Smiths City Group

Half Yearly Report

October 2015

Contents

Company Profile

Smiths City Group Limited was founded in 1918, is based in Christchurch and is listed on the New Zealand Stock Exchange. It has just over 1,300 shareholders.

As at 31 October 2015 the Group employs approximately 600 full-time employees.

It is the parent company of a number of subsidiary registered companies covering the range of business activities that the company engages in.

The Smiths City chain comprises 19 stores in the South Island and 13 stores in the North Island. This "Bricks and Mortar" network is supported by a fully functional web site.

The use of the internet is widely recognised as a developing medium for retail and the Group regards the web as an integral part of its future strategic intent.

Providing a superior customer buying experience is core to the Group's operating philosophy. This is achieved via offering:

- A compelling in-store presentation.
- Professional service from knowledgeable sales staff.
- Quality branded products sourced from reputable suppliers both within New Zealand and, where the customer is best served by doing so, overseas. The Group represents New Zealand iconic brands such as Fisher & Paykel, coupled with the best in consumer electronics from Apple, Bosch, Beko, Electrolux, LG & Samsung, amongst others.

The Smiths City retail operations are also supported by four Clearance Centres retailing a full range of affordable new product together with used items.

Currently the Group also has eight service centres trading as Alectra situated in strategic locations across New Zealand.

In addition to sourcing furniture from New Zealand manufacturers and distributors, the company operates a substantial import program handling in excess of 720 containers per annum through its national Distribution Centre located in Christchurch.

The finance division of the Group is divided into three product groupings, facilitating the provision of flexible finance options to our retail network.

The three groupings are:

1. Point-of-sale finance through secured fixed instalment or revolving credit customer accounts;
2. The provision of unsecured personal loans to customers with a proven credit history; and
3. A small trade finance ledger to businesses where the Group sees an opportunity to add value.

As at 31 October 2015 the consumer finance ledger had approximately 54,800 active accounts.

The Group also operates a Commercial division to serve commercial and insurance sourcing needs.

The Group's property company is used to undertake developments for the retail business when appropriate opportunities arise.

The Group owns the Bauer brand of bicycles. As a key part of its distribution strategy for this brand the Group owns 65% of Adventure Brands. Ad Brands also imports and wholesales fitness equipment.

The Group is a founding member of the New Zealand appliance buying group NARTA. Membership of this buying group has yielded significant benefits within the highly competitive appliance market.

Directors' Report

The Directors of Smiths City Group Limited, the Christchurch based retailers, have announced an operating surplus after taxation for the six months to 31 October 2015 of $2.555million compared with $4.266million last year with both period results affected by extraordinary items relating to the Christchurch property as well as "one off restructuring" costs in the year.

Operating revenues for the six months were $106.248million – a decrease of 2.9% on the previous half year.

The summary of consolidated results is as follows:

	UNAUDITED 6MTHS 31.10.15 ($000)	UNAUDITED 6MTHS 31.10.14 ($000)	%DEC /INC
REVENUE	**106,248**	**109,473**	**-2.9%**
Trading Profit (Note1)	**2,377**	**2,447**	**-2.8%**
Other Income (Note 2)	-	2,875	
Group Interest Paid	(698)	(880)	
(Excluding Smiths City Finance)			
Results From Operating Activities	**1,679**	**4,442**	**-62.2%**
Deferred Taxation (Note 3)	876	(176)	
Profit After Taxation	**2,555**	**4,266**	**-40.1%**

- **Note 1 – included in trading profit is a gain on the sale of the Colombo Street property of $1.8million. Secondly, trading profit includes restructuring costs of $1.4million.**
- **Note 2 – in 2014 other income includes insurance proceeds of $2.875million received for the Colombo Street property.**
- **Note 3 - the deferred tax charge for the current period takes into account temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes as well as the company's estimates of future taxable profits on the basis these can be offset against the tax losses available. Smiths City has available carry forward tax losses of $7.0million, hence no income tax is payable.**

The Directors have declared an unimputed half year dividend of 1.0cent per share (last year 1.0cent) to be paid on Friday 12 February 2016.

For the purposes of the dividend the share register will close at 5.00pm on Friday 5 February and reopen at 9.00am on the Tuesday 9 February 2016.

The Board was pleased to complete the sale of our "flagship" Colombo Street store in October 2015 for $19.6million nett of costs and book a profit of $1.8million before tax on the sale. This allowed the Group to repay all bank debt (except that required in the Finance company) and put us in a strong Balance Sheet position to grow the retail business for the future.

The company also commenced, during this six months following the appointment of CEO Mr Roy Campbell on 1 May 2015, a major restructuring of the business to improve results and prepare the company for growth. This will continue over the balance of the financial year and is outlined in more detail in the Chief Executive's Review to follow.

In particular the restructuring so far has been in the following areas:

- Rebrand all retail operations as "Smiths City" by absorbing the sub brands Powerstore and L V Martin to simplify the merchandise and promotional activity.
- Eliminate loss making parts of the business and reduce costs.
- Review the buying and logistics operations.
- Plan for the outsourcing of the Alectra appliance service operations.
- Revitalise our promotional and media offering as well as our consumer finance products.

When these matters are adjusted in the first half results, the trading results are improving and ahead of last year as outlined in the financial detail.

We were pleased to maintain our sales broadly consistent with last years level on a "same stores basis" after adjusting for the unprofitable Powerstore and L V Martin stores that have been closed.

Demand in some areas of the South Island has definitely been affected by the reduction in dairy and sheep farm incomes but that has been compensated for by better trading in the North Island in our stores in Wellington and the Bay of Plenty regions.

We are looking ahead with more confidence as the changes already made and planned are intended to improve retail profitability through higher margins and lower costs. There is ongoing review of many areas of the business which will further strengthen our market and customer proposition and profitability.

There will be further restructuring costs as action is taken to address areas which have held us back but these are necessary and "one off" and should be largely completed this financial year.

We also look forward to a considered entry into the Auckland market through the acquisition of an existing profitable business early in the next financial year.

C D BOYCE - CHAIRMAN

J A DOBSON - DEPUTY CHAIRMAN

Chief Executive's Report

Smiths City has traded successfully over the past six months.

We have, despite the overall slowing of the New Zealand economy, held revenue levels at the same levels as the prior year on a like for like store basis and experienced margin improvement. In October we opened our latest store in Taupo, adding a further 2,000 sqm of retail to our existing 63,000 sqm, clearly signalling our intent of expanding in the North Island.

Margin improvement resulted from our focus on execution at store level. In addition, over the past six months we have undertaken a number of significant initiatives with a view to improving our profitability and productivity. These can be viewed from both infrastructure and human capital perspectives, forming an integral part of our overall strategic review of business operations that has been conducted over the past six months.

The review comprised a full and comprehensive assessment of all aspects of our business including, but not limited to, our purchasing and supply chain practices. As a result we have adopted a cloud based logistics platform that will enable complete visibility over our supply chain, facilitating better decision making around inventory and reducing the compliance cost of managing the relationships between ourselves and our suppliers. The integration of the platform will be complete in March 2016 and we will see benefits flow from this date. The implementation of this system enables Smiths City to refresh its logistic platform in a cost effective manner. We are currently also reviewing proposals to provide a fully integrated warehousing management system.

From a market facing perspective we have realigned our brand portfolio from three brands to one, with the closure of our Powerstore operation and the rebranding of L V Martin in Wellington to Smiths City. This brings both economies of operation and consistency to our national advertising.

Concurrent with the rebranding we have recognised the need to enhance our marketing and communications activities. We have altered our mix of marketing spend to reflect the changing media consumption patterns of consumers. We have also commissioned Colmar Brunton to undertake an in-depth market research program that will inform us how to best present our offer to our customer base. We expect the results of the research early in 2016.

One of our core strengths is the diversity of our range allowing us to offer a compelling retail solution to the New Zealand home owner. Our buying team are in the process of conducting a complete review of our product portfolio to ensure the relevancy and currency of our product range. We continue to develop our revenue streams from our furniture and bedding offering. We have also enjoyed strong revenues from our Consumer Electronic division via focusing on the more premium end of the market and leaving the commodity market to others.

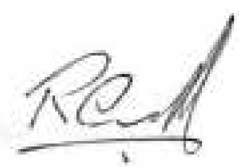
Our finance offering continues to deliver satisfactory results; it is, however, of note that consumer finance has become intensely competitive and price sensitive and is also experiencing increasing levels of legal compliance required. As a long standing finance provider we welcome these levels of increased compliance.

Recognising that our success is dependent in no small matter on the quality of the people we employ, there has been a number of changes in the executive team at Smiths City. We have engaged a Human Resource Manager to ensure that we achieve best practice in the management, motivation and development of our team. We have also appointed a new Marketing Manager with specific competency in the digital and CRM areas. We are currently also finalising the appointment of a Category & Logistics Manager and we have also introduced the position of National Sales Manager. With the completion of these positions Smiths City will have a substantially new executive team leading the business in the new year.

Turning to the trading environment we believe it will continue to be challenging. Accordingly, we do not see significant market growth in the sectors we operate in the near future. Improved returns for Smiths City will come from improving market share, accessing new regional centres where we are not currently present and the benefits flowing from improved operational efficiencies.

We remain a Christchurch based entity and we enjoy, and are proud of, our Southern heritage. We have close ties with heartland communities throughout New Zealand and we trade successfully and profitably in these areas.

We are confident that the work to date has positioned Smiths City to be competitive and profitable going forward.



ROY CAMPBELL - CHIEF EXECUTIVE

Financial Statements

For The Six Months To 31 October 2015 (Unaudited)

The Interim Financial Statements presented are signed for and on behalf of the Board and were authorised for issue on the 21 December 2015.

C D BOYCE - CHAIRMAN **J A DOBSON – DEPUTY CHAIRMAN**

Unaudited Consolidated Income Statement

For The Six Months To 31 October 2015

	UNAUDITED 6 MONTHS 31.10.15 ($000)	UNAUDITED 6 MONTHS 31.10.14 ($000)	AUDITED FULL YEAR 30.4.15 ($000)
Revenue	**106,248**	109,473	221,390
Trading Profit*	**2,377**	2,447	2,666
Other Income – Insurance Receipts For Property	**-**	2,875	8,489
Group Interest Paid (Excluding Smiths City Finance)	**(698)**	(880)	(1,851)
Profit Before Tax	**1,679**	4,442	9,304
Deferred Taxation**	**876**	(176)	(1,296)
Profit for the Period	**2,555**	4,266	8,008
Earnings Per Share For Profit Attributable To Equity Holders (Cents)	**4.8**	8.1	15.2

*Included in trading profit is a gain on the sale of the Colombo Street property of $1.8million. Secondly, trading profit includes restructuring and abnormal costs of $1.4million – refer notes 4 and 10.

**The deferred tax charge for the current period takes into account temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes as well as the movement in the company's estimates of future taxable profits on the basis these can be offset against the tax losses available. Smiths City has available carry forward tax losses of $7.0million, hence no income tax is payable.

Unaudited Consolidated Statement Of Comprehensive Income

For The Six Months To 31 October 2015

	UNAUDITED 6 MONTHS 31.10.15 ($000)	UNAUDITED 6 MONTHS 31.10.14 ($000)	AUDITED FULL YEAR 30.4.15 ($000)
Profit For Period	**2,555**	4,266	8,008
Other Comprehensive Income			
Items That May Be Reclassified Subsequently to Profit or Loss			
Revaluation Reserve Taken To Retained Earnings On Sale Of Property	**3,010**	-	-
Revaluation of Land and Buildings	**-**	-	730
Cash Flow Hedges – Fair Value Gains/(Losses) Taken to Cash Flow Hedge Reserve	**(394)**	148	(389)
Deferred Tax Impact Cash Flow Hedges – Fair Value Gain/(Losses) Taken to Cash Flow Hedge Reserve	**110**	(40)	109
Total Comprehensive Income For The Period	**5,281**	4,374	8,458
Attributable To:			
Equity Holders Of The Company	**5,317**	4,595	8,718
Minority Interests	**(36)**	(221)	(260)
	5,281	4,374	8,458

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes

Unaudited Consolidated Statement Of Movements In Equity

For The Six Months To 31 October 2015

	SHARE CAPITAL ($000)	REVALUATION RESERVES ($000)	HEDGING RESERVES ($000)	OTHER RESERVES ($000)	RETAINED EARNINGS ($000)	TOTAL EQUITY ($000)
Balance 1 May 2014	10,652	2,280	(289)	94	30,305	43,042
Profit For The Period	-	-	-	-	4,266	4,266
Cash Flow Hedges – Fair Value Gains (Loss)						
Taken To Cash Flow Hedge Reserve	-	-	148	-	-	148
Cash Flow Hedges - Deferred Tax Impact	-	-	-	-	(40)	(40)
Total Comprehensive Income For Period	-	-	148	-	4,226	4,374
Subtotal	10,652	2,280	(141)	94	34,531	47,416
Dividends Paid	-	-	-	-	(1,318)	(1,318)
Balance 31 October 2014	10,652	2,280	(141)	94	33,213	46,098
Profit For The Period	-	-	-	-	3,742	3,742
Sale of Land & Buildings	-	730	-	-	-	730
Cash Flow Hedges – Fair Value Gains (Loss)						
Taken To Cash Flow Hedge Reserve	-	-	(537)	-	-	(537)
Cash Flow Hedges – Deferred Tax Impact	-	-	-	-	150	150
Total Comprehensive Income For Period	-	730	(537)	-	3,892	4,085
Subtotal	10,652	3,010	(678)	94	37,105	50,183
Dividends Paid	-	-	-	-	(528)	(528)
Balance 30 April 2015	10,652	3,010	(678)	94	36,577	49,655
Profit For The Period	-	-	-	-	2,555	2,555
Sale of Land & Buildings	-	(3,010)	-	-	3,010	-
Cash Flow Hedges – Fair Value Gains (Loss)						
Taken To Cash Flow Hedge Reserve	-	-	(394)	-	-	(394)
Cash Flow Hedges – Deferred Tax Impact	-	-	-	-	110	110
Total Comprehensive Income For Period	-	(3,010)	(394)	-	5,675	2,271
Subtotal	10,652	-	(1,072)	94	42,252	51,926
Dividends Paid	-	-	-	-	(1,318)	(1,318)
Balance 31 October 2015	10,652	-	(1,072)	94	40,934	50,608
Attributable to:						
Equity Holders of the Company	10,652	-	(1,072)	94	40,830	50,504
Minority Interests	-	-	-	-	104	104
	10,652	-	(1,072)	94	40,934	50,608

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Unaudited Consolidated Balance Sheet

As At 31 October 2015

	UNAUDITED 6 MONTHS 31.10.15 ($000)	UNAUDITED 6 MONTHS 31.10.14 ($000)	AUDITED FULL YEAR 30.4.15 ($000)
CURRENT ASSETS			
Cash And Cash Equivalents	**2,588**	1,295	1,887
Smiths City Finance Cash And Cash Equivalents	**883**	629	1,229
Trade And Other Receivables	**11,069**	15,160	10,899
Smiths City Finance Receivables – Current Portion	**40,779**	39,029	40,634
Inventories	**44,416**	45,034	42,284
TOTAL CURRENT ASSETS	**99,735**	101,147	96,933
OTHER ASSETS			
Property	**-**	16,631	17,820
Intangible Assets	**2,129**	1,717	2,139
Plant And Equipment	**3,039**	2,895	2,875
Smiths City Finance Receivables – Term Portion	**25,810**	29,991	28,090
Investments	**12**	12	12
Deferred Taxation	**2,833**	2,818	1,847
TOTAL NON CURRENT ASSETS	**33,823**	54,064	52,783
TOTAL ASSETS	**133,558**	155,211	149,716
CURRENT LIABILITIES			
Bank Overdraft	**99**	1,589	-
Secured Borrowings	**-**	13,112	5,970
Trade Payables and Provisions	**27,351**	26,112	26,591
TOTAL CURRENT LIABILITIES	**27,450**	40,813	32,561
SMITHS CITY FINANCE NON CURRENT BORROWINGS	**55,500**	58,200	57,400
NON CURRENT LIABILITIES			
Secured Borrowings	**-**	10,100	10,100
TOTAL LIABILITIES	**82,950**	109,113	100,061
NET ASSETS	**50,608**	46,098	49,655
SHAREHOLDERS' FUNDS			
Share Capital Reserves	**10,652**	10,652	10,652
Revaluation Reserve	**-**	2,280	3,010
Other Reserves	**(978)**	(47)	(584)
Retained Earnings	**40,830**	33,034	36,437
	50,504	45,919	49,515
Minority Interests	**104**	179	140
TOTAL EQUITY	**50,608**	46,098	49,655
Net Tangible Assets Per Share (Cents)	**92.01**	84.23	90.16

The above consolidated balance sheet should be read in conjunction with the accompanying notes

Unaudited Consolidated Statement Of Cash Flows

For The Six Months To 31 October 2015

	UNAUDITED 6 MONTHS 31.10.15 ($000)	UNAUDITED 6 MONTHS 31.10.14 ($000)	AUDITED FULL YEAR 30.4.15 ($000)
CASH FLOWS FROM OPERATING ACTIVITIES			
CASH WAS PROVIDED FROM:			
Receipts From Customers	**97,492**	101,036	211,340
Interest Received – Smiths City Finance	**3,461**	3,508	6,935
Interest Received – Other	**57**	28	57
Total Cash Flows From Operating Activities	**101,010**	104,572	218,332
CASH WAS APPLIED TO:			
Payments To Suppliers And Employees	**(99,508)**	(104,383)	(208,159)
Interest Paid – Smiths City Finance	**(2,034)**	(2,118)	(4,217)
Interest Paid - Other	**(698)**	(880)	(1,851)
Total Cash Flows Applied To Operating Activities	**(102,240)**	(107,381)	(214,227)
NET CASH INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES	**(1,230)**	(2,809)	4,105
CASH FLOWS FROM INVESTING ACTIVITIES			
CASH WAS PROVIDED FROM:			
Repayments of Advances by Customers	**2,135**	2,990	3,286
Disposal of Property	**19,619**	595	595
Insurance Receipts for Property	**-**	2,875	8,489
Total Cash Flows From Investing Activities	**21,754**	6,460	12,370
CASH WAS APPLIED TO:			
Advances to Customers	**-**	-	-
Purchase of Property, Plant & Intangibles	**(980)**	(3,373)	(4,947)
Total Cash Flows Applied to Investing Activities	**(980)**	(3,373)	(4,947)
NET CASH INFLOW (OUTFLOW) FROM INVESTING ACTIVITIES	**20,774**	3,087	7,423
CASH FLOWS FROM FINANCING ACTIVITIES			
CASH WAS PROVIDED FROM:			
Receipts of Advances to Fund Finance Receivables	**-**	-	-
Receipt of Borrowings to Fund Working Capital	**-**	631	-
Total Cash Flows From Financing Activities	**-**	631	-
CASH WAS APPLIED TO:			
Repayments of Advances to Fund Finance Receivables	**(1,900)**	(2,100)	(2,900)
Repay Borrowings	**(16,070)**	-	(6,511)
Pay Dividend	**(1,318)**	(1,318)	(1,845)
Total Cash Flows Applied To Financing Activities	**(19,288)**	(3,418)	(11,256)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	**(19,288)**	(2,787)	(11,256)
Net Increase (Decrease) in Cash Held	**256**	(2,509)	272
Cash at Beginning of Period	**3,116**	2,844	2,844
Cash at End of Period	**3,372**	335	3,116
RECONCILIATION OF NET PROFIT WITH CASH FLOW FROM OPERATING ACTIVITIES			
Profit Per Accounts Before Deferred Taxation	**1,679**	4,442	9,304
Less Insurance Receipts for Property Treated as Investing Activities	**-**	(2,875)	(8,489)
Less Gain On Sale of Property Shown As An Investing Activity	**(1,799)**	-	-
Add Depreciation, Amortisation and Impairment	**826**	725	1,438
	706	2,292	2,253
ADD/(DEDUCT) MOVEMENTS IN WORKING CAPITAL:			
Add Decrease (Deduct Increase) Receivables (excl Property Held For Sale)	**(170)**	(2,908)	753
Add Decrease (Deduct Increase) Inventories	**(2,132)**	(2,647)	703
Add Increase (Deduct Decrease) Accounts Payable & Provisions	**366**	454	396
Movements in Working Capital	**(1,936)**	(5,101)	1,852
NET CASH INFLOW (OUTFLOW) FROM OPERATIONS	**(1,230)**	(2,809)	4,105

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

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 2015 comprise the Company and its subsidiaries (together referred to as the "Group").

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

2) Basis Of Preparation

a) Statement of Compliance

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

b) Summary of Significant Accounting Policies

These general purpose financial statements for the interim six month reporting period ended 31 October 2015 have been prepared in accordance with accounting standard NZIAS 34 and IAS34 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 2015.

c) Functional and Presentation Currency

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

d) Changes in Accounting Policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 30 April 2015 as described in those annual financial statements and will be used in the financial statements for the year ended 30 April 2016.

e) 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. There have been no changes to the areas of estimation uncertainty and critical judgement in applying accounting policies that have the most significant effect on the amount recognised in the financial statements from those appearing in the Annual Report for the year ended 30 April 2015.

f) Standards and Interpretations

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the six months ended 31 October 2015, as described in those annual financial statements.

There were no new standards or amendments to standards applied during the period.

Certain new standards, amendments and interpretations of existing standards have been published that are mandatory for later periods and which the Group has not early adopted. These will be applied by the Group in the mandatory periods listed below. The key items applicable to the Group are:

- **NZIFRS9: Financial Instruments** (effective from annual periods beginning on or after 1 January 2018) This standard replaces NZIAS39 Financial Instruments: Recognition and Measurement. The standard is not expected to materially impact the Group.

- **NZIFRS15: Revenue From Contracts With Customers** (effective from annual periods beginning on or after 1 January 2017)
  This standard addresses recognition of revenue from contracts with customers. It replaces the current revenue recognition guidance in NZIAS18 Revenue and NZIAS11 Construction Contracts and is applicable to all entities with revenue. The standard is not expected to materially impact the Group.

There are no other standards, amendments or interpretations to existing standards which have been issued, but are not yet effective, which are expected to impact the Group significantly.

g) Certain comparatives have been restated to ensure consistent presentation of financial information for this period.

3) Seasonality

The Group's revenue and profitability follow a seasonal pattern with higher sales and net profits typically achieved in the second half of the financial year as a result of additional sales generated during the Christmas trading period.

4) Segment Information

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

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

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 6 MONTHS ENDED 31.10.15				
Retail Activities	**101,123**	**-**	**101,123**	**249**
Finance Business	**5,125**	**-**	**5,125**	**1,587**
Property Activities - Operating	**-**	**661**	**661**	**618**
Property Activities - Sale of Property*	**-**	**-**	**-**	**1,800**
Parent Company	**-**	**-**	**-**	**(466)**
Total For Reportable Segments	**106,248**	**661**	**106,909**	**3,788**
Abnormal Items**	**-**	**-**	**-**	**(1,411)**
Subtotal	**106,248**	**661**	**106,909**	**2,377**
Group Interest Paid	**-**	**-**	**-**	**(698)**
Consolidated Profit Before Taxation	**106,248**	**661**	**106,909**	**1,679**

*Included in trading profit is a gain on the sale of the Colombo Street property of $1.8million. Refer also Note 10.

**Abnormal items relate firstly to costs associated with store closures; secondly employee restructuring; and thirdly the cost of an alteration of the way the Group approaches purchasing and supply chain management.

	REVENUE FROM EXTERNAL CUSTOMERS ($000)	INTER SEGMENT REVENUE ($000)	TOTAL SEGMENT REVENUE ($000)	SEGMENT PROFIT (LOSS) ($000)
UNAUDITED 6 MONTHS ENDED 31.10.14				
Retail Activities	104,135	-	104,135	9
Finance Business	5,338	-	5,338	2,128
Property Activities	-	536	536	601
Parent Company	-	-	-	(291)
Total For Reportable Segments	109,473	536	110,009	2,447
Insurance Receipts for Property	-	-	-	2,875
Group Interest Paid	-	-	-	(880)
Consolidated Profit Before Taxation	109,473	536	110,009	4,442

Other Segment Information

	RETAIL ACTIVITIES ($000)	FINANCE ACTIVITIES ($000)	PROPERTY ACTIVITIES ($000)	TOTAL ($000)
UNAUDITED 6 MONTHS ENDED 31.10.15				
Assets	**66,969**	**66,589**	**-**	**133,558**
Liabilities	**(27,450)**	**(55,500)**	**-**	**(82,950)**
Equity	**39,519**	**11,089**	**-**	**50,608**
Acquisitions Of Property, Plant, Equipment and Intangibles	**(967)**	**(13)**	**-**	**(980)**
Disposals of Property	**-**	**-**	**19,619**	**19,619**
Depreciation And Amortisation	**(786)**	**(40)**	**-**	**(826)**
Interest Expense	**(397)**	**(2,034)**	**(301)**	**(2,732)**
Interest Revenue	**-**	**5,125**	**-**	**5,125**
UNAUDITED 6 MONTHS ENDED 31.10.14				
Assets	69,560	69,020	16,631	155,211
Liabilities	(40,813)	(58,200)	(10,100)	(109,113)
Equity	(28,747)	(10,820)	(6,531)	(46,098)
Acquisitions Of Property, Plant, Equipment, Intangibles	931	4	2,438	3,373
Disposals of Property	-	-	595	595
Depreciation And Amortisation	(684)	(41)	-	(725)
Interest Expense	(568)	(2,118)	(312)	(2,998)
Interest Revenue	-	5,338	-	5,338

5) Revenue

	UNAUDITED 6 MONTHS 31.10.15 ($000)	UNAUDITED 6 MONTHS 31.10.14 ($000)
Retail Sales	**101,123**	104,135
Revenue Including Fees From Finance Receivables	**4,889**	5,060
Other Finance Income	**184**	242
Interest Income On Bank Deposits	**52**	36
	106,248	109,473

6) Expenses By Nature

Purchases Net of Rebates	**(68,500)**	(69,780)
Movement in Inventory	**(2,268)**	(2,461)
Operating Lease Rental Expense	**(7,035)**	(7,053)
Employee Benefits	**(17,217)**	(17,073)

7) Other Income

Other income in the six months ended 31 October 2014 includes insurance proceeds of $2.875m received for the Colombo Street property. This property was sold in October 2015 refer Note 10.

8) Smith City Finance Receivables

	2015 FIXED INSTALMENT ($000)	2015 REVOLVING CREDIT ($000)	2015 TOTAL ($000)	2014 FIXED INSTALMENT ($000)	2014 REVOLVING CREDIT ($000)	2014 TOTAL ($000)
Gross Finance Receivables	**73,318**	**20,079**	**93,397**	76,627	20,531	97,158
Provision For Unearned Income	**(25,545)**	**-**	**(25,545)**	(26,845)	-	(26,845)
	47,773	**20,079**	**67,852**	49,782	20,531	70,313
Less Impairment Allowances	**(768)**	**(495)**	**(1,263)**	(798)	(495)	(1,293)
	47,005	**19,584**	**66,589**	48,984	20,036	69,020

	UNAUDITED 6 MONTHS 31.10.15 ($000)	UNAUDITED 6 MONTHS 31.10.14 ($000)
Analysed as follows:		
Current	**40,779**	39,029
Term	**25,810**	29,991
	66,589	69,020

The interest rate charged to customers on fixed instalment and flexible credit agreements varies. For those customers paying their accounts within the promotional term no interest is charged. However, for those customers whose accounts become interest bearing the rate charged is up to 23.95% per annum (2014 23.95%). Interest on those fixed instalment contracts where the promotional term is the same as the contract term has been excluded as historical data shows that such interest is unlikely to be collected.

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

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

9) Financial Instruments

The Group's activities expose it to a variety of financial risks, market risk (including currency and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program seeks to minimise potential adverse effects on the Group's financial performance. The Group uses certain derivative financial instruments to hedge certain risk exposures.

The consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements. They should be read in conjunction with the Group's annual financial statements for the period ending 30 April 2015. There have been no changes in the risk management policies since year end.

The Group's classification of each class of financial assets and their fair values is set out below. Note that the only instruments designated at fair value are the derivative financial instruments. The derivatives are classified as Level 2 in the fair value hierarchy and there has been no movement between levels of fair value hierarchy during the six months ended 31 October 2015.

The Group's classification of each class of financial assets and liabilities is as follows:
– Classified at fair value – derivatives.
– Classified as loans and receivables – all other financial assets.
– Classified as other liabilities – all other financial liabilities.
Note that the fair value of the Group's financial assets and liabilities is not considered to be materially different to their carrying value.

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

	2015	2014
Derivatives Held For Risk Management	**2.95%-4.75%**	2.92%-4.75%

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

– Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
– Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
– Level 3: unobservable inputs for the asset or liability.

31 October 2015

	Level 1	Level 2	Level 3	Total
Other Investments, Including Derivatives (Current):				
Forward Exchange – Contracts Used For Hedging	-	131	-	131
Interest Rate Swaps Used for Hedging	-	(1,204)	-	(1,204)

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

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

10) Property, Plant And Equipment

During the period the Colombo Street property was sold to a third party and the Group entered into a lease back arrangement on normal commercial terms.

The sale of the property realised $19.6m after costs and resulted in a gain over its $17.8m carrying value of $1.8m which is reflected in the operating result for this six months. Furthermore the revaluation reserve of $3m was realised and transferred to retained earnings as a result of the sale.

During the six months to 31 October the additions to plant, equipment and intangibles totalled $1.0m (2014 $0.9m).

11) Capital Commitments

Commitments in relation to refurbishment, fit-out and process improvement projects at the end of the period not provided for in the financial statements totalled $0.5m (2014 $0.5m).

12) Related Party Transactions

During the six months ended 31 October 2015 the company advanced and repaid loans to its subsidiaries by way of internal transfers between current accounts. In presenting the financial statements of the Group the effect of transactions and balances between fellow subsidiaries and those with the parent have been eliminated. All transactions with related parties were in the normal course of business. All transactions were provided on normal commercial terms.

During the six months ended 31 October 2015 Smiths City Properties received rental income relating to the Colombo Street property of $0.661m (2014 $0.536m) from Smiths City (Southern) Limited, a fellow subsidiary company of the Parent. This rental transaction is conducted on an arms length basis. Note however that this property was sold in October 2015.

INFORMATION TECHNOLOGY SERVICES
The company has an existing contract dating from 1 November 2009 with Datacom Group Limited of which Craig Boyce (Chairman of Smiths City Group Limited), is Chairman, to provide information technology outsourcing services for the computer hardware and software facilities of the company. The transactions with Datacom Group Limited are completed on a commercial arms length basis within the Chief Executive's delegated powers. Purchases for the six months ended 31 October 2015 were $0.426m (2014 $0.487m). The amount owing to Datacom Group Limited at 31 October 2015 was $0.11m (2014 $0.2m).

ADVENTURE BRANDS LIMITED
The Group increased its 30% holding in Adventure Brands Limited to 65% on 31 March 2014. Accordingly, Adventure Brands Limited's results for the six months ended 31 October 2014 together with its assets and liabilities have been consolidated in these financial statements. Purchases for the six months ended 31 October 2015 were $0.35m (2014 $0.35m). The amount owing at 31 October 2015 was $0.1m (2014 $0.1m). As at 31 October 2015 a wholly owned subsidiary of the Group had advanced $1.99m to Adventure Brands Limited (2014 $1.96m). This advance is made on an arms length basis.

NARTA NZ LIMITED
The Group has an investment of $0.01m in NARTA NZ Limited. NARTA NZ Limited is an appliance buying group of which the Group was one of the founding members. The Group has Board representation in this company and the Group's shareholding also provides it with voting rights. However, the Group does not consider NARTA NZ Limited to be an associate requiring accounting under the equity method. Purchases through this buying group are settled directly with the suppliers concerned on normal commercial terms as are the rebates which accrue as a result of these transactions. The Group also received income as a member from this company totalling $0.1m for the six months ended 31 October 2015 (2014 $0.2m). The amount owing to the Group at 31 October was $0.1m (2014 $0.1m).

Directors received Director's Fees and dividends in relation to their beneficially held shares as detailed below::

	6 Months ended 31 October 2015		6 Months ended 31 October 2014	
	Directors ' Fees ($000)	**Dividends ($000)**	**Directors ' Fees ($000)**	**Dividends ($000)**
Executive Directors				
R Hellings (resigned 29.5.15)	-	-	-	73
C D Boyce	45	41	45	41
Non Executive Directors				
J A Dobson	34	6	34	6
G R Rohloff	26	-	26	-
S M Henderson	26	-	-	-
	131	47	105	120

13) Contingent Liabilities

The Group has contingent liabilities of $nil at 31 October 2015 (2014 $nil).

14) Events After Balance Date

On 22 December 2015 the Directors announced to the NZX that they propose to pay a dividend of 1.0cent per share with no imputation credits on 12 February 2016 (2015 1.0cent).

Company Directory

Directors and Officers

Chairman	Craig David Boyce
Deputy Chairman	John Allen Dobson
Directors	Gary Raymond Rohloff Sheena Moana Henderson
Chief Executive Officer	Roy James Campbell

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Bankers

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Auditors

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Share Registrars

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Store Locations 2015