Appendix 4D

Half-year financial report

For the 26 weeks ended 29 December 2013

Dick Smith Holdings Limited

ACN 166237841

This half-year financial report is provided to the Australian Securities Exchange (ASX) under ASX Listing Rule 4.2A.3.

Dick Smith Holdings Limited

ACN 166237841

Reporting period

26 week period ended 29 December 2013

Comparative period

Due to the prior period representing only one month of trading results, the company has obtained ASIC relief from the requirement to provide prior period comparative information in this Appendix 4D.

Results for announcement to the market

	Amount $m
Revenue from ordinary activities	637.0
Loss from ordinary activities after tax	(4.9)
Net loss attributable to members of the parent entity	(4.9)

Dividend information

In accordance with the Prospectus dated 21 November 2013, no dividends were provided for or paid in respect of the period ended 29 December 2013.

Net tangible assets per security

	29 Dec 2013
Net tangible assets per security	**$0.61**

Other information

This report is based on the condensed consolidated financial statements which have been reviewed by Deloitte Touche Tohmatsu. The review report is included in the attached interim financial report.

For the brief explanation of the figures above please refer to the Announcements on the results for the half-year ended 29 December 2013 and the notes to the financial statements.

Dick Smith Holdings Limited

ACN 166237841

Half-year financial report

For the 26 weeks ended 29 December 2013

Half-year financial report
For the 26 weeks ended
29 December 2013

Contents

Directors' report

The directors of Dick Smith Holdings Limited ('the Company') submit herewith the half-year financial report of the Group for the 26 weeks ended 29 December 2013. The Group consists of the company and the entities it controlled at the period end and from time to time during the period. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Information about the directors and office holders

The names and particulars of the directors and office holders of the company during or since the end of the period are:

Name	**Position**
Mr Phillip J Cave AO	Chairman
Mr Nick Abboud	CEO and Managing Director
Mr William P.R. Wavish	Non-Executive Director
Ms Lorna Raine	Non-Executive Director
Mr Robert Ishak	Non-Executive Director
Mr Michael Potts	CFO and Company Secretary

All directors and office holders of the company were appointed on registration of the company on 25 October 2013.

Principal activities

The Group's principal activity in the course of the period was that of retailing consumer electronic products from standalone destination sites, shopping centre locations and online throughout Australia and New Zealand.

Operating and financial review

Dick Smith Holdings Limited (DSH) is a consumer electronics retailer with 369 stores in Australia and New Zealand. The company was registered on 25 October 2013 and listed on the Australian Securities Exchange on 4 December 2013, when it concurrently acquired Dick Smith Sub-Holdings Pty Limited (the operating group). Statutory consolidated net profit after tax attributable to the owners of DSH for the 26 weeks ended 29 December 2013 was a loss of $4,924 thousand. DSH's underlying performance during the half-year is summarised on a pro forma basis, reflecting the ongoing consolidated operations for the 26 weeks to 29 December 2013.

1H2014 pro forma financial highlights

	1H2014	**FY2014 Prospectus forecast**	**1H2014 Actual % of Prospectus forecast**	**Prospectus forecast**
Sales (A$m)	637.0	1,226.0	52%	52%
EBITDA (A$m)	41.7	71.8	58%	56%
EBIT (A$m)	36.2	58.7	62%	
NPAT (A$m)	25.0	40.0	63%	
EPS (c)	10.6	16.9	63%	

DSH benefited from a strong focus on driving profitable sales, gross margin management and improving costs of doing business, with pro forma EBITDA 4% ahead of Prospectus. The focus on key categories of Office, Mobility and Accessories assisted sales, with the gross margin of 25.3% benefiting from an improvement in New Zealand gross margin, and a focus on profitable sales growth.

Balance sheet

DSH's healthy balance sheet, with no drawn debt and an improvement in inventory quality at 29 December 2013, places the company in a strong financial position for future growth.

Outlook

DSH anticipates further benefits should be realised in 2H2014 from initiatives undertaken, particularly the new stores being open for the full period, further expansion of our store footprint, the continued transition of the David Jones electrical department to DSH, the restructure of the support function in New Zealand, other supply chain efficiencies and ongoing transformation initiatives. Risks include a deterioration of the macro-economic and/or retail environment in Australia and New Zealand, adverse foreign exchange movements, changes in customer preferences or technology and an increase in competition.

Directors' report (continued)

Non-IFRS financial measures

Given the incorporation date and subsequent listing of Dick Smith Holdings Limited and the significant difference to the underlying operating performance for the 26 weeks to 29 December 2013, 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.

The non-IFRS financial measures included in the directors' report have been calculated to exclude the impact of the costs associated with the listing of DSH on the Australian Securities Exchange. These exclude offer and other costs associated with the offer of securities in Dick Smith Holdings Limited, payments made to the existing owners of the operating group and Woolworths Limited, share based remuneration to key management personnel and tax adjustments recognised as part of the offer.

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

Financial half year ending 29 December 2013 (A$m)	Sales	EBIT	EBITDA	NPAT	Net Cash Flow
1H2014 statutory results	**637.0**	**7.9**	**13.4**	**(4.9)**	**17.8**
Restructuring costs	-	1.6	1.6	1.6	1.6
Other costs	-	1.4	1.4	1.4	(2.0)
Share based payments	-	4.4	4.4	4.4	-
Impact of the offer	-	20.9	20.9	20.9	20.9
Repayment of borrowings	-	-	-	-	(26.5)
Repayment of Woolworths liability	-	-	-	-	24.0
Acquisition price adjustment to Existing Owners	-	-	-	-	15.0
Tax adjustment	-	-	-	1.7	-
Interest Cost	-	-	-	(0.2)	0.5
1H2014 pro forma results	**637.0**	**36.2**	**41.7**	**25.0**	**51.3**

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

Changes in state of affairs

Dick Smith Holdings Limited was incorporated on 25 October 2013. On 4 December 2013 the shareholders of the Company and Dick Smith Sub-holdings Pty Limited undertook a corporate reorganisation process, through which Dick Smith Holdings Limited acquired Dick Smith Sub-holdings Pty Limited. Under the principles of corporate reorganisation in accordance with Australian Accounting Standards, the interim financial report of Dick Smith Holdings Pty Limited includes the historical financial information of Dick Smith Sub-holdings Pty Limited for the period before the acquisition.

Accordingly, this half-year financial report represents the 26 weeks ended 29 December 2013 including the financial results for the consolidated group under Dick Smith Holdings Limited for the period 4 December 2013 to 29 December 2013, and the consolidated group under Dick Smith Sub-holdings Pty Limited for the period 1 July 2013 to 4 December 2013. The comparative information presented in the financial report represents the financial position of Dick Smith Sub-holdings Pty Limited as at 30 June 2013, and the financial performance of Dick Smith Sub-holdings Pty Limited for the 4 month period from the date of incorporation of Dick Smith Sub-holdings Pty Limited (30 August 2012) to 30 December 2012, including one month of trading.

On 4 December 2013, the company commenced trading on the Australia Securities Exchange following the successful floating on the securities exchange.

Auditor's independence declaration

The auditor's independence declaration is included on page 4 of the financial report.

Directors' report (continued)

Subsequent events

There has not been any matter or circumstance occurring subsequent to the end of the period that has significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in future periods.

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.

On behalf of the directors

Phillip J Cave
Chairman
Sydney, 18 February 2014

Deloitte Touche Tohmatsu
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The Board of Directors
Dick Smith Holdings Limited
2 Davidson Avenue
CHULLORA NSW 2114

18 February 2014

Dear Directors,

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 review of the half-year financial report of Dick Smith Holdings Limited for the 26 weeks ended 29 December 2013, 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 review; and
(ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

D R White

D R White
Partner
Chartered Accountants

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Independent Auditor's Review Report to the Members of Dick Smith Holdings Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Dick Smith Holdings Limited, which comprises the condensed consolidated statement of financial position as at 29 December 2013, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the 26 weeks then ended, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 7 to 26.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Dick Smith Holdings Limited's financial position as at 29 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Dick Smith Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

Deloitte.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, 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 review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Dick Smith Holdings Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 29 December 2013 and of its performance for the 26 weeks then ended; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

D R White

D R White
Partner
Chartered Accountants
Sydney, 18 February 2014

Directors' declaration

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the company 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*, 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.

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.303(5) of the *Corporations Act 2001*.

On behalf of the directors,

Phillip J Cave
Chairman
Sydney, 18 February 2014

Condensed consolidated statement of profit or loss and other comprehensive income

	Note	26 weeks ended 29 December 2013 $'000	4 month period ended 30 December 2012 $'000
Revenue	2	637,009	215,011
Cost of sales		(476,090)	(169,135)
Gross profit		**160,919**	**45,876**
Other income	2	486	145,898
Personnel expenses		(72,466)	(16,099)
Marketing and sales income/(costs)		1,729	(3,738)
Occupancy and rental expenses		(38,336)	(7,422)
Administration costs		(22,411)	(6,745)
Finance costs		(712)	(155)
Other expenses	2	(21,583)	(3,163)
Profit before income tax expense		7,626	154,452
Income tax expense		(12,550)	(3,505)
Net (loss)/profit for the period		**(4,924)**	**150,947**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		3,779	319
Net fair value gain/(loss) on hedging instruments		(2,697)	(55)
Other comprehensive income, net of tax		1,082	264
Total comprehensive (loss)/income for the period		**(3,842)**	**151,211**
Earnings per share			
Basic	6	($0.02)	$0.64
Diluted	6	($0.02)	$0.64

Notes to the condensed consolidated financial statements are included on pages 13 to 26.

Condensed consolidated statement of financial postion

	Note	As at 29 December 2013 $'000	As at 30 June 2013 $'000
Current assets			
Cash and cash equivalents		65,185	46,538
Trade and other receivables		27,563	10,404
Inventories		238,759	168,533
Financial assets		2,408	5,633
Other current assets		3,741	10,097
Total current assets		**337,656**	**241,205**
Non-current assets			
Plant and equipment		70,906	60,259
Deferred tax assets		31,818	42,881
Total non-current assets		**102,724**	**103,140**
Total assets		**440,380**	**344,345**
Current liabilities			
Trade and other payables		263,832	153,299
Provisions		15,376	16,080
Deferred income		2,550	2,908
Total current liabilities		**281,758**	**172,287**
Non-current liabilities			
Provisions		11,256	13,851
Lease liabilities		4,030	1,720
Total non-current liabilities		**15,286**	**15,571**
Total liabilities		**297,044**	**187,858**
Net assets		**143,336**	**156,487**
Equity			
Issued capital	4	346,111	10,000
Reserves	5	(338,041)	6,297
Retained earnings		135,266	140,190
Total equity		**143,336**	**156,487**

Notes to the condensed consolidated financial statements are included on pages 13 to 26.

Condensed consolidated statement of changes in equity

	Note	Issued capital	Retained earnings	Foreign exchange translation reserve	Cash flow hedge reserve	Share option reserve	Total
		$'000	$'000	$'000	$'000	$'000	$'000
Balance at 30 August 2012		-	-	-	-	-	-
Profit for the period		-	150,947	-	-	-	150,947
Other comprehensive income		-	-	319	(55)	-	264
Total comprehensive income for the period		**-**	**150,947**	**319**	**(55)**	**-**	**151,211**
Transactions with owners in their capacity as owners:							
Issue of shares	4	10,000	-	-	-	-	10,000
Recognition of equity settled share based payments	5(iii)	-	-	-	-	3	3
Balance at 30 December 2012		**10,000**	**150,947**	**319**	**(55)**	**3**	**161,214**

Notes to the condensed consolidated financial statements are included on pages 13 to 26.

Condensed consolidated statement of changes in equity

	Note	Issued capital	Retained earnings	Acquisition reserve	Employee Share reserve	Foreign exchange translation reserve	Fair value gain on hedging instruments	Share option reserve	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 30 June 2013		10,000	140,190	-	-	2,798	3496	3	156,487
Loss for the period		-	(4,924)	-	-	-	-	-	(4,924)
Other comprehensive income		-	-	-	-	3,779	(2,697)	-	1,082
Total comprehensive loss for the period		**-**	**(4,924)**	**-**	**-**	**3,779**	**(2,697)**	**-**	**(3,842)**
Transactions with owners in their capacity as owners:									
Issue of shares	4	346,111	-	-	-	-	-	-	346,111
Recognition of equity settled share based payments	5(iii)	-	-	-	5,694	-	-	(3)	5,691
Recognition of corporate reorganisation	5(v)	(10,000)	-	(351,111)	-	-	-	-	(361,111)
Balance at 29 December 2013		**346,111**	**135,266**	**(351,111)**	**5,694**	**6,577**	**799**	**-**	**143,336**

Notes to the condensed consolidated financial statements are included on pages 13 to 26.

Condensed consolidated statement of cash flows

	Note	26 weeks ended 29 December 2013	4 month period ended 30 December 2012
		$'000	$'000
Cash flows from operating activities			
Receipts from customers		685,104	248,957
Payments to suppliers and employees		(612,630)	(90,391)
Interest and other costs of finance paid		(712)	(155)
Interest received		584	27
Net cash provided by operating activities	7(a)	**72,346**	**158,438**
Cash flows from investing activities			
Payments for plant and equipment		(15,553)	(624)
Payment for acquisition of business, net of cash acquired		(24,000)	(28,591)
Net cash used in investing activities		**(39,553)**	**(29,215)**
Cash flows from financing activities			
Proceeds from issue of shares		343,611	10,000
Payment in relation to corporate reorganisation		(358,611)	-
Proceeds from borrowings		3,955	-
Repayment of borrowings		(3,955)	-
Net cash (used in)/provided by financing activities		**(15,000)**	**10,000**
Net increase in cash and cash equivalents		**17,793**	**139,223**
Effects of exchange rate changes on cash and cash equivalents		854	-
Cash and cash equivalents at the beginning of the period		46,538	-
Cash and cash equivalents at the end of the period		**65,185**	**139,223**

Notes to the condensed consolidated financial statements are included on pages 13 to 26.

Notes to the condensed consolidated financial statements

1. Summary of significant accounting policies

The financial report of Dick Smith Holdings Limited for the 26 weeks ended 29 December 2013 was authorised for issue in accordance with a resolution of the directors on 18 February 2014. Dick Smith Holdings Limited (the "Company") is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

(a) Basis of preparation

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial report.

The half-year financial report should be read in conjunction with the annual financial report of Dick Smith Sub-holdings Pty Limited for the period ended 30 June 2013. See Note 8 for further information regarding the corporate reorganisation of the group.

It is also recommended that the half-year financial report be considered together with any public announcements made by Dick Smith Holdings Limited and its controlled entities during the 26 weeks ended 29 December 2013 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

The half-year financial report has been prepared in accordance with the requirements of the Corporations Act 2001 and Accounting Standard AASB 134 "Interim Financial Reporting". The financial report has been prepared on a historical cost basis, except for derivative financial instruments which have been measured at fair value.

The half-year financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the Group under ASIC Class Order 98/100. The consolidated group is an entity to which the class order applies.

Dick Smith Holdings Limited was incorporated on 25 October 2013. On 4 December 2013 the shareholders of the Company and Dick Smith Sub-holdings Pty Limited undertook a corporate reorganisation process, through which Dick Smith Holdings Limited acquired Dick Smith Sub-holdings Pty Limited. Under the principles of corporate reorganisation in accordance with Australian Accounting Standards, the interim financial report of Dick Smith Holdings Pty Limited includes the historical financial information of Dick Smith Sub-holdings Pty Limited for the period before the acquisition.

Accordingly, this half-year financial report represents the 26 weeks ended 29 December 2013 including the financial results for the consolidated group under Dick Smith Holdings Limited for the period 4 December 2013 to 29 December 2013, and the consolidated group under Dick Smith Sub-holdings Pty Limited for the period 1 July 2013 to 29 December 2013. The comparative information presented in the financial report represents the financial position of Dick Smith Sub-holdings Pty Limited as at 30 June 2013, and the financial performance of Dick Smith Sub-holdings Pty Limited for the 4 month period from the date of incorporation of Dick Smith Sub-holdings Pty Limited (30 August 2012) to 30 December 2012, including one month of trading.

Notes to the condensed consolidated financial statements

1. Summary of significant accounting policies (continued)

(b) Summary of significant accounting policies

These condensed consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements of Dick Smith Sub-holdings Pty Limited for the period ended 30 June 2013, except for the adoption of amending standards mandatory for annual periods beginning on or after 1 July 2013. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Adoption of new and amending Standards

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 period, and include:

- *AASB 10 Consolidated Financial Statements; AASB 2011-7 Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards;*
- *AASB 11 Joint Arrangements and AASB 2011-7 Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards;*
- *AASB 12 Disclosure of Interests in Other Entities; and AASB 2011-7 Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards;*
- *AASB 127 Separate Financial Statements(2011) and AASB 2011-7 Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standard;*
- *AASB 128 Investments in Associates and Joint Ventures (2011) and AASB 2011-7 Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards;*
- *AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13;*
- *AASB 119 Employee Benefits (2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (2011);*
- *AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities;*
- *AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle; and*
- *AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments.*

The Group's adoption of 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 period above has not had any material impact on the amounts recognised in the condensed consolidated financial statements.

Notes to the condensed consolidated financial statements

1. Summary of significant accounting policies (continued)

(b) Summary of significant accounting policies (cont'd)

Impact of the application of new and amended Standards

The Group has applied AASB 13 for the first time in the current period. AASB 13 amends the definition and application of fair value as well as establishing a single source of guidance for fair value measurements and disclosures about fair value measurements. The application of AASB 13 has not had any material impact on the amounts recognised in the condensed consolidated financial statements, with additional disclosure as required by AASB 134 '*Interim Financial Reporting*'.

The Group has applied the suite of Standards including AASB 10, AASB 11 and AASB 12 along with associated amendments relating to consolidation and joint arrangements in the current period. The Standards identify the principles of control, determines how to identify whether an investor controls an investee and therefore must consolidate the investee, along with considerations relating to associates and joint arrangements. No changes to the classification of the Group's investments in subsidiaries have been noted as a result of the application of these new and amended Standards.

The Group has applied AASB 119 for the first time in the current period. This Standard amends the measurement and disclosure requirements for employee entitlements, primarily relating to defined benefit plans along with the measurement and disclosure of other employee entitlements. The Group has no defined benefit plans in place and the implementation of the Standard has had no material impact on the measurement of other employee entitlements. Additional disclosures will be provided in the annual financial statements as required by the Standard.

Standards and Interpretations on issue not yet adopted

At the date of authorisation of the interim financial statements, the Standards and Interpretations listed below were on issue but not yet effective. Management are yet to undertake analysis to determine the impact of the changes, but it is not expected the changes will have a significant impact to the Group.

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 9 'Financial Instruments', and the relevant amending standards	1 January 2017	30 June 2018
AASB 1031 'Materiality' (2013)	1 January 2014	30 June 2015
AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'	1 January 2014	30 June 2015
AASB 2013-3 'Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets'	1 January 2014	30 June 2015
AASB 2013-4 'Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting'	1 January 2014	30 June 2015
AASB 2013-7 'Amendments to AASB 1038 arising from AASB 10 in relation to consolidation and consolidation and interests of policyholders'	1 January 2014	30 June 2015
AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments'	Materiality Financial Instruments 1 January 2014	30 June 2015

Notes to the condensed consolidated financial statements

2. Profit before income tax

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

	26 weeks ended 29 December 2013 $'000	4 month period ended 30 December 2012 $'000
(a) Revenue and other income		
Revenue from the sale of goods	637,009	215,011
Other income		
Interest income	474	18
Discount on acquisition (i)	-	145,848
Other income	12	32
	486	**145,898**
Total revenue and other income	**637,495**	**360,909**

(i) Discount on acquisition recorded on acquisition of DSE Holdings Pty Limited. Details of the acquisition are set out in the financial report of Dick Smith Sub-Holdings Pty Limited for the period ending 30 June 2013.

	26 weeks ended 29 December 2013 $'000	4 month period ended 30 December 2012 $'000
(b) Expenses		
Depreciation and amortisation of plant & equipment	5,515	1,143
Employee benefits expense		
Post-employment benefits	1,754	879
Equity-settled share-based payments	4,408	1
Other employee benefits	66,304	15,219
Total employee benefits expense	**72,466**	**16,099**
(c) Other expenses		
Costs associated with initial public offering	20,889	-
Acquisition costs	-	3,163
Other expenses	694	-
Total other expenses	**21,583**	**3,163**

Notes to the condensed consolidated financial statements

3. 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.

Segment information for the 26 weeks ended 29 December 2013

	Dick Smith Australia	Dick Smith New Zealand	Unallocated (i)	Total
	$'000	**$'000**	**$'000**	**$'000**
Total revenue	**540,362**	**97,133**	**-**	**637,495**
EBITDA	**31,172**	**5,199**	**(22,992)**	**13,379**
Net (loss)/profit for the period	**10,920**	**250**	**(16,094)**	**(4,924)**
Capital expenditure	14,852	688	13	15,553
Segment assets and liabilities				
Assets	354,987	85,333	60	440,380
Liabilities	(256,500)	(40,484)	(60)	(297,044)

Segment information for the 4 month period ending 30 December 2012

	Dick Smith Australia	Dick Smith New Zealand	Unallocated (i)	Total
	$'000	**$'000**	**$'000**	**$'000**
Total revenue	**177,500**	**37,561**	**145,848**	**360,909**
EBITDA	**11,713**	**1,441**	**142,578**	**155,732**
Net profit for the period	**7,694**	**829**	**142,424**	**150,947**
Capital expenditure	496	128	-	624
Segment assets and liabilities				
Assets	427,280	74,337	-	501,617
Liabilities	(305,170)	(35,234)	-	(340,404)

(i) Unallocated items for the 26 weeks ended 29 December 2013 relate to the IPO costs in relation to Dick Smith Holdings Limited. Unallocated items for the 4 month period ended 30 December 2012 relate to the discount on acquisition and other non-trading costs in relation to the acquisition of DSE Holdings Pty Limited. Unallocated capital expenditure, asset and liabilities for the period ended 29 December 2013 relate to Dick Smith (HK) Limited.

No single customer contributed 5% or more to the Group's revenue for the 26 weeks ended 29 December 2013 or 4 month period ended 30 December 2012.

Notes to the condensed consolidated financial statements

4. Issued capital

	29 December 2013 $'000	30 December 2012 $'000
236,511,364 fully paid ordinary shares (2012: 100,000,000 fully paid ordinary shares)	346,111	10,000

Movement in issued capital

	29 December 2013 $'000	30 December 2012 $'000
Opening balance	10,000	-
100,000,000 fully paid ordinary shares issued on 31 August 2012	-	10,000
236,511,364 fully paid ordinary shares issued on 4 December 2013	346,111	-
Corporate reorganisation adjustment (i)	(10,000)	-
	346,111	**10,000**

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.

(i) In accordance with corporate reorganisation principles, issued capital recognised represents the equity of the legal subsidiary, Dick Smith Sub-holdings Pty Limited in the period before the corporate reorganisation. Subsequent to the corporate reorganisation, issued capital represents the issued capital of the legal acquirer, Dick Smith Holdings Limited.

An adjustment is recognised at the date of the corporate reorganisation to adjust the number and value of issued capital corresponding to the issued capital of Dick Smith Sub-holdings Pty Limited. See Note 8 for further information regarding the corporate reorganisation.

Notes to the condensed consolidated financial statements

5. Reserves

	29 December 2013	30 December 2012
	$'000	**$'000**
Cash flow hedge reserve (i)	799	(55)
Foreign exchange translation reserve (ii)	6,577	319
Share option reserve (iii)	-	3
Employee share reserve (iv)	5,694	-
Acquisition reserve (v)	(351,111)	-
	(338,041)	**267**

(i) Cash flow hedge reserve

	29 December 2013	30 December 2012
	$'000	**$'000**
Opening balance	3,496	-
Net movement in fair value of hedged instruments	(3,312)	(79)
Deferred tax	615	24
	799	**(55)**

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.

Notes to the condensed consolidated financial statements

5. Reserves (continued)

(ii) Foreign exchange translation reserve

	29 December 2013	30 December 2012
	$'000	$'000
Opening balance	2,798	-
Exchange differences relating to translation of foreign operations	3,779	319
	6,577	**319**

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

	29 December 2013	30 December 2012
	$'000	$'000
Opening balance	3	-
Share options granted to employees	3,586	3
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)	-
	-	**3**

Share option reserve relates to the options issued to certain directors and management prior to the float of the Group. A and B Class Preference Shares granted provided participants with an equity-based incentive, subject to participants remaining with the Group until at least a specified entitlement date. Participants shared in the proceeds of the float of the Group on the Australian Securities Exchange on 4 December 2013, at which time the options were exercised and ordinary share capital of Dick Smith Holdings Limited issued.

	Options granted	Grant date	Ex price	Share price at grant date	Fair value at grant date	Options exercised	Options cancelled (a)
					$		
A Class (mgmt. tranche 1)	5,000,000	26 Nov 2012	10c	10c	1,707	5,000,000	-
B Class	2,500,000	26 Nov 2012	10c	10c	854	2,500,000	-
A Class (mgmt. tranche 2)	5,000,000	15 Apr 2013	10c	10c	1,750,000	4,662,174	337,826
A Class (mgmt. tranche 3)	667,826	30 Sep 2013	10c	$2.75	1,836,522	667,826	-
	13,167,826				**3,589,083**	**12,830,000**	**337,826**

(a) Certain options were cancelled due to the resignation of employees prior to the vesting date.

Notes to the condensed consolidated financial statements

5. Reserves (continued)

(iv) Employee share reserve

	29 December 2013	30 December 2012
	$'000	$'000
Opening balance	-	-
Shares issued under Employee Award Offer (a)	940	-
Transfers from share option reserve (b)	4,754	-
	5,694	**-**

(a) 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.
(b) Employee share options which were exercised during the half-year have been transferred into the employee share reserve. See Note 5 (iii) for details.

(v) Acquisition reserve

	29 December 2013	30 December 2012
	$'000	$'000
Opening balance	-	-
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	-
	(351,111)	**-**

Under corporate reorganisation principles, the 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) are recognised in the acquisition reserve.

An adjustment is then made to issued capital to eliminate the issued capital recognised in the accounting acquirer immediately before the corporate reorganisation. See Note 8 for further information regarding the corporate reorganisation.

Notes to the condensed consolidated financial statements

6. Earnings per share

		26 weeks ended 29 December 2013	4 month period ended 30 December 2012
Basic earnings per share		($0.02)	$0.64
Diluted earnings per share		($0.02)	$0.64
Net (loss)/profit after tax	$’000	(4,924)	150,947
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	236,511,364	236,511,364

Weighted average number of ordinary shares outstanding during the current period has been calculated using:

(i) the number of ordinary shares outstanding from the beginning of the current period to the acquisition date computed on the basis of the weighted average number of ordinary shares of Dick Smith Sub-holdings Pty Limited (accounting acquirer) outstanding during the period multiplied by the exchange ratio established in the reorganisation agreement; and

(ii) the number of ordinary shares outstanding from the acquisition date to the end of the period being the actual number of ordinary shares of Dick Smith Holdings Limited (the accounting acquiree) outstanding during that period.

The basic earnings per share for the comparative period before the acquisition date presented in the consolidated financial statements has been calculated using Dick Smith Sub-holdings Pty Limited’s historical weighted average number of shares outstanding multiplied by the exchange ratio established in the reorganisation agreement.

Notes to the condensed consolidated financial statements

7. Cash and cash equivalents

(a) Reconciliation of (loss)/profit for the period to net cash flows from operating activities

	26 weeks ended 29 December 2013	4 month period ending 30 December 2012
	$000	**$000**
Net (loss)/profit for the period after tax	**(4,924)**	**150,947**
Depreciation and amortisation of non-current assets	5,515	1,143
Discount on acquisition	-	(145,848)
Other non-cash movements	(1,463)	722
Movement in working capital (i):		
Decrease (increase) in trade and other receivables	(17,158)	12,397
Decrease (increase) in inventories	(70,225)	77,962
Decrease (increase) in other current assets	9,581	(3,768)
Decrease (increase) in deferred tax	11,063	(435)
Increase in current payables, net of deferred consideration payable	134,532	63,860
Increase in current provisions	8,378	632
Decrease in other current liabilities	(358)	(829)
Increase (decrease) in non-current provisions	(2,595)	1,655
Net cash generated by operating activities	**72,346**	**158,438**

(i) Movements in working capital are net of movements due to acquisition of business in the prior corresponding period.

(b) Acquisition of business

On 26 November 2012, Dick Smith Sub-holdings Pty Limited acquired 100% of the share capital of DSE Holdings Pty Limited (“Dick Smith”) trading as Dick Smith the online and store retailer for $115,208,000.

	30 December 2012
	$’000
Total cash consideration	115,208
Less: deferred consideration (i)	(74,000)
Less: cash acquired	(12,617)
Net cash outflow on acquisition of subsidiary	**28,591**

(i) Deferred consideration of $50,000,000 was paid in June 2013, and the remaining $24,000,000 during the current half-year.

Details of the acquisition of DSE Holdings Pty Limited are set out in financial report of Dick Smith Sub-holdings Pty Limited for the period ended 30 June 2013.

Notes to the condensed consolidated financial statements

8. Corporate reorganisation

On 4 December 2013 the shareholders of the Company and Dick Smith Sub-holdings Pty Limited undertook a corporate reorganisation process, through which Dick Smith Holdings Limited acquired Dick Smith Sub-holdings Pty Limited. This corporate reorganisation is classified as a common controlled transaction under AASB 3 "*Business Combinations*", and is therefore not considered a business combination under this Standard.

As such, the corporate reorganisation has been treated in a similar fashion to a reverse acquisition, with Dick Smith Sub-holdings Pty Limited as the accounting acquirer and Dick Smith Holdings Limited as the accounting acquiree. No fair value adjustments are recognised on the acquisition and the financial report represents a continuation of Dick Smith Sub-holdings Pty Limited.

Accordingly, this half-year financial report represents the 26 weeks ended 29 December 2013 including the financial results for the consolidated group under Dick Smith Holdings Limited for the period 4 December 2013 to 29 December 2013, and the consolidated group under Dick Smith Sub-holdings Pty Limited for the period 1 July 2013 to 29 December 2013. The comparative information presented in the financial report represents the financial position of Dick Smith Sub-holdings Pty Limited as at 30 June 2013, and the financial performance of Dick Smith Sub-holdings Pty Limited for the 4 month period from the date of incorporation of Dick Smith Sub-holdings Pty Limited (30 August 2012) to 30 December 2012, including one month of trading.

The equity structure in the consolidated financial statements, including the number and type of equity instruments issued at the date of the acquisition reflects the equity structure of Dick Smith Holdings Limited. An acquisition reserve is recognised to record the difference between the amount paid to acquire Dick Smith Sub-holdings Pty Limited and the share capital of Dick Smith Sub-holdings Pty Limited.

9. Subsequent events

There has not been any matter or circumstance occurring subsequent to the end of the period that has significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in future periods.

10. Dividends

In accordance with the Prospectus dated 21 November 2013, no dividends were provided for or paid in respect of the 26 weeks ended 29 December 2013. No dividends were provided for or paid in respect of the 4 month period ended 30 December 2012.

11. Related party transactions

The only significant related party transaction for the 26 weeks ended 29 December 2013 was a $15,000,000 capital return payment made to Anchorage Capital Partners as described in Note 5(v).

Other related party transactions include the salaries and other benefits paid to directors and other key management personnel. These are in the ordinary course of business and not disclosed in the half-year financial report.

Notes to the condensed consolidated financial statements

12. Fair value of financial instruments

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.

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 29 December 2013	As at 30 June 2013
	$'000	**$'000**
Derivative assets that qualify as effective under hedge accounting rules		
Cash flow hedges	**2,051**	**5,633**

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 period.

	Level 1	Level 2	Level 3	Total
	$'000	**$'000**	**$'000**	**$'000**
As at 29 December 2013				
Financial assets carried at fair value				
Foreign exchange contracts	**-**	**2,051**	**-**	**2,051**
As at 30 June 2013				
Financial assets carried at fair value				
Foreign exchange contracts	**-**	**5,633**	**-**	**5,633**

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. Fair values of all derivative contracts have been confirmed with counterparties.

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

Notes to the condensed consolidated financial statements

13. Debt facilities

Dick Smith entered into a facility agreement with GE Commercial Corporation (Australia) Pty Ltd and GE Commercial Finance NZ (together the "Lender") on 26 November 2012 under which revolving facilities have been provided since that date. Dick Smith agreed to enter into an amendment and restatement deed with the Lender to amend and restate that facility agreement on 22 October 2013.

Under the amended facility agreement, the Lender has made available an aggregate amount of $75,000,000 under a revolving working capital facility ("New Facility"), which reduced to $65,000,000 effective from 1 February 2014.

The New Facility has a term of three years from 4 December 2013. Drawings under the New Facility may be made in AUD and/or NZD.

The New Facility is supported by guarantees from Dick Smith and most of its subsidiaries and all assets security granted by each of those entities, as well as an equitable mortgage of securities granted by the Company. Funding provided under the New Facility is utilised to fund ongoing working capital and general corporate requirement. A portion of the New Facility is used to provide letters of credit and guarantees.

The amount available to be drawn under the facility depends on the level of eligible inventories and receivables in the business at the relevant time and the application by the Lender of certain specified reserves. At half-year end there were no drawings under the facility.

End of financial report