

COVER

SMITHS CITY GROUP LIMITED

HALF YEAR REPORT

31 OCTOBER 2010

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COMPANY DIRECTORY

SMITHS CITY GROUP LIMITED

DIRECTORS AND OFFICERS

CHAIRMAN Craig David Boyce

DEPUTY CHAIRMAN John Allen Dobson

DIRECTORS
John William Holdsworth
Richard Hellings
Susan Jane Sheldon – resigned 31.12.10
Sarah Christine Ottrey – appointed 31.12.10
Gary Raymond Rohloff – appointed 29.12.10

ALTERNATE DIRECTOR Gerald Haworth Willis

MANAGING DIRECTOR Richard Hellings

REGISTERED OFFICE
550 Colombo Street
Christchurch 8011

BANKERS
ANZ National Bank of New Zealand
P O Box 220
Christchurch 8011

AUDITORS
KPMG
Level 3, 62 Worcester Street
P O Box 1739
Christchurch 8011

SHARE REGISTRARS
Link Market Services
P O Box 384
Ashburton 7700
Telephone 03 3088887

ADDRESS FOR COMMUNICATIONS

POSTAL P O Box 2343, Christchurch

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Smiths City Group Limited (the Group) is the Christchurch based holding company for a group of businesses with operating revenues in excess of \$226.1million, employing over 700 staff and with approximately 2,350 shareholders. The Group's shares are listed on the New Zealand Stock Exchange under the stock code SCY.

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

RETAIL

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

Ü Lifestyle Stores

Trading as Smiths City, the lifestyle stores retail a range of household products including furniture, beds, floorcoverings, appliances, heating and air conditioning, consumer electronics and sports goods. There are 17 stores throughout the South Island and ten in the North Island. The Smiths City stores provide a full service customer experience with a full home delivery and installation service, selling branded goods supported by product specialists in each department. This contrasts with the check out cash and carry style operation used by many discount retailers.

Ü Specialist Appliance Chains

Powerstore and L V Martin & Son are specialist appliance chains, with Powerstore trading through eight stores in the South Island and L V Martin & Son operating through four stores in the Wellington region.

Ü Other Retail

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

Ü Support

The retail chains are supported by the Alectra service operation, which installs and services many of the products sold by the retail chains – including heating and air conditioning, and kitchen appliances.

FINANCE

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

PROPERTY

Superior store location and presentation are critical to the success of a retail organisation. The Group recognises this and retains ownership of its flagship Smiths City store in Colombo Street, Christchurch, through Smiths City Properties Limited.

The property company also undertakes development projects where opportunities are identified to enhance and add value to a site occupied by a Group store.

CUSTOMER LOYALTY

In modern day retailing creating customer loyalty to a retail brand is becoming increasingly difficult.

The company is committed to providing full training for all its staff and the provision of quality branded product from companies such as Fisher & Paykel, Sleepyhead, Panasonic, Sony and Morgan Furniture.

In addition it has its own direct importing program for furniture and is a member of Australasia's largest appliance buying group – NARTA – thus ensuring that its customers get the benefits of the best available buying terms.

The Group continues to build enduring customer loyalty through its commitment to providing a full service retail offering in store, in the customer's home and through firm but sensitive management of its finance operation.

As a result of this commitment the Group is confident it provides its customers with a rewarding full service experience supported by flexible finance options designed to meet their individual needs.

DIRECTORS' REPORT

SUMMARY OF FINANCIAL PERFORMANCE

The Directors of Smiths City Group Limited, the Christchurch based retailer, have announced an operating surplus after taxation for the six months to October 2010 of \$0.790million compared with \$1.018million last year – a decrease of 22.4%.

Operating revenues for the six months decreased 2.7% from \$112.5million to \$109.5million.

DIVIDEND

The Directors have declared an unimputed half year dividend of 1.0cent per share (last year 1.0cent partially imputed with 0.15cents of imputation credits attached).

For the purposes of the dividend the Share Register will close at 5.00pm on Friday 4 February 2011 and reopen at 9.00am on Monday 7 February 2011.

TAXATION

Smiths City has available carry forward tax losses of \$22.35million, hence no income tax is payable in the year.

As a result of depreciation on buildings no longer being allowed for tax purposes, a deferred tax liability adjustment of \$725,000 was required. This, however, has been offset by an adjustment to the deferred tax asset which recognises carry forward tax losses. The net impact is no taxation charge is required.

MARKET CONDITIONS

After seeing some improvement in trading conditions during the winter months, second quarter retail conditions worsened considerably.

In particular, consumer confidence through the South Island was adversely impacted by:

- The receivership in late August of South Canterbury Finance.
- The earthquake in Canterbury in early September, which had a major impact on the central city retail market through September, October and November.

- The considerable stock losses from the unseasonal snow in Southland in September.

In addition the big ticket retail markets suffered from a fall in sales following the increase in the rate of GST on 1 October 2010 and the consumer electronics market suffered from significant price deflation in the September to December period.

The result of this combination of factors was a second quarter fall in sales of 11.5% on the same quarter last year, with a resultant fall in profit for the half year.

A combination of largely uncontrollable circumstances like this is unprecedented and whilst November and December, relative to last year, improved on October, the market remains fragile and very competitive.

On 1 July the longstanding trading arrangement with Fisher & Paykel, whereby Smiths City sold only Fisher & Paykel sourced whiteware product, ended. The company has successfully entered into trading arrangements with several whiteware suppliers, including Fisher & Paykel, on terms satisfactory to the company and, consequently, is in a strong position to improve its market share in this very important product segment.

RETAIL STRATEGY

Profitable growth continues to be the cornerstone of the Board's long term strategy.

Trading conditions have been difficult over two years and this year has been exacerbated by the one off events noted above.

The Board recognises that business is cyclical and whilst the length and severity of this downturn is frustrating such circumstances are temporary. Accordingly, the company has continued to focus on the medium term strategy of building Smiths City's presence in the North Island.

As noted in previous reports the company identified Wellington as a key opportunity for profitable growth.

Accordingly, in the last 12 months the company has opened three stores in the Wellington region – Porirua in December 2009; Upper Hutt in March 2010 and in December 2010 Smiths City opened its third store in the Wellington area in the Harvey Norman Centre in Rutherford Street, Lower Hutt.

Rutherford Street is the location for almost 90% of all furniture and home appliance stores in Lower Hutt and is considered an ideal location for the company. This store has traded well since opening.

In addition, in December, as part of the wider Wellington strategy, the Smiths City Porirua store was increased in size by integrating the adjacent L V Martin store. This enabled the Smiths City store to stock a full range of appliances, furnishing and sports products.

In conjunction with this the company has undertaken a major refurbishment, expected to be completed in late January, of the largest L V Martin store located in Ngauranga Gorge.

FINANCE COMPANY

Ownership of the customer relationship through Smithcorp Finance gives the company many strategic advantages particularly in the area of customer relations. As such it remains a key part of our promotional activity and our customer loyalty program.

Smithcorp is funded through a bulk funding facility with Fisher & Paykel Finance Limited and, consequently, does not raise money from the general public. As at 31 October 2010 there were approximately 72,000 live accounts with an average loan balance of approximately \$1,200.

The finance company continues to trade well and contributed positively to the half year result.

PROPERTY

Smiths City Properties Limited is primarily an investment company.

It owns the property containing the flagship Colombo Street store and Group Administration office in Christchurch. Fully redeveloped in 2003 the land and buildings suffered only minimal

physical damage from both the major earthquake experienced in Christchurch in September 2010 and the subsequent 4,000 plus aftershocks.

It also undertakes property development opportunities involving our retail operations as they arise.

During the period the company completed the development of its Clearance Centre store in Invercargill.

DIRECTORS

The company is pleased to announce that Ms Sarah Ottrey and Mr Gary Rohloff have been appointed as independent non-executive Directors of the company.

Sarah has a strong background in marketing predominantly in the fast moving consumer goods industry both in New Zealand and Asia/Europe for the multi-national marketing organisations Unilever and Heineken/Asia Pacific Breweries. Previously Sarah has been the Head of Marketing for D B Breweries and a Board member of the Public Trust.

She is a Director of NZX listed EBOS Group Limited and NZX unlisted Blue Sky Meats Limited and is Deputy Chair of Wellesley College in Wellington.

Gary Rohloff is Chief Executive Officer of Number 1 Shoes Limited. He is an experienced retailer having been Chief Executive Officer of Warehouse Stationery Limited and Ezibuy Limited. Gary has also had experience in the finance sector having set up the Risk Advisory Unit for Westpac Investment Bank and been Group Treasurer at Mercury Energy and a treasurer at Transpower.

The company is very pleased to be able to appoint two Directors who bring strong operational skills to the Board. The marketing skills which Sarah Ottrey has developed will be invaluable in providing marketing and branding perspectives for the Smiths City operations. Gary Rohloff has an enviable background in retail and finance and we expect that he will be able to make a strong contribution to the success of the company.

DIRECTORS' REPORT (contd)

The Board is looking forward to working with the new Directors and to receiving their contribution to the management and governance of the company.

The Board also confirms the resignation as a Director of Ms Sue Sheldon. Sue has been a Director of the company for over five years.

During her time with the company Sue made an invaluable contribution during difficult economic conditions. Her participation on Board matters was always positive and her wide range of skills will be missed. The Board wishes Sue all the best for the future.

STAFF

Working in retail is demanding on staff and their families at the best of times.

Never has their loyalty been tested more than in the hugely difficult times experienced in the last

third of the calendar year 2010.

The Board would like to take this opportunity to extend their appreciation of the staff's loyalty and commitment to the company.

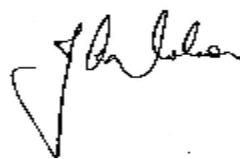
OUTLOOK

December trading was competitive with heavy discounting across all product categories adversely impacting margins. This environment is not anticipated to change appreciably as we go through the remainder of this financial year. However, with the changes made in Wellington, the rural markets in the South Island now recovering from the demise of South Canterbury Finance and the losses of early stock in Invercargill; and Christchurch gradually returning to normality – and likely to offer opportunities for the Group to participate in its recovery – we are looking forward to a better year in 2011/2012.

Dated 18 January 2011



C D BOYCE
CHAIRMAN



JOHN DOBSON
DEPUTY CHAIRMAN

FINANCIAL INFORMATION

SMITHS CITY GROUP LIMITED
UNAUDITED CONSOLIDATED INCOME STATEMENT
FOR THE HALF YEAR ENDED 31 OCTOBER 2010

	<u>UNAUDITED</u> <u>CURRENT</u> <u>HALF YEAR</u> <u>(\$000)</u>	<u>UNAUDITED</u> <u>PRIOR</u> <u>HALF YEAR</u> <u>(\$000)</u>	<u>AUDITED</u> <u>FULL YEAR</u> <u>30.4.10</u> <u>(\$000)</u>
Revenue	109,512	112,588	226,093
Trading Profit	1,659	1,888	3,199
Other Income	27	57	111
Group Interest Paid (Excluding Smithcorp)	(885)	(883)	(1,670)
Results From Operating Activities	801	1,062	1,640
Share of Profit/(Loss) of Equity Accounted Investees	(11)	(44)	4
Profit Before Tax	790	1,018	1,644
Taxation	-	-	-
Profit for the Period	790	1,018	1,644
Earnings Per Share For Profit Attributable To Equity Holders Basic And Diluted Earnings Per Share (Cents)	1.49	1.92	3.10

UNAUDITED CONSOLIDATED STATEMENT
OF COMPREHENSIVE INCOME AND EXPENSE
FOR THE HALF YEAR ENDED 31 OCTOBER 2010

	<u>UNAUDITED</u> <u>CURRENT</u> <u>HALF YEAR</u> <u>(\$000)</u>	<u>UNAUDITED</u> <u>PRIOR</u> <u>HALF YEAR</u> <u>(\$000)</u>	<u>AUDITED</u> <u>FULL YEAR</u> <u>30.4.10</u> <u>(\$000)</u>
Profit For Period	790	1,018	1,644
Other Comprehensive Income			
Cash Flow Hedges – Fair Value Gains Transferred To Income Statement	-	(868)	(891)
Cash Flow Hedges – Fair Value Gains (Losses) Taken To Cash Flow Hedge Reserve	(15)	(191)	313
Fair Value Revaluation Gain On Land And Buildings	-	-	208
Total Comprehensive Income (Loss) For The Period	775	(41)	1,274

SMITHS CITY GROUP LIMITED
UNAUDITED CONSOLIDATED STATEMENT OF MOVEMENTS IN EQUITY
FOR THE HALF YEAR ENDED 31 OCTOBER 2010

	SHARE CAPITAL	REVALUAT ION RESERVES	HEDGING RESERVES	OTHER RESERVES	RETAINED EARNINGS	TOTAL EQUITY
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
BALANCE 1 MAY 2009	10,652	8,971	108	94	25,708	45,533
Profit For The Period	-	-	-	-	1,018	1,018
Cash Flow Hedges – Fair Value Gains Transferred to Income Statement	-	-	(868)	-	-	(868)
Cash Flow Hedges - Fair Value Gain (Loss) Taken to Cash Hedge Reserve	-	-	(191)	-	-	(191)
Total Comprehensive Income For Period	-	-	(1,059)	-	1,018	(41)
Dividends Paid	-	-	-	-	(532)	(532)
BALANCE 31 OCTOBER 2009	10,652	8,971	(951)	94	26,194	44,960
Profit For The Period	-	-	-	-	626	626
Cash Flow Hedges – Fair Value Gains Transferred to Income Statement	-	-	(23)	-	-	(23)
Cash Flow Hedges - Fair Value Gain (Loss) Taken to Cash Hedge Reserve	-	-	505	-	-	505
Revaluation of Property	-	208	-	-	-	208
Total Comprehensive Income For Period	-	208	482	-	626	1,316
Dividends Paid	-	-	-	-	(576)	(576)
BALANCE 30 APRIL 2010	10,652	9,179	(469)	94	26,244	45,700
Profit For The Period	-	-	-	-	790	790
Cash Flow Hedges - Fair Value Gain (Loss) Taken to Cash Hedge Reserve	-	-	(15)	-	-	(15)
Total Comprehensive Income For Period	-	-	(15)	-	790	775
Dividends Paid	-	-	-	-	(531)	(531)
BALANCE 31 OCTOBER 2010	10,652	9,179	(484)	94	26,503	45,944

SMITHS CITY GROUP LIMITED
UNAUDITED CONSOLIDATED BALANCE SHEET
FOR THE HALF YEAR ENDED 31 OCTOBER 2010

	<u>UNAUDITED</u> <u>CURRENT</u> <u>HALF YEAR</u> <u>(\$'000)</u>	<u>UNAUDITED</u> <u>PRIOR</u> <u>HALF YEAR</u> <u>(\$'000)</u>	<u>AUDITED</u> <u>FULL YEAR</u> <u>30.4.10</u> <u>(\$'000)</u>
CURRENT ASSETS			
Cash and Cash Equivalents	1,795	2,595	1,818
Trade and Other Receivables	10,474	11,046	7,430
Property Intended For Sale	674	-	619
Inventories	39,997	34,956	40,177
TOTAL CURRENT ASSETS (excluding Smithcorp)	52,940	48,597	50,044
SMITHCORP ASSETS			
Smithcorp Cash and Cash Equivalents	1,334	686	1,027
Smithcorp Receivables – Current Portion	53,853	54,517	52,484
Smithcorp Receivables – Term Portion	33,390	34,900	36,997
TOTAL SMITHCORP ASSETS	88,577	90,103	90,508
OTHER ASSETS			
Property Plant and Equipment	24,211	24,603	24,743
Intangible Assets	3,206	3,539	3,489
Investment Properties	1,220	1,220	1,220
Investments in Equity Accounted Investees	673	636	684
Deferred Taxation	3,793	3,793	3,793
TOTAL OTHER ASSETS	33,103	33,791	33,929
TOTAL ASSETS	174,620	172,491	174,481
CURRENT LIABILITIES			
Bank Overdraft	-	-	1,220
Short Term Loan on Property Intended for Sale	565	-	565
Secured Borrowings	13,734	9,362	12,264
Trade Payables	24,868	22,720	21,028
Other Payables and Provisions Including Derivatives	459	597	574
TOTAL CURRENT LIABILITIES	39,626	32,679	35,651
SMITHCORP BORROWINGS	75,280	80,477	79,360
NON CURRENT LIABILITIES			
Secured Borrowings	13,770	14,375	13,770
TOTAL LIABILITIES	128,676	127,531	128,781
NET ASSETS	45,944	44,960	45,700
SHAREHOLDERS' FUNDS			
Share Capital Reserves	10,652	10,652	10,652
Revaluation Reserve	9,179	8,972	9,179
Other Reserves	(390)	(856)	(375)
Retained Earnings	26,503	26,192	26,244
TOTAL EQUITY	45,944	44,960	45,700
Net Tangible Assets Per Share (Cents)	72.27	69.85	71.26

SMITHS CITY GROUP LIMITED
UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 OCTOBER 2010

	UNAUDITED CURRENT HALF YEAR (\$000)	UNAUDITED PRIOR HALF YEAR (\$000)	AUDITED FULL YEAR 30.4.10 (\$000)
CASH FLOWS FROM OPERATING ACTIVITIES			
CASH WAS PROVIDED FROM:			
Receipts From Customers	97,081	104,400	220,186
Interest Received – Smithcorp	3,637	3,446	6,005
Interest Received – Other	32	59	95
Total Cash Flows From Operating Activities	100,750	107,905	226,286
CASH WAS APPLIED TO:			
Payments To Suppliers And Employees	(94,159)	(100,245)	(216,052)
Purchase Properties Subsequently Sold	(55)	-	(618)
Interest Paid – Smithcorp	(2,840)	(2,896)	(5,534)
Interest Paid – Other	(885)	(883)	(1,670)
Total Cash Flows Applied To Operating Activities	(97,939)	(104,024)	(223,874)
NET CASH INFLOW FROM OPERATING ACTIVITIES	2,811	3,881	2,412
CASH FLOWS FROM INVESTING ACTIVITIES			
CASH WAS PROVIDED FROM:			
Repayments of Advances by Customers	2,238	1,542	1,478
Total Cash Flows From Investing Activities	2,238	1,542	1,478
CASH WAS APPLIED TO:			
Purchase of Property, Plant & Intangibles	(404)	(449)	(1,742)
Total Cash Flows Applied to Investing Activities	(404)	(449)	(1,742)
NET CASH INFLOW (OUTFLOW) FROM INVESTING ACTIVITIES	1,834	1,093	(264)
CASH FLOWS FROM FINANCING ACTIVITIES			
CASH WAS PROVIDED FROM:			
Receipt of Loan	1,470	-	489
Total Cash Flows From Financing Activities	1,470	-	489
CASH WAS APPLIED TO:			
Repayments of Advances to Fund Finance Receivables	(4,080)	(3,066)	(4,183)
Repayments of Loans	-	(2,373)	-
Pay Dividend	(531)	(532)	(1,107)
Total Cash Flows Applied to Financing Activities	(4,611)	(5,971)	(5,290)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(3,141)	(5,971)	(4,801)
Net Increase (Decrease) in Cash Held	1,504	(997)	(2,653)
Cash at Beginning of Period	1,625	4,278	4,278
Cash at End of Period	3,129	3,281	1,625
RECONCILIATION OF NET PROFIT WITH CASH FLOW FROM OPERATING ACTIVITIES			
Profit Per Accounts After Earnings From Associate	790	1,018	1,644
Plus Realised Foreign Exchange Gains	-	(868)	(891)
Plus Share of Earnings From Associate	11	44	(4)
Add Depreciation and Amortisation	1,219	1,226	2,635
	2,020	1,420	3,384
ADD/(DEDUCT) MOVEMENTS IN WORKING CAPITAL:			
Add Decrease (Deduct Increase) Receivables	(3,044)	699	4,315
Add Decrease (Deduct Increase) Property Held For Sale	(55)	-	(619)
Add Decrease (Deduct Increase) Inventories	180	2,990	(2,231)
Add Increase (Deduct Decrease) Accounts Payable & Provisions	3,710	(1,228)	(2,437)
Movements in Working Capital	791	2,461	(972)
Net Cash Inflow From Operations	2,811	3,881	2,412

NOTES TO THE FINANCIAL STATEMENTS

1) GENERAL INFORMATION

Smiths City Group Limited (“the Company”) is a company domiciled in New Zealand, registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange (“NZX”). The company is an issuer in terms of the Financial Reporting Act 1993. The consolidated financial statements of Smiths City Group Limited for the six months ended 31 October 2010 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in associates.

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

2) BASIS OF PREPARATION

a) Summary of Significant Accounting Policies

These general purpose financial statements for the interim six month reporting period ended 31 October 2010 have been prepared in accordance with accounting standard NZIAS 34 Interim Financial Reporting. They do not include all the notes included in the full annual financial statements and are to be read in conjunction with the Annual Report for the year ended 30 April 2010.

b) Functional and Presentation Currency

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

c) Changes in Accounting Policies

There have been no changes to accounting policies during the period. Accounting policies have been applied on a basis consistent with the prior half year and annual financial statements.

d) Use of Estimates and Judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The only changes in estimates made for the half year ended 31 October 2010 relates to the deferred tax asset which is referred to in Note 7.

3) SEGMENT INFORMATION

The Group has three reportable operating segments that are defined by the sectors within the Group which operates namely retail, the financing of retail sales, and property. This reflects the provision of flexible branded finance options to the Group’s retail customers as being considered a key and integral part of the full service offering of all the trading operations of the Group.

The following is an analysis of the Group’s revenue and results by operating segment. Revenue reported below represents revenue generated from external customers. Inter segment revenue is recognised on the basis of arms length transactions.

The accounting policies of the reportable segments are the same as the Group’s accounting policies.

Segment Revenue and Profit Analysis

	REVENUE FROM EXTERNAL CUSTOMERS (\$000)	INTER SEGMENT REVENUE (\$000)	TOTAL SEGMENT REVENUE (\$000)	SEGMENT PROFIT (LOSS) (\$000)
UNAUDITED PRIOR HALF YEAR 31.10.09				
Retail Activities	107,147	-	107,147	(40)
Finance Business	5,441	-	5,441	1,194
Property Activities	57	774	831	218
Parent Company	-	1,750	1,750	(310)
Total For Reportable Segments	112,645	2,524	115,169	1,062
Share Of Losses Of Equity Accounted Investees	-	-	-	(44)
Consolidated Profit Before Taxation	112,645	2,524	115,169	1,018
UNAUDITED CURRENT HALF YEAR 31.10.10				
Retail Activities	103,817	-	103,817	(484)
Finance Business	5,695	-	5,695	1,441
Property Activities	27	809	836	266
Parent Company	-	800	800	(422)
Total For Reportable Segments	109,539	1,609	111,148	801
Share Of Losses Of Equity Accounted Investees	-	-	-	(11)
Consolidated Profit Before Taxation	109,539	1,609	111,148	790

Other Segment Information

	RETAIL ACTIVITIES (\$000)	FINANCE ACTIVITIES (\$000)	PROPERTY ACTIVITIES (\$000)
UNAUDITED PRIOR HALF YEAR 31.10.09			
Assets	61,840	89,375	21,276
Liabilities	(32,840)	(80,377)	(14,314)
Equity	(29,000)	(8,998)	(6,962)
Acquisitions Of Property, Plant, Equipment, Intangibles And Investments	449	-	-
Depreciation And Amortisation	1,156	27	43
UNAUDITED CURRENT HALF YEAR 31.10.10			
Assets	65,306	87,243	22,071
Liabilities	(38,393)	(75,682)	(14,601)
Equity	(26,913)	(11,561)	(7,470)
Acquisitions Of Property, Plant, Equipment, Intangibles And Investments	404	-	56
Depreciation And Amortisation	1,149	27	43

4) REVENUE

	UNAUDITED CURRENT HALF YEAR (\$000)	UNAUDITED PRIOR HALF YEAR (\$000)
Retail Sales	103,817	107,147
Interest Income On Smithcorp Finance Receivables Measured At Amortised Cost	5,418	5,171
Other Finance Income	237	204
Interest Income On Bank Deposits	40	66
	109,512	112,588

5) EXPENSES BY NATURE

Cost Of Goods Sold	(75,339)	(78,447)
Operating Lease Rental Expense	(6,323)	(6,295)
Employee Benefits	(14,817)	(14,998)

6) OTHER INCOME

	UNAUDITED CURRENT HALF YEAR (\$000)	UNAUDITED PRIOR HALF YEAR (\$000)
Rental Income From Investment Properties	27	57

7) DEFERRED TAX ASSETS AND LIABILITIES

As a result of buildings no longer being depreciable for tax purposes, a deferred tax liability adjustment of \$725,000 was required.

During the period the company has considered the level of budgeted profits to be recognised in the calculation of the deferred tax asset. As part of this assessment the Directors have considered the likelihood of a change in shareholding and the historical performance of the company. As a result approximately two years budgeted profits are considered appropriate on the basis it is probable that future taxable profits will be available against which they can be utilised (previously approximately one year). Accordingly, a deferred tax asset adjustment of \$935,000 was required.

Smiths City has available carry forward tax losses of \$22.35million, hence no income tax is payable.

Deferred tax assets and liabilities are attributed to the following:

	BALANCE 1 May 2010 (\$000)	MOVEMENT (\$000)	BALANCE 31 Oct 2010 (\$000)
Plant And Equipment	1,466	(306)	1,160
Property	(793)	(725)	(1,518)
Inventory	768	(48)	720
Receivables	419	17	436
Derivatives	141	4	145
Provisions	839	123	962
Tax Losses	953	935	1,888
	3,793	-	3,793

8) CAPITAL COMMITMENTS

The value of capital commitments at 31 October 2010 is \$60,000 (2009 \$100,000).

9) CONTINGENT LIABILITIES

The Group has contingent liabilities of \$nil at 31 October 2010 (2009 \$nil).

Smiths City Group Limited has guaranteed the borrowings from Fisher & Paykel Finance Limited which are secured against the finance receivables of Smithcorp Finance Limited.

The parent company has, under certain conditions, guaranteed up to \$550,000 of borrowings by Adventure Brands Limited, a 30% owned associate, from the National Bank of New Zealand.

10) EVENT AFTER BALANCE DATE

The company opened a Smiths City store in Lower Hutt in December 2010.

On 22 December 2010 the Directors announced to the NZX that they propose to pay a dividend of 1.0cent per share with no imputation credits on 11 February 2011 (2009 1.0cent with 0.15cents of imputation credits).

AS WE ARE TODAY

27 Smiths City stores

- 10 North Island
- 17 South Island

4 Clearance Centres – New Zealand wide

1 Furniture Concepts – Christchurch only

8 Powerstore – South Island only

4 L V Martin & Son – Wellington region only

7 Alectra Service – New Zealand wide

