

**SMITHS CITY GROUP LIMITED AND
SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF
CASHFLOWS FOR THE HALF YEAR**

	AS AT 31.10.00	AS AT 31.10.99	AS AT 30.4.00
	\$000	\$000	\$000
Cashflows From Operating Activities			
Cash Provided From:			
Receipts From Customers	79,702	69,463	155,640
Receipt of Dividend	0	0	258
Interest Received	51	298	881
	<u>79,753</u>	<u>69,761</u>	<u>156,779</u>
Cash Applied To:			
Payments to Suppliers and Employees	75,863	66,767	150,367
Interest Paid:			
Finance Company	2,554	2,041	4,272
Bank and Other	650	470	956
	<u>79,067</u>	<u>69,278</u>	<u>155,595</u>
Net Cashflow From Operating Activities	686	483	1,184
Cashflows From Investing Activities			
Cash Provided From:			
Proceeds from Sales of Properties	0	0	0
Sales of Investments	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>
Cash Was Applied To:			
Purchase Fixed Assets	(1,890)	(923)	(1,787)
Other	0	0	0
Net Cashflows Used in Investing Activities	(1,890)	(923)	(1,787)
Cashflows From Financing Activities			
Cash Provided From:			
Shares Issued to Staff	0	251	253
Receipts From Term Loan	984	414	892
	<u>984</u>	<u>665</u>	<u>1,145</u>
Cash Applied To:			
Repay Term Loan	(280)	(163)	(413)
Pay Dividend	(789)	(521)	(1,048)
	<u>(1,069)</u>	<u>(684)</u>	<u>(1,461)</u>
Net Cashflows Used in Financing Activities	(85)	(19)	(316)
Net Increase (Decrease) in Cash Held	(1,289)	(459)	(919)
Cash at Beginning of Period	496	1,415	1,415
Cash at End of Period	<u>(793)</u>	<u>956</u>	<u>496</u>
Net Surplus per Statement of Financial Performance	886	823	2,050
Add Depreciation	640	673	1,420
Adjusted Net Surplus	1,526	1,496	3,470
Add/(Deduct) Movements in Working Capital (Increase)/Decrease in Smithcorp Receivables	(2,449)	6,497	(12,029)
Increase/(Decrease) in Smithcorp Borrowings	1,496	(10,066)	12,322
(Increase)/Decrease in Receivables	(2,530)	(4,828)	(1,753)
(Increase)/Decrease in Inventories	(2,214)	3,914	(2,653)
Increase/(Decrease) in Current Liabilities	4,857	3,470	1,809
Movements in Working Capital	<u>(840)</u>	<u>(1,013)</u>	<u>(2,286)</u>
Net Cashflow From Operating Activities	<u>686</u>	<u>483</u>	<u>1,184</u>

**SMITHS CITY GROUP LIMITED
AND SUBSIDIARIES**

DIRECTORY

BOARD OF DIRECTORS

Craig David Boyce (Chairman)
John Allen Dobson (Deputy Chairman)
Richard Hellings
John William Holdsworth
Joy Kay Leslie

PRINCIPAL GROUP COMPANIES

HOLDING COMPANY
Smiths City Group Limited

MAJOR SUBSIDIARY COMPANIES

Smiths City (Southern) Limited
Smithcorp Finance Limited
Powerstore Limited

ASSOCIATE COMPANY

Wairau Park Limited (21.45% owned)

REGISTERED OFFICE

550 Colombo Street, Christchurch

ADDRESS FOR COMMUNICATIONS

POSTAL: P O Box 2343, Christchurch
TELEPHONE: 03 9833000
FACSIMILE: 03 9833031

SHARE AND CAPITAL NOTE REGISTRAR

B K REGISTRIES
National Bank Chambers
138 Tancred Street
P O Box 384
ASHBURTON
TELEPHONE: 0800377388
FACSIMILE: 03 3081311

INTERIM REPORT

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FINANCIAL STATEMENTS

31 OCTOBER 2000

**SMITHS CITY GROUP
LIMITED**

**SMITHS CITY GROUP LIMITED
AND SUBSIDIARIES**

DIRECTORS' REPORT

RESULTS AND TRADING CONDITIONS

Your Directors are pleased to report an unaudited pre-tax profit of \$1,322,000 and payment of a fully imputed interim dividend of 1cent per share for the six months to 31 October 2000. This compares with a profit of \$1,227,000 for the six months to 31 October 1999 - an increase of 7.7%. After tax profit has increased from \$823,000 to \$886,000.

This increase in profit continues the trend over the last three years and was achieved despite increased operational costs resulting from a lower exchange rate and higher interest rates.

During the six months to October overall South Island retail sales continued to grow with improving demand being experienced in particular in the rural areas. This was despite the national economy recording nil economic growth.

Our sales during this period increased from \$73,266,000 to \$82,546,000 - an increase of 11.2%. Sales on a same stores basis increased by 2.0%.

Market shares grew in the furnishings, appliances and sports sectors but the mild winter, lower building activity and higher interest rates combined to provide a period of low demand in the DIY area. It is particularly pleasing to report that the company has experienced significant sales growth in whiteware, furniture and, in particular, in the expanding market of computers and communications.

The period under review has been positive from a business development viewpoint with good progress being made in the store refurbishment and expansion program. During the six months the company relocated its Mosgiel Smiths City store, opened a new Powerstore in Dunedin and refurbished the Powerstore operations in Gore and Invercargill. In November the company relocated the Smiths City Ashburton store to new purpose built premises and opened a new Smiths City store at Northwood, Belfast, which retains a complete range of appliances, furnishings, sports and DIY products.

Whilst economic conditions in the South Island are predicted to improve, retail conditions are affected by decisions made by the national chains reacting to national circumstances. Particularly strong competitor activity and aggressive promotions in the market place have meant that trading conditions in November and December have been difficult and sales and margins are under some pressure. It is anticipated that this will continue into the foreseeable future.

WAIRAU PARK INVESTMENT

Smiths City has 21% ownership of the Wairau Park Limited property development on the North Shore in Auckland. Following completion of the motel and seven business units in the last financial year progress has been slow. This reflects the difficult business environment in Auckland. No dividends were received in the six months to October and it is not possible to predict with certainty any progress during the remainder of the financial year.

TAXATION

The company is continuing negotiations with the Inland Revenue as to the availability of losses carried forward from the 1999 tax year. As losses available to be carried forward against future income periods can not be quantified the Directors have provided for tax in full.

CONCLUSION

Whilst it is pleasing to report improving profits, management is acutely aware of the need to further improve its bottom line result for shareholders without compromising the offering it is giving to its customers.

**SMITHS CITY GROUP LIMITED
AND SUBSIDIARIES**

NOTES TO THE FINANCIAL STATEMENTS

- These financial statements are unaudited.
- The financial statements should be read in conjunction with the audited Annual Report for the year ended 30 April 2000. The financial statements have been prepared using accounting policies which have been applied on bases consistent with those used in the audited financial statements dated 30 April 2000.
- Negotiations continue with the Inland Revenue in regard to the availability of losses available for carry forward from the 1999 tax year. Taxation was not provided in the financial statements released for the October 1999 half year but in the interests of conservatism the Directors did provide for taxation in the financial statements for the full year to April 2000. The prior year October result has, therefore, been restated to include taxation. As losses available to be carried forward against future income periods can not be quantified the Directors have provided for tax in full.

**UNAUDITED STATEMENT OF FINANCIAL
PERFORMANCE FOR SIX MONTHS ENDED
31 OCTOBER 2000**

	SIX MONTHS ENDED 31.10.00 \$000	SIX MONTHS ENDED 31.10.99 \$000	YEAR ENDED 30.4.00 \$000
OPERATING REVENUE	82,546	73,266	156,433
OPERATING SURPLUS BEFORE TAXATION	1,322	1,227	2,942
Less taxation	<u>(436*)</u>	<u>(404*)</u>	<u>(892)</u>
OPERATING SURPLUS AFTER TAXATION	886	823	2,050
LESS DIVIDEND PAYABLE	<u>(526)</u>	<u>(529)</u>	<u>(789)</u>
SURPLUS AFTER DIVIDEND	<u>360</u>	<u>294</u>	<u>1,261</u>

* refer note 3 above

**SMITHS CITY GROUP LIMITED
AND SUBSIDIARIES**

**UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 31 OCTOBER 2000**

	AS AT 31.10.00 \$000	AS AT 31.10.99 \$000	AS AT 30.4.00 \$000
CURRENT ASSETS			
Cash	(793)	956	496
Receivables	8,953	7,521	6,066
Inventories	<u>28,450</u>	<u>28,411</u>	<u>26,236</u>
TOTAL CURRENT ASSETS	36,610	36,888	32,798
TOTAL SMITHCORP FINANCE RECEIVABLES			
Finance Receivables	72,697	65,344	70,248
OTHER ASSETS			
Investments	348	348	348
Property, Plant and Equipment	<u>15,511</u>	<u>14,244</u>	<u>14,261</u>
TOTAL OTHER ASSETS	<u>15,859</u>	<u>14,592</u>	<u>14,609</u>
TOTAL ASSETS	125,166	116,824	117,655
CURRENT LIABILITIES			
Accounts Payable	16,729	16,458	12,800
Provisions	<u>7,300</u>	<u>7,733</u>	<u>6,573</u>
TOTAL CURRENT LIABILITIES	24,029	24,191	19,373
TOTAL SMITHCORP FINANCE LIABILITIES			
Finance Receivable Borrowings	67,847	60,527	66,351
NON CURRENT LIABILITIES			
Term Loan	1,031	1,042	1,168
Secured Borrowings	<u>11,800</u>	<u>11,000</u>	<u>11,000</u>
TOTAL TERM LIABILITIES	<u>12,831</u>	<u>12,042</u>	<u>12,168</u>
TOTAL LIABILITIES	104,707	96,760	97,892
NET ASSETS	<u>20,459</u>	<u>20,064</u>	<u>19,763</u>
SHAREHOLDERS' FUNDS			
Share Capital Reserves	10,554	10,552	10,554
Revaluation Reserves	3,327	3,327	3,327
Other Reserves	94	94	94
Retained Profit	<u>6,484</u>	<u>6,091</u>	<u>5,788</u>
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO MEMBERS OF THE HOLDING COMPANY	<u>20,459</u>	<u>20,064</u>	<u>19,763</u>