of the Australian subsidiaries enter into a Deed of Cross Guarantee (Deed). Under the Deed the Company guarantees the payment of all debts of each of the subsidiaries in full, in the event of a winding up. The subsidiaries in turn guarantee the payment of the debts of the Company in full in the event that it is wound up.

The consolidated income statement and consolidated statement of financial position of the entities party to the deed of cross guarantee are:

### (a) Consolidated statement of profit or loss and other comprehensive income

	Year ended 28 June 2015 \$'000	Year ended 29 June 2014 \$'000
Revenue	1,153,079	1,048,583
Cost of sales	(865,310)	(785,406)
Gross profit	287,769	263,177
Other income	414	1,072
Marketing and sales costs	(100,688)	(113,327)
Occupancy and rental expenses	(80,894)	(71,601)
Administration costs	(44,354)	(33,996)
Finance costs	(3,707)	(2,740)
Other expenses	(6,778)	(22,322)
<b>Profit before income tax expense</b>	<b>51,762</b>	<b>20,263</b>
Income tax expense	(14,760)	(3,602)
<b>Net profit for the year</b>	<b>37,002</b>	<b>16,661</b>
<b>Other comprehensive income</b>		
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Exchange differences on translating foreign operations	1,608	(845)
Net fair value gain on hedging instruments	(885)	(308)
Other comprehensive income, net of tax	723	(1,153)
<b>Total comprehensive income for the year</b>	<b>37,725</b>	<b>15,508</b>

22. DEED OF CROSS GUARANTEE (continued)

(b) Consolidated statement of financial position

	28 June 2015 \$'000	29 June 2014 \$'000
<b>Current assets</b>		
Cash and cash equivalents	19,854	27,494
Trade and other receivables	48,941	42,909
Current tax receivables	9,424	-
Inventories	252,809	213,554
Current financial assets	1,337	-
Other current assets	1,812	3,401
<b>Total current assets</b>	<b>334,177</b>	<b>287,358</b>
<b>Non-current assets</b>		
Plant and equipment	84,347	71,547
Investment in subsidiary	9,271	9,271
Deferred tax assets	24,310	33,799
<b>Total non-current assets</b>	<b>117,928</b>	<b>114,617</b>
<b>Total assets</b>	<b>452,105</b>	<b>401,975</b>
<b>Current liabilities</b>		
Borrowings	70,500	15,359
Trade and other payables	213,068	226,015
Provisions	11,966	12,246
Lease liabilities	1,850	1,368
Deferred income	2,284	3,260
<b>Total current liabilities</b>	<b>299,668</b>	<b>258,248</b>
<b>Non-current liabilities</b>		
Provisions	5,435	6,408
Lease liabilities	16,101	9,564
<b>Total non-current liabilities</b>	<b>21,536</b>	<b>15,972</b>
<b>Total liabilities</b>	<b>321,204</b>	<b>274,220</b>
<b>Net assets</b>	<b>130,901</b>	<b>127,755</b>
<b>Equity</b>		
Issued capital	346,111	346,111
Reserves	(344,630)	(346,250)
Retained earnings	129,420	127,894
<b>Total equity</b>	<b>130,901</b>	<b>127,755</b>

### 23. SUBSEQUENT EVENTS

For the financial year ended 28 June 2015, the Directors have declared a dividend of 5.0 cents per share franked to 100% at 30% corporate income tax rate. The record date is 31 August 2015, with a payment date of 30 September 2015.

The dividend was declared on 17 August 2015 and accordingly the financial effect of the dividend has not been recognised for the year ended 28 June 2015.

There has been no other matter or circumstance occurring subsequent to the end of the year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future years.

### 24. DEBT FACILITIES

On 22 June 2015 the Group entered into a syndicated facility agreement with National Australia Bank Limited, Bank of New Zealand and HSBC Bank Australia Limited (together the "lenders").

Under the syndicated facility agreement, the lenders have made available an aggregate amount of \$135,000,000.

The facility is made up of the following components which took effect from 22 June 2015:

Tranche A	\$35,000,000	18 month revolving multi-option working capital facility
Tranche B	\$40,000,000	3 year revolving multi-option working capital facility
Overdraft Facility	\$60,000,000	12 month revolving overdraft facility

Drawings under the new facility may be made in AUD and/or NZD.

The new facility is secured by all present and after-acquired property owned by the Group.

As at 28 June 2015, the Group has outstanding facility debt drawn of \$70,500 thousand (29 June 2014: Nil). As part of the facility, the Group also has available a letter of credit sub-limit and at 28 June 2015 had utilised \$1,469,792 (29 June 2014: \$5,737,692) of the facility to provide bank guarantees and letters of credit.

The shareholder information set out below was applicable as at 7 August 2015.

#### A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

Range	Securities	%	No of Holders	%
100,001 and Over	207,254,496	87.63	72	2.29
10,001 to 100,000	19,518,611	8.25	735	23.35
5,001 to 10,000	5,656,119	2.39	682	21.66
1,001 to 5,000	3,781,912	1.60	1,120	35.58
1 to 1,000	300,226	0.13	539	17.12
<b>Total</b>	<b>236,511,364</b>	<b>100.00</b>	<b>3,148</b>	<b>100.00</b>

No holders had a less than marketable parcel of ordinary shares.

#### B. Top 20 Shareholders

The names of the 20 largest shareholders of ordinary shares are listed below:

Rank	Name	Number held	%IC
1	J P MORGAN NOMINEES AUSTRALIA LIMITED	57,141,658	24.16
2	NATIONAL NOMINEES LIMITED	36,176,951	15.30
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	34,671,336	14.66
4	CITICORP NOMINEES PTY LIMITED	15,994,889	6.76
5	LMA INVESTMENTS PTY LIMITED	15,330,639	6.48
6	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	10,028,944	4.24
7	BNP PARIBAS NOMS PTY LTD	9,323,303	3.94
8	AMP LIFE LIMITED	6,356,031	2.69
9	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	4,221,670	1.78
10	CITICORP NOMINEES PTY LIMITED	2,540,371	1.07
11	MRS MARCELLA DAVIS	727,988	0.31
12	MICHAEL POTTS	727,988	0.31
13	NATIONAL NOMINEES LIMITED	721,723	0.31
14	GWYNVILL TRADING PTY LIMITED	550,000	0.23
15	JOHN SKELLERN	516,019	0.22
16	TABWIT PTY LTD	500,000	0.21
17	DMW CAPITAL PTY LTD	468,182	0.20
18	JATOLI 2 PTY LTD	446,866	0.19
19	MARIO COCCIOLONE	441,205	0.19
20	NEIL MEROLA	438,498	0.19
	<b>TOTAL</b>	<b>197,324,261</b>	<b>83.43</b>
	<b>Balance of Register</b>	<b>39,187,103</b>	<b>16.57</b>
	<b>GRAND TOTAL</b>	<b>236,511,364</b>	<b>100</b>

#### C. Substantial Shareholders

Substantial holders in the Company are set out below:

Ordinary shares	No. held	Voting Power
Fidelity Worldwide Investment (FIL)	21,353,772	9.03%
LMA Investments as trustee for the NL Abboud Trust	15,345,639	6.49%
Deutsche Bank	14,479,955	6.12%
Commonwealth Bank of Australia	14,015,913	5.92%
Perpetual Investments	13,911,035	5.88%
Australian Super	13,047,384	5.52%
AXA Group	12,330,358	5.21%
AMP Limited	11,905,462	5.03%
Capital Group	11,885,123	5.03%

#### D. Unquoted equity securities

As at 7 August 2015 there were 12,176,077 options and performance rights granted over unissued ordinary shares in the Company to employees.

**Dick Smith Holdings Limited**

2 Davidson Street  
Chullora NSW 2190  
Australia

**Company Secretary**

David Cooke

**Auditor**

Deloitte Touche Tohmatsu  
Grosvenor Place  
225 George Street  
Sydney NSW 2000  
Australia

**Share registry**

Link Market Service Limited  
Level 12, 680 George Street  
Sydney NSW 2000  
Australia

**Annual General Meeting**

The 2015 Annual General Meeting of  
Dick Smith Holdings Limited will be held at  
Dick Smith Support Office, 2 Davidson Street  
Chullora, New South Wales on  
Wednesday 28 October 2015 at 11.00am

# COMPANY STORE LOCATOR

## DICK SMITH – AUSTRALIA

State	Location
ACT	Belconnen
ACT	Canberra Airport (Majura Park)
ACT	Canberra Centre
ACT	Gungahlin
ACT	Tuggeranong
ACT	Woden
NSW	Albury
NSW	Armidale
NSW	Ashfield
NSW	Ballina
NSW	Bankstown
NSW	Bateau Bay
NSW	Batemans Bay
NSW	Bathurst
NSW	Bega
NSW	Blacktown
NSW	Bondi Junction Westfield
NSW	Bowral
NSW	Broadway
NSW	Broken Hill
NSW	Burwood
NSW	Campbelltown Mall
NSW	Carlingford
NSW	Carnes Hill (Liverpool)
NSW	Castle Hill
NSW	Chatswood Chase
NSW	Chullora
NSW	Coffs Harbour
NSW	Dapto
NSW	Dubbo
NSW	Eastgardens (Pagewood)
NSW	Erina
NSW	Fairfield
NSW	Forster
NSW	Glendale
NSW	Goulburn
NSW	Grafton
NSW	Green Hills (East Maitland)
NSW	Griffith
NSW	Hornsby
NSW	Hurstville
NSW	Hurstville Westfield
NSW	Jesmond
NSW	Kotara
NSW	Lake Haven
NSW	Leichhardt
NSW	Lismore
NSW	Liverpool Westfield
NSW	Macarthur Square (Campbelltown)
NSW	Macquarie (North Ryde)
NSW	Maitland
NSW	Marrickville Metro
NSW	Menci
NSW	Merrylands
NSW	Miranda
NSW	Mittagong
NSW	Mt Druitt
NSW	Muswellbrook
NSW	Narellan
NSW	Neutral Bay
NSW	Newcastle West
NSW	Nowra
NSW	Orange
NSW	Parramatta Westfield
NSW	Penrith
NSW	Penrith Plaza
NSW	Plumpton
NSW	Port Macquarie (Horton St)
NSW	Port Macquarie (Settlement City)
NSW	Queanbeyan
NSW	Randwick
NSW	Rhodes
NSW	Rockdale (Banksia)
NSW	Roselands
NSW	Seven Hills
NSW	Shellharbour
NSW	Sydney (Central Plaza)
NSW	Sydney (George St)
NSW	Tamworth
NSW	Taree
NSW	Toormina Gardens
NSW	Top Ryde (Ryde)
NSW	Tuggerah
NSW	Tweed Heads
NSW	Wagga Wagga
NSW	Warrarong
NSW	Warriewood
NSW	Warringah (Brookvale)
NSW	Wetherill Park
NSW	Windsor
NSW	Winston Hills
NSW	Wollongong
NT	Alice Springs
NT	Casuarina
NT	Mitchell Centre (Darwin)
QLD	Airlie Beach
QLD	Australia Fair (Southport)
QLD	Beenleigh
QLD	Bribie Island
QLD	Brookside (Mitchelton)
QLD	Browns Plains
QLD	Bundaberg
QLD	Burleigh Heads
QLD	Cairns Central (Aeroglen)
QLD	Cairns DFO (Westcourt)
QLD	Calamvale
QLD	Caloundra
QLD	Cannon Hill
QLD	Capalaba Central
QLD	Carindale
QLD	Chermside
QLD	Clifford Gardens (Toowoomba City)
QLD	Dalby
QLD	Earlville (Aeroglen)
QLD	Elanora (The Pines)
QLD	Emerald
QLD	Gladstone
QLD	Gympie
QLD	Gympie Central
QLD	Helensvale
QLD	Hervey Bay
QLD	Indooroopilly (Centro)
QLD	Indooroopilly Shopping Centre
QLD	Ipswich
QLD	Kawana
QLD	Kingaroy
QLD	Kippa-Ring
QLD	Logan Central
QLD	Logan Hyperdome (Loganholme)
QLD	Mackay
QLD	Maroochydore
QLD	Maryborough
QLD	Mermaid Beach
QLD	Morayfield
QLD	Mt Gravatt (Garden City)
QLD	Mt Isa
QLD	Mt Ommaney
QLD	Mt Pleasant
QLD	Nambour
QLD	Noosa Civic (Noosaville)
QLD	North Lakes
QLD	Pacific Fair
QLD	Redbank
QLD	Robina
QLD	Rockhampton
QLD	Runaway Bay
QLD	Smithfield
QLD	Springfield
QLD	Stafford City
QLD	Strathpine
QLD	Sunnybank
QLD	Taigum
QLD	Toombul
QLD	Toowoomba
QLD	Townsville (Aitkenvale)
QLD	Townsville Castletown (Hyde Park)
QLD	Victoria Point
QLD	Warwick
QLD	Wynnum
QLD	Yamanto
QLD	Yeppoon
SA	Adelaide
SA	Arndale (Kilkenny)
SA	Churchill (Kilburn)
SA	Colonnades (Noarlunga Centre)
SA	Elizabeth
SA	Glenelg
SA	Golden Grove
SA	Hollywood Plaza (Salisbury Downs)
SA	Ingle Farm
SA	Marion (Oaklands Park)
SA	Modbury Tea Tree Plaza
SA	Mt Barker
SA	Mt Gambier
SA	Murray Bridge
SA	Northpark (Prospect)
SA	Norwood
SA	Renmark
SA	St Marys
SA	Victor Harbor
SA	West Lakes
SA	Whyalla Norrie
TAS	Burnie
TAS	Devonport
TAS	Eastlands (Rosny Park)
TAS	Glenorchy
TAS	Hobart
TAS	Kingston
TAS	Launceston
VIC	Airport West
VIC	Altona Gate
VIC	Bairnsdale
VIC	Ballarat
VIC	Bendigo
VIC	Box Hill
VIC	Brandon Park (Mulgrave)
VIC	Brighton
VIC	Broadmeadows
VIC	Camberwell
VIC	Chadstone
VIC	Chirnside Park
VIC	Corio
VIC	Craigieburn
VIC	Cranbourne

VIC	Dandenong
VIC	Doncaster
VIC	Eastlands (Ringwood)
VIC	Echuca
VIC	Eltham
VIC	Epping
VIC	Fountain Gate
VIC	Frankston Bayside
VIC	Geelong
VIC	Glen Waverley
VIC	Greensborough (Briar Hill)
VIC	Hamilton
VIC	Hastings
VIC	Highpoint (Maribyrnong)
VIC	Horsham
VIC	Karingal Hub (Frankston)
VIC	Knox (Wantirna South)
VIC	Lilydale
VIC	Malvern (Kooyong)
VIC	Melbourne (Bourke Street)
VIC	Melbourne Emporium
VIC	Mentone
VIC	Mildura
VIC	Moonee Ponds
VIC	Mornington
VIC	Morwell
VIC	Northland (Preston)
VIC	Nunawading
VIC	Pakenham
VIC	Parkmore (Keysborough)
VIC	Point Cook
VIC	Prahran
VIC	Rosebud
VIC	Sale
VIC	Shepparton
VIC	Southland (Cheltenham)
VIC	Springvale (Sandown Village)
VIC	Sunbury
VIC	Sunshine
VIC	Swan Hill
VIC	The Pines Doncaster
VIC	Traralgon
VIC	Victoria Gardens (Richmond)
VIC	Wangaratta
VIC	Warrambool
VIC	Watergardens (Taylors Lakes)
VIC	Waurm Ponds (Grovedale)
VIC	Wendouree Village
VIC	Woodgrove (Melton West)
WA	Albany
WA	Armadale
WA	Armadale Central
WA	Baldivis
WA	Belmont (Cloverdale)
WA	Booragoon
WA	Broome
WA	Bunbury
WA	Busselton
WA	Cannington
WA	Carousel Westfield (Cannington)
WA	Ellenbrook
WA	Fremantle
WA	Gateways (Success)
WA	Geraldton
WA	Innaloo
WA	Innaloo Westfield
WA	Joondalup
WA	Kalgoorlie
WA	Karrinyup
WA	Livingston (Canning Vale)
WA	Maddington
WA	Mandurah
WA	Midland
WA	Midland Gate
WA	Mirrabooka
WA	Morley (Centro Galleria)
WA	Morley (Walter Rd)
WA	Ocean Keys (Clarkson)
WA	Perth (William St)
WA	Perth City Central
WA	Phoenix (Spearwood)
WA	Riverton
WA	Rockingham City
WA	South Hedland
WA	Whitford City (Hillarys)

## DICK SMITH – NEW ZEALAND

NZ	Albany
NZ	Alexandra
NZ	Ashburton
NZ	Auckland
NZ	Auckland Central
NZ	Blenheim
NZ	Botany Town Centre (Auckland)
NZ	Dunedin
NZ	Dunedin (Cumberland St)
NZ	Gisborne
NZ	Glenfield (Auckland)
NZ	Greymouth
NZ	Hamilton
NZ	Hamilton (Centre Place)
NZ	Hamilton (The Base)
NZ	Hastings

NZ	Henderson (Auckland)
NZ	Hornby (Christchurch)
NZ	Invercargill
NZ	Johnsonville
NZ	Kapiti
NZ	Karangahape Rd (Auckland)
NZ	Kerikeri (Waipapa)
NZ	Levin
NZ	Lyall Bay (Wellington)
NZ	Manners Mall (Wellington)
NZ	Masterton
NZ	Mt Maunganui
NZ	Napier
NZ	Nelson
NZ	New Lynn (Auckland)
NZ	New Plymouth
NZ	Newmarket (Auckland)
NZ	Northwood (Christchurch)
NZ	Oamaru
NZ	Onehunga (Auckland)
NZ	Orewa
NZ	Palmerston North
NZ	Porirua
NZ	Pukekohe (Auckland)
NZ	Queensgate (Lower Hutt)
NZ	Queenstown
NZ	Riccarton (Christchurch)
NZ	Richmond
NZ	Ronwood Ave (Manukau)
NZ	Rotorua
NZ	St Lukes (Auckland)
NZ	Sylvia Park (Auckland)
NZ	Takanini (Auckland)
NZ	Takapuna (Auckland)
NZ	Taupo
NZ	Tauranga
NZ	Thames
NZ	The Palms (Christchurch)
NZ	Timaru
NZ	Upper Hutt
NZ	Wanganui
NZ	Warkworth
NZ	Wellington (Featherstone St)
NZ	Westgate (Auckland)
NZ	Whakatane
NZ	Whangarei

## MOVE

State	Location
NSW	Bondi Junction Westfield
NSW	Burwood
NSW	Macquarie
QLD	Garden City
QLD	Indooroopilly
SA	Adelaide Myer Centre
VIC	Fountain Gate
VIC	Highpoint
VIC	Melbourne Emporium
VIC	Southland

## MOVE by Dick Smith, Duty Free

State	Location
NSW	4 locations @ Sydney Int'l Airport

## DAVID JONES

State	Location
NSW	Bondi Junction Westfield
NSW	Burwood
NSW	Castle Towers (Castle Hill)
NSW	Chatswood Chase
NSW	Hornsby
NSW	Kotara
NSW	Macarthur Square (Campbelltown)
NSW	Macquarie Centre
NSW	Market Street (Sydney)
NSW	Parramatta
NSW	Tuggerah
NSW	Warringah Mall (Brookvale)
NSW	Wollongong
QLD	Carindale
QLD	Garden City
QLD	Indooroopilly
QLD	Queens Plaza (Brisbane)
QLD	Robina Town Centre
SA	Adelaide Central
SA	Marion
SA	West Lakes
VIC	Bourke Street Mall (Melbourne)
VIC	Chadstone
VIC	Doncaster
VIC	Glen Waverley
VIC	Highpoint
VIC	Southland
WA	Hay Street Mall (Perth)

**dick  
smith**