

SMITHS CITY GROUP LIMITED

ANNUAL REPORT

30 APRIL 2007

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COMPANY DIRECTORY

SMITHS CITY GROUP LIMITED

DIRECTORS AND OFFICERS

CHAIRMAN	Craig David Boyce
DEPUTY CHAIRMAN	John Allen Dobson
DIRECTORS	Susan Jane Sheldon John William Holdsworth Richard Hellings
ALTERNATE DIRECTOR	Gerald Haworth Willis
MANAGING DIRECTOR	Richard Hellings

REGISTERED OFFICE 550 Colombo Street
Christchurch

BANKERS The National Bank of New Zealand
P O Box 454
Christchurch

AUDITORS KPMG
P O Box 274
Christchurch

SHARE REGISTRARS Link Market Services
P O Box 384
Ashburton

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NOTICE OF ANNUAL MEETING

Notice is hereby given that the Annual Meeting of Shareholders of Smiths City Group Limited will be held in the Conference Room, Mancan House Conference Centre, Corner Cambridge Terrace and Manchester Street, Christchurch, at 10.00am on Friday 7 September 2007.

THE BUSINESS OF THE MEETING

ORDINARY BUSINESS

1. Annual Report - to receive the Annual Report for the year ended 30 April 2007.
2. Directors - to record the retirement by rotation as a Director of the company of Mr JA Dobson. Mr Dobson is eligible and available for re-election.
3. Directors - to record the retirement by rotation as a Director of the company of Mr R Hellings. Mr Hellings is eligible and available for re-election.
4. Auditors - to record the appointment of the auditors, KPMG, and to authorise the Board of Directors to fix their remuneration for the ensuing year.

GENERAL BUSINESS

To consider any other business which may properly be brought before the meeting.

24 July 2007

By Order of the Board
G H WILLIS

PROXIES

A member entitled to vote at the meeting is entitled to appoint a proxy (whether a member or not) to attend and vote instead of the member. The form of proxy enclosed (if used) should be lodged at the Registered Office of the company or Link Market Services, the company's share registrar at P O Box 384, Ashburton by 10.00am on Wednesday 5 September 2007.

COMPANY PROFILE

Smiths City Group Limited (the Group) is a Christchurch based holding company for a group of businesses with revenues in excess of \$274million employing over 1,000 staff and with approximately 2,450 shareholders. The Group's shares are listed on the New Zealand Stock Exchange.

The Group operates in three areas – retail trading; finance and property.

TRADING

The Group's retail operations comprise two groups – lifestyle stores retailing a range of products including furniture, beds, floor coverings, appliances, heating and air conditioning products, consumer electronics and sporting goods; and specialist appliance stores which retail appliances and consumer electronics. The Group also operates a specialist furniture store, Furniture Concepts, in Christchurch and five "Retail Outlet" stores.

- » The lifestyle stores, branded as Smiths City, consist of 18 stores in the South Island and seven stores in the North Island.

The lifestyle stores provide a full service customer experience. These stores retail branded products, as opposed to discount non-branded product, supported by a full in-store and home delivery and installation service, as opposed to a check out cash and carry style operation. Complementing the Smiths City stores is the Furniture Concept store – retailing at the upper end of the furniture market in Christchurch – and five "Outlet" stores operating at the budget end of the market.

- » The specialist appliance business comprises Powerstore, based in Christchurch operating nine stores in the South Island, and L V Martin based in Wellington operating six stores – five in the Wellington region and one in Rotorua

Alectra operates in two areas – a trade based service operation and a business to business trading arm. With a team of skilled trades people Alectra supports the retail activities by installing many of the products sold including heating and air conditioning products, floor coverings and appliances.

FINANCE

The Group finance operation provides flexible finance options for the customers of the retail divisions through Smithcorp Finance Limited. Smithcorp Finance Limited also provides unsecured loan facilities to customers with a proven credit history with the Group. Ownership of the finance company is seen as a key part of our ongoing strategy.

PROPERTY

Prime locations and superior store presentation are critical to the success of any retail organisation. The Group has recognised this and retained ownership of its flagship Smiths City store in Colombo Street, Christchurch. The property company also undertakes development projects to improve its retail tenancies where it can identify opportunities to enhance property occupied by a Group store and add value to that property. This ability provides a true competitive edge over other retailers.

In modern day retailing creating customer loyalty to a retail brand is becoming increasingly more difficult. The Group has built customer loyalty and market shares through a strong competitive advantage obtained by combining its own retail brands with some of the best known product brands in the country – brands such as Fisher & Paykel, Sleepyhead, Panasonic, Sony, Cavalier Bremworth and Philips – and with the creation of strong customer relationships built on quality product, in store service and in home deliveries and installation. This approach ensures that the customer has a true retail experience, rather than simply buying something.

HIGHLIGHTS OF THE YEAR

SUMMARY OF FINANCIAL RESULT

	ACTUAL 12 MTHS TO 30.4.07 (\$000)	ACTUAL 12 MTHS TO 30.4.06 (\$000)
TOTAL OPERATING REVENUE	274,333	243,039
OPERATING PROFIT BEFORE TAXATION	4,200	5,209
Add Taxation Refund	-	383
SURPLUS AFTER TAXATION	4,200	5,592
Less Minority Interest	(58)	(156)
NET SURPLUS	4,142	5,436

FINANCIAL HIGHLIGHTS

- » Operating revenue increased by 12.9% to \$274million.
- » Dividends unchanged for the year at 5.5 cents (unimputed).
- » Gross dividend yield 8.5 %.
- » Gross assets increased 3.9% to \$185million.
- » Shareholders' funds increased 11.8% to \$45million.

OPERATIONAL HIGHLIGHTS

- » Smiths City
Relocated the Mosgiel store to South Dunedin and moved to larger premises in Greymouth and Queenstown.
Opened new stores in Palmerston North and Gisborne.
- » Powerstore
Acquired the Selectrix business in Dunedin and integrated this into the Powerstore operation.
Relocated to larger premises in Timaru.
- » L V Martin
Acquired the Star Appliance business in Rotorua; the first time that L V Martin has operated outside the Wellington region.
Enhanced the features of the internet shopping site.
- » Alectra
Successfully completed a contract for electrical work of the airport expansion at Dunedin.
- » Operations
Introduced a new Point of Sale system for Smiths City and Powerstore.

TREND STATEMENT

GROUP FINANCIAL PERFORMANCE	2003	2004	2005	2006	2007
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Operating Revenue	192,683	205,077	227,466	243,039	274,333
Profit Before Taxation	5,079	6,084	5,106	5,209	4,200
Add / (Deduct) Taxation Credit / (Expense)	(1,676)	(2,008)	3,574	383	-
Profit After Taxation	3,403	4,076	8,680	5,592	4,200
Deduct Minority Interest	-	-	-	(156)	(58)
Add Dividend From Associate	645	258	81	-	-
Profit After Income Tax	4,048	4,334	8,761	5,436	4,142
GROUP FINANCIAL POSITION					
Assets					
Total Trading Assets	54,731	63,909	75,598	85,165	90,506
Finance Company Assets	83,213	85,263	88,612	92,786	94,374
Total Assets	137,944	149,172	164,210	177,951	184,880
Deduct Liabilities					
Total Trading Liabilities	34,520	40,243	47,569	55,030	55,133
Finance Company Liabilities	76,601	77,254	78,617	81,969	83,968
Total Liabilities	111,121	117,497	126,186	136,999	139,101
Net Group Assets	26,823	31,675	38,024	40,952	45,779
Total Trading Assets (As Above)	54,731	63,909	75,598	85,165	90,506
Net Finance Company Assets					
Receivables	82,406	84,517	86,119	91,704	93,524
Bank	807	746	2,493	1,082	850
Deduct Borrowings	(76,601)	(77,254)	(78,617)	(81,969)	(83,968)
Net Investment In Finance Company	6,612	8,009	9,995	10,817	10,406
Total Assets	61,343	71,918	85,593	95,982	100,912
Deduct Total Trading Liabilities (As Above)	34,520	40,243	47,569	55,030	55,133
Net Group Assets With Finance Company As An Investment	26,823	31,675	38,024	40,952	45,779
Key Ratios					
Net Profit Before Tax To Operating Revenue	2.6%	3.0%	2.2%	2.1%	1.5%
Net Profit After Tax To Operating Revenue	2.1%	2.1%	3.9%	2.3%	1.5%
Net Profit After Tax To Opening Net Assets	16.6%	16.2%	27.7%	14.9%	10.3%
Earnings Per Share – cents	7.64	8.18	16.54	10.56	7.82
Shareholders' Funds To Total Assets	19.4%	21.2%	23.2%	23.0%	24.8%
Shareholders' Funds To Assets With Finance Company As An Investment	43.7%	44.0%	44.4%	42.7%	45.4%
SUMMARY OF RETURNS TO SHAREHOLDERS					
Net Dividend Per Share - cents	3.00	3.50	5.00 (2)	5.50 (1)	5.50 (1)
Imputation Credits - cents	1.50	1.75	0.00	0.00	0.00
Gross Dividend Per Share - cents	4.50	5.25	5.00	5.50	5.50
30 April Share Price - cents	43	54	67	61	65
Gross Dividend Yield Based on 30 April Share Price	10.5%	9.7%	7.5%	9.0%	8.5%

(1) Dividend paid without imputation credits

(2) Excludes 1.5 cent special one off dividend payment. At a 6.5 cent dividend the yield is 9.7%

REPORT AND FINANCIAL STATEMENTS

Your Directors are pleased to submit to shareholders their Report and Financial Statements for the year ended 30 April 2007.

PRINCIPAL ACTIVITIES

Smiths City Group Limited is a New Zealand based and operated company. It has three principal activities being:

- » Retail Trading – the retailing of consumer electronic products, kitchen appliances, home heating solutions, home furnishings and sporting goods through the Smiths City, Powerstore and L V Martin brands, and through Alectra the retailing and provision of services to the commercial trade. In addition, Alectra provides after sales services to retail activities, all through Smiths City (Southern) Limited.
- » Finance – the provision of finance by Smithcorp Finance Limited to support the retailing operation.
- » Property – the ownership of the flagship Colombo Street retail property in central Christchurch through Smiths City Properties Limited which also takes advantage of opportunities to develop and enhance retail premises. The company also holds investment properties in Christchurch.

PROFIT

The Group net profit after taxation was \$4.142million – compared to last year's \$5.436million. There were no abnormal items. Earnings per share were 7.8 cents down from 10.3 cents last year.

SHAREHOLDERS' EQUITY

Shareholders' equity as at 30 April 2007 was \$45.779million, up 11.8% on prior year of \$40.952million. The increase included \$3.538million from the revaluation of the Colombo Street, Christchurch property.

DIVIDEND

The Directors have approved a final dividend of 4cents unimputed, which will be paid on 13 August 2007. Dividends paid for the year will be 5.5cents unimputed (last year 5.5cents unimputed).

SIGNIFICANT CHANGES

There were no significant changes to the operations of the Group during the year.

STATUTORY INFORMATION

For information on Disclosure of Interest by Directors, Remuneration of Directors, Use of Company Information and Insurances refer to page 31 of this report

Dated 24 July 2007



C D BOYCE
CHAIRMAN



J A DOBSON
DEPUTY CHAIRMAN

CHAIRMAN'S REVIEW

On behalf of the Board of Directors I am pleased to report on what has been a challenging and more difficult trading year with a slowing New Zealand economy.

Despite this Shareholders' Funds have increased by 12% with the net assets per share at 86cents, being double that of five years ago.

SUMMARY OF FINANCIAL PERFORMANCE

Operating revenues for the year increased by 13% from \$243.0million to \$274.3million. On a same stores basis revenues increased by 3%.

Audited after-tax profit of \$4.142million was down 23.8% when compared with \$5.436million for the year to 30 April 2006. The 2006 year did, however, include a tax credit of \$0.383million. Eliminating the effect of this tax credit profit was down 18%.

Last year we had a \$1.27million profit on the sale of two development properties. The only gain in the current year was a \$0.38million increase in valuation of the investment properties held in Christchurch.

However, in May the company completed the sale of a property development in Southland yielding a profit of approximately \$0.5million. This will be recognised in the 2008 financial year.

The trading result does not include a \$3.538million gain on the Colombo Street, Christchurch property which was revalued at 30 April 2007 in line with the Group's accounting policy. This gain was taken to unrealised revaluation reserves.

DIVIDEND

The Directors have declared an unimputed final dividend of 4.0cents per share (last year 4.0cents) to be paid on 13 August 2007. This brings the dividend for the year to an unimputed 5.5cents per share (last year 5.5cents).

REVIEW OF OPERATIONS

The lower profit result this year reflects the difficult trading environment we have been experiencing for some time. In particular it

reflected the adverse impact strong competition had on margins as well as increased costs across all businesses and the reduced contribution from the property division.

TRADING

Many would see the strong New Zealand Dollar as good for retailers with price reductions to consumers resulting in strong demand. However, particularly in the appliances sector, price deflation also leads to decreased dollar margins on each item sold with no corresponding reduction in the costs of service, delivery or stockholding – hence a continuing squeeze on margins. Strong and open competition in big ticket retail – evident every day in advertising in the media – ensures that lower import prices are immediately passed on to consumers.

Costs of business continue to rise. Cost increases from the non-trading sectors of the economy – a result of Government and Local Body policy, and from businesses with the advantage of monopoly pricing are particularly noticeable.

Interest charges are a major cost for retailers and the 1% increase imposed by the Reserve Bank in the last year has cost us over \$1million for funding our working capital and customers credit.

In the last 10 years, while our sales have doubled, increases in our costs such as wages and employee benefits, rents, credit card and bank charges, energy and insurance costs have been substantially more than this.

We operate in a fiercely competitive part of the economy. To succeed the company needs to be of a sufficient size to buy product at the best possible prices and to continually advertise and grow its revenue. We have sought to do this through a combination of improving stores to increase sales in the South Island and by expanding into the North Island. The Group must concentrate further investment on its core retail operations of appliances, furniture and sporting goods supported by finance and property operations.

To achieve this the Board is constantly reviewing all our operations to ensure they are sustainable from a long term perspective and that they meet the definition of "core business".

For example Smiths City has had a building supplies business selling into the commercial market in Canterbury for many years, latterly under the Alectra Building Supplies brand. However, the continued growth of national players has meant our relatively small size has made us uncompetitive in that market. Accordingly, the company – in July 2007 – agreed to sell that business to Carter Holt Harvey. The sale will be completed in August 2007.

The company has also undertaken a full review of the retail appliance industry. As a result it has repositioned the Powerstore appliance business to take advantage of the strong demand for flat panel television but also taking significant cost from the operation to ensure it can remain competitive in the low margin environment of the appliance retailing.

The Board remains committed to such reviews of its business and also to reducing the Group's costs per transaction. The new Point of Sale system will be completed by September and give management the tools it needs to improve stock turns, manage costs and improve store performance.

FINANCE

Ownership of our own finance company is seen as a key part of our strategy. It not only enables us to enhance customer loyalty but also to identify profitable new business opportunities through existing business relationships.



C D BOYCE
CHAIRMAN

The Board will continue to invest in and upgrade the systems and procedures related to Smithcorp thereby improving customer communication and profitability.

PROPERTY

The need to be in top locations has always been hugely important in retail. But with the level of competition currently in the marketplace it is critical today. As a result, increasing land and build costs are pushing rentals to almost unsustainable levels.

In this environment the ability to identify key sites and then to use the skill base we have in Alectra to develop sites to our own specifications is a key competitive advantage.

OUTLOOK

The company will continue to operate in a difficult trading environment. The high exchange rate and high interest rates will continue to have an impact on price and demand. Competition will not reduce.

We have confidence that our retail model will continue to offer a tangible point of difference from our competitors, particularly when combined with owning our own finance company and the ability to source top locations. As a result we are confident in our ability to ride out the currently difficult business cycle.

MANAGING DIRECTOR'S REVIEW

MARKET OVERVIEW

Market conditions in the year to April were very competitive. Rising interest rates together with higher household costs such as food, rates and power combined to reduce household disposable income and, hence, consumer demand. Whilst the rising exchange rate saw prices fall any resulting increase in demand was not sufficient to fully offset the decrease in dollar margins earned.

The market reacted aggressively to the softer trading conditions with low margin promotions which we have had to match or, in some cases, better.

In addition we have continued to see additional store fronts, predominantly overseas owned, plus the expansion of general merchandise stores into product categories traditionally sold by specialist stores such as ours.

REVIEW OF 2007 FINANCIAL YEAR

The market conditions experienced during the year were not dissimilar to those that had been anticipated at the commencement of the 2007 financial year, although expenses did rise at a greater rate than we had anticipated.

In the 2006 Managing Director's Review the company stated that in 2007 it would focus on three key areas:

- » Maintaining market share in our established markets through competitive promotions and improving our customer offering in key locations;
- » Continuing the Group's growth strategy into the North Island; and
- » Maintaining a real focus on costs in all areas of the business whilst at the same time improving efficiencies through better use of technology.

Management remained focussed on these key areas throughout the year. In particular:

- » In the South Island the company undertook a demanding but very satisfying store development program. This included moving

the Greymouth store to larger premises; closing the Mosgiel store in Dunedin and opening in much larger premises in Andersons Bay Road, South Dunedin; closing the Welles Street Outlet store in Christchurch and opening a much larger store in Moorhouse Avenue; relocating the Queenstown store into newer, larger premises in Frankton. We also completed the purchase of the trading assets of Selectrix in Dunedin allowing us to move the Powerstore Dunedin operation to superior premises in Princes Street and relocated the Powerstore Timaru operation to a superior central city location.

These moves have ensured that customers are provided with a far better range of product and an ever-improving in-store shopping experience.

In addition the company, as noted in the Chairman's Review, has undertaken a detailed review of all its established operations. This has resulted in a repositioning of the Powerstore operation – towards a “low cost” model – and the decision to divest the Canterbury based Alectra Building Supplies operation. All staff were offered employment with the purchaser Carter Holt Harvey. The divestment will be completed in August 2007.

- » The company has made significant inroads into expanding its operations in the North Island. The bedding down of the Meikles acquisition took longer than expected. The need for the Christchurch Systems team to focus on development of the Point of Sale system meant that we continued to use the original Meikles systems for longer than expected. The “double handling” that resulted was costly and, from a management viewpoint, inefficient and time consuming. On a positive note from 1 May the Meikles stores were converted to the new Point of Sale system and from then have been fully managed from Christchurch.

In addition two new stores were opened in the North Island – Palmerston North and Gisborne – under the Smiths City brand. Both have traded positively with favourable customer feedback

This has given the company a firm base from which the North Island business can grow. The additional revenues achieved will enable us to reduce our overall Group's cost per transaction.

- » Costs have increased at a greater rate than anticipated. This was particularly so in the areas of labour costs, rents, rates, fuel, power and, in particular, interest. The need to make better use of technology to hold these costs is upper most in management's focus.

FINANCE

As noted in the Chairman's Review ownership of our finance company is a key part of our "go forward" strategy.

Amendments to our systems have brought the finance company charging regime to customers more into line with industry standards. Resulting increases in both the amount (as opposed to rate) of interest charged and fees received together with a positive contribution from the acquired assets of Meikles Finance Limited yielded an improved profit from Smithcorp Finance.

PROPERTY

The purchase, development and sale of our new store in Gore completed in May 2007 is a clear example of how we can control our own destiny when identifying top store locations. We have negotiated funding lines with the National Bank to enable us to take advantage of similar opportunities as they arise.

OUR PEOPLE

Included towards the end of the Annual Report are the names of all our people who were part of the "Smiths City Group" at the end of June 2007. This includes those people who will be transferred to Carter Holt Harvey as a result of the sale of the Alectra Building Supplies division in August 2007.

Working in the big ticket arena, whether in retail, finance, trades or wholesale is demanding on our people and their families. The loyalty, enthusiasm and the knowledge of our team gives us a key competitive advantage when we are compared with other retailers.

I would personally like to take this opportunity to thank all of our people for their efforts over the last 12 months. I would also like to extend our very best wishes to the team transferring to Carter Holt Harvey.

OUTLOOK

Looking ahead it is difficult to see any real change to the overall economic environment. The Government appears determined to control inflation through stifling any growth in consumer spending. As a result we are unlikely to see natural growth in demand and will continue to see growth in cost areas such as interest and occupancy costs – a difficult combination.

Management's focus is to improve profitability by improving its supply chain management and buying terms; maximising margins in those specialist product categories where we have a point of difference; using that point of difference to offset the effects of intense retail competition; maximising the benefits that will evolve from the Point of Sale system and incorporating of a full year of trading from those stores opened during the 2007 financial year.

Tough but eminently achievable!



**RICK HELLINGS
MANAGING DIRECTOR**

GOVERNANCE REPORT

The Board of Directors of Smiths City Group Limited acknowledges the need for the highest standards of Corporate Governance practice and ethical conduct. The Group's Corporate Governance processes do not materially differ from the NZX Corporate Governance Best Practice Code.

ROLE OF THE BOARD OF DIRECTORS

The Board is responsible for the proper direction and control of the Group's activities. This responsibility includes such areas of stewardship as:

- » Commercial Performance and Strategy Development
- » Financial and Dividend Policies
- » Identification and Control of Business Risks
- » Internal Control Systems
- » Compliance with Relevant Law
- » Business Plans and Budgets
- » Delegations of Authority
- » Identification and Control of Business Opportunities
- » Integrity of Management Information Systems
- » Reports to Shareholders

The Board currently comprises five Directors including the Chairman and the Managing Director of the Group. Two Directors – J A Dobson and S J Sheldon are defined as independent.

GROUP MANAGEMENT STRUCTURE

The Group's organisation structure is focused on its three main activities: trading; the provision of consumer finance and the maintenance and development of its property assets. This delivers an organisation that is focussed on all the key activities of the company.

RISK IDENTIFICATION AND MANAGEMENT

The Group has policies and procedures to identify areas of significant business risk and implement procedures to effectively manage those risks. Where appropriate, the Board obtains advice directly from external advisers. Once a significant business risk is identified, the Board is advised and action is taken promptly to mitigate and monitor or take advantage of the risk.

COMMITTEES

The Board has an Audit Committee, a Remuneration Committee and a Nomination Committee which meet as required. The terms of reference for the Committees are the responsibility of the entire Board.

The Audit Committee is accountable to the Board for recommendations of the external auditors, KPMG. It also monitors the audit function and reviews the annual audit process. The Committee recommends the adoption of the Annual Report and Financial Statements to the Board. In addition, the Committee is responsible for ensuring that the Group has effective internal controls. The Committee met six times during the year under review.

SHARE TRADING PROTOCOL

The Board has a share protocol for its Directors and executives, specifying the rules under which shares can be traded in Smiths City Group Limited. Directors and executives must notify the company and obtain prior approval from the Board before trading in the company's shares. Trading is permitted, provided the person is not in possession of any non-public price sensitive information for up to five months after the announcement of the company and Group's annual results and four months after the announcement of the company and Group's half year results. This policy complies with the Securities Markets Act 1988 and its insider trading regulations.

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Audit report

To the shareholders of Smiths City Group Limited

We have audited the financial statements on pages 15 to 28. The financial statements provide information about the past financial performance and financial position of the company and group as at 30 April 2007. This information is stated in accordance with the accounting policies set out on pages 18 and 19.

Directors' responsibilities

The Directors are responsible for the preparation of financial statements which give a true and fair view of the financial position of the company and group as at 30 April 2007 and the results of their operations and cash flows for the year ended on that date.

Auditors' responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the Directors and report our opinion to you.

Basis of opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgments made by the Directors in the preparation of the financial statements;
- whether the accounting policies are appropriate to the company's and group's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Our firm has also provided other services to the company in its consideration of the issues arising on transition to New Zealand International Financial Reporting Standards. Partners and employees of our firm may also deal with the company and group on normal terms within the ordinary course of trading activities of the business of the company and group. These matters have not impaired our independence as auditors of the company and group. The firm has no other relationship with, or interest in, the company or any of its subsidiaries.

Unqualified opinion

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by the company as far as appears from our examination of those records;
- the financial statements on pages 15 to 28:
 - comply with New Zealand generally accepted accounting practice;
 - give a true and fair view of the financial position of the company and group as at 30 April 2007 and the results of their operations and cash flows for the year ended on that date.

Our audit was completed on 24 July 2007 and our unqualified opinion is expressed as at that date.

Christchurch

SMITHS CITY GROUP LIMITED
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 APRIL 2007

		GROUP		PARENT	
	NOTE	30.4.07 (\$000)	30.4.06 (\$000)	30.4.07 (\$000)	30.4.06 (\$000)
Operating Revenue		274,333	243,039	8,095	9,048
Ongoing Activities					
Surplus / (Deficit) Before Income Tax	1	4,200	5,209	7,236	8,483
Plus Taxation Credit	10	-	383	-	246
Net Surplus For The Year		4,200	5,592	7,236	8,729
Deduct Minority Interest		(58)	(156)	-	-
Net Surplus After Income Tax		4,142	5,436	7,236	8,729
Earnings Per Share		7.8c	10.3c		

STATEMENT OF MOVEMENTS IN EQUITY
FOR THE YEAR ENDED 30 APRIL 2007

		GROUP		PARENT	
		30.4.07 (\$000)	30.4.06 (\$000)	30.4.07 (\$000)	30.4.06 (\$000)
TOTAL EQUITY AT BEGINNING OF YEAR					
- Parent Interest		40,254	37,470	12,986	6,909
- Minority Interest		698	554	-	-
Net Surplus for year					
- Parent Interest		4,142	5,436	7,236	8,729
- Minority Interest		58	156	-	-
- Revaluation of property		3,539	-	-	-
Deduct dividend paid					
- Parent Interest		(2,912)	(2,652)	(2,912)	(2,652)
- Minority Interest		-	(12)	-	-
TOTAL EQUITY AT END OF YEAR		45,779	40,952	17,310	12,986
Consists of: Parent Interest		45,022	40,254	17,310	12,986
Minority Interest		757	698	-	-
		45,779	40,952	17,310	12,986

These statements should be read in conjunction with the attached notes to the Financial Statements.

SMITHS CITY GROUP LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 APRIL 2007

		GROUP		PARENT	
	NOTE	30.4.07 (\$000)	30.4.06 (\$000)	30.4.07 (\$000)	30.4.06 (\$000)
ASSETS					
Cash	2	101	31	-	-
Bank Accounts and Short Term Deposits	2	-	3,897	3,524	7,952
Accounts Receivable	3	15,364	14,052	181	224
Property Intended For Sale		1,183	-	-	-
Intercompany Receivables		-	-	2,332	4,482
Inventory		42,043	40,669	-	-
CURRENT ASSETS (excluding Smithcorp)		58,691	58,649	6,037	12,658
Smithcorp Bank Balances and Deposits	4	850	1,081	-	-
Smithcorp Receivables - Current Portion	5	50,397	50,220	-	-
Smithcorp Receivables - Term Portion	5	43,127	41,484	-	-
TOTAL SMITHCORP ASSETS		94,374	92,785	-	-
Investments	6	1,550	1,075	15,386	15,291
Intangible assets	7	1,717	1,737	-	-
Property, Plant and Equipment	8	28,548	23,705	14	18
TOTAL ASSETS		184,880	177,951	21,437	27,967
LESS LIABILITIES					
Trade Creditors	9	30,778	34,805	127	856
Bank Overdraft Net of Cash Deposits	2	2,947	-	-	-
Loan on Property Intended for Resale	12	1,183	-	-	-
CURRENT LIABILITIES (excluding Smithcorp)		34,908	34,805	127	856
Smithcorp Borrowings Term Portion	12	83,968	81,969	-	-
TOTAL SMITHCORP LIABILITIES		83,968	81,969	-	-
Secured Borrowings Term Portion	11	20,225	20,225	4,000	14,125
TOTAL TERM LIABILITIES		20,225	20,225	4,000	14,125
TOTAL LIABILITIES		139,101	136,999	4,127	14,981
NET ASSETS		45,779	40,952	17,310	12,986
EQUITY					
Share Capital	13	10,652	10,652	10,652	10,652
Reserves	14	9,065	5,527	-	-
Retained Earnings attributable to shareholders	14	25,305	24,075	6,658	2,334
Shareholders' Funds		45,022	40,254	17,310	12,986
Minority Equity		757	698	-	-
TOTAL EQUITY		45,779	40,952	17,310	12,986
Total current assets		109,938	91,119	6,037	12,658
Total current liabilities		34,908	34,805	127	856

Smithcorp refers to Smithcorp Finance Limited and SCG Finance Limited

This statement should be read in conjunction with the attached notes to the Financial Statements.

SMITHS CITY GROUP LIMITED
STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 30 APRIL 2007

	GROUP		PARENT	
	30.4.07 (\$000)	30.4.06 (\$000)	30.4.07 (\$000)	30.4.06 (\$000)
CASHFLOW FROM OPERATING ACTIVITIES				
CASH WAS PROVIDED FROM:				
Receipts From Customers	269,273	235,646	138	167
Receipt From Sale of Properties	-	9,128	-	-
Receipt of Dividend	-	-	8,000	9,048
Taxation Refund	-	655	-	682
Interest Received – Smithcorp	3,927	2,532	-	-
Interest Received - Other	399	265	159	150
	273,599	248,226	8,297	10,047
CASH WAS APPLIED TO:				
Payments to Suppliers and Employees	(265,152)	(227,604)	(1,837)	(1,034)
Purchase Property Intended for Sale	(1,183)	(4,450)	-	-
Interest Paid – Smithcorp	(6,919)	(5,900)	-	-
Interest Paid - Bank and Other	(2,221)	(1,943)	-	-
Taxation Paid	-	(50)	-	-
	(275,475)	(239,947)	(1,837)	(1,034)
NET CASH (OUTFLOW) / INFLOW FROM OPERATIONS (NOTE 19)	(1,876)	8,279	6,460	9,013
INVESTING ACTIVITIES				
CASH WAS APPLIED TO:				
Purchase of Property, Plant and Equipment	(3,400)	(3,599)	-	-
	(3,400)	(3,599)	-	-
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES	(3,400)	(3,599)	-	-
FINANCING ACTIVITIES				
CASH WAS PROVIDED FROM:				
Receipts From Inter Company Advances	-	-	2,149	-
Receipt of property redevelopment loan	1,183	-	-	3,125
	1,183	-	2,149	3,125
CASH WAS APPLIED TO:				
Intercompany Advances	-	-	-	(5,536)
Repayment of term loan	-	-	(10,125)	-
Dividends Paid	(2,912)	(2,664)	(2,912)	(2,652)
	(2,912)	(2,664)	(13,037)	(8,188)
NET CASH (OUTFLOW) / INFLOW FROM FINANCING ACTIVITIES	(1,729)	(2,664)	(10,888)	(5,063)
NET (DECREASE)/INCREASE IN CASH HELD	(7,005)	2,016	(4,428)	3,950
Opening Cash	5,009	2,993	7,952	4,002
Closing Cash/(Bank Overdraft)	(1,996)	5,009	3,524	7,952
CLOSING CASH COMPRISES:				
(Bank Overdraft) / Cash and Short Term Deposits	(2,846)	3,928	3,524	7,952
Smithcorp Bank Balances and Deposits	850	1,081	-	-
	(1,996)	5,009	3,524	7,952

This statement should be read in conjunction with the attached notes to the Financial Statements.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 30 APRIL 2007

A BASIS OF PREPARATION

Smiths City Group Limited is a company registered under the Companies Act 1993. The Financial Statements presented are those for Smiths City Group Limited (the Parent) and the Smiths City Group (the Group). The Group consists of the Parent and its subsidiaries and associates.

The Financial Statements comply with the Financial Reporting Act 1993 and comprise statements of the following: significant accounting policies, financial performance, movements in equity, financial position, cash flows, as well as the notes to these statements contained on pages 15 to 28 of this Annual Report. The Financial Statements are prepared on the basis of historical cost except that land and buildings are stated at valuation. The Financial Statements were authorised for issue by Directors on 24 July 2007.

B BASIS OF PREPARING GROUP FINANCIAL STATEMENTS SUBSIDIARIES

Subsidiaries are those entities controlled, directly or indirectly, by the Group. The financial statements of the subsidiaries including L V Martin & Son Limited are included in the Financial Statements using the purchase method of consolidation.

INVESTMENT IN ASSOCIATE

The Group has an interest in Adventure Brands Limited, in which it has a shareholding of 30%. This investment has been accounted for using the equity method.

INTRA-GROUP TRANSACTIONS

Intra-group balances and profits resulting from intra-group transactions are eliminated in preparing the Group financial statements.

C HIRE PURCHASE REVENUE

Prior to the introduction of provisions relevant to the Group of the Credit Contracts and Consumer Finance Act 2003 on 1 April 2006 income on instalment credit sales financed was calculated using the Rule of 78 method. The method of calculating income was, however, changed for instalment credit contracts entered into after 1 April 2006. For contracts entered into after this date income is recognised on an actuarial basis (effective interest method) calculated on the net amount outstanding basis. This involves estimating future income for all credit receivables made on deferred interest terms. The cost of instalment credit receivables made on deferred interest terms has been recognised by estimating future income at an appropriate market interest rate. Annual fees on hire purchase accounts are recognised as revenue on the first day of the year to which they relate. Easy Pay option fees and booking fees are recognised as revenue when hire purchase contracts are signed.

D DEPRECIATION

Depreciation is charged on the following basis on all property, plant and equipment:

- Motor vehicles, office equipment, computer equipment and furniture & fittings 20% straight line
- Plant & machinery 10% straight line
- Buildings 1% straight line

E LAND AND BUILDINGS

Land and buildings occupied by the group are stated at valuation as determined every three years by a registered independent valuer. The basis of valuation is fair value. Any surplus on revaluation of a class of land and buildings is transferred directly to equity unless it offsets a previous decrease in value recognised in the statement of financial performance, in which case it is recognised in the Statement of Financial Performance. A decrease in value relating to a class of land and buildings is recognised in the statement of financial performance where it exceeds the surplus previously transferred to equity.

Property intended for sale is stated at the lower of cost and net realisable value.

F INVESTMENT PROPERTIES

Investment properties are properties not occupied by the group and held to earn rental income and are stated at valuation as determined every three years by a registered independent valuer. The basis of valuation is fair value. Any change arising from revaluation is recognised in the Statement of Financial Performance.

G OTHER PROPERTY, PLANT AND EQUIPMENT

Other property, plant and equipment has been recorded at cost less accumulated depreciation.

H INTANGIBLE ASSETS

Purchased identifiable Intangible Assets are shown at cost less amortisation where applicable less any impairment write-downs. Brand assets have an indefinite life and are not amortised. Customer databases are amortised over periods of up to 20 years. Other intangible assets are amortised over a period not exceeding 5 years.

I STORE REFURBISHMENTS

Expenditure on the fitting out of new stores is capitalised and depreciated over the initial term of the lease. In respect of existing stores, refurbishment expenditure is capitalised and written off over 12 months.

J TAX

Income tax expense is recognised on the operating surplus before taxation adjusted for permanent differences between taxable and accounting income. Deferred tax is calculated using the comprehensive basis under the liability method. This method involves recognising the tax effect of all timing differences between accounting and taxable income as a deferred tax asset or liability in the statement of financial position. The future tax benefit or provision for deferred tax is stated at the income tax rates prevailing at balance date.

Future tax benefits are not recognised unless realisation of the asset is virtually certain.

K INVENTORY

Stocks consisting substantially of retail goods (a portion of which is subject to “retention of title clauses”) are valued at the lower of cost and net realisable value on bases consistent with previous years. In determining cost, the “weighted average cost” formula is followed. Stocks reduced from cost to net realisable value are valued on a specific identification basis.

L ACCOUNTS RECEIVABLE

Accounts receivable are valued at expected realisable value after making adequate provision for doubtful debts. All known losses are written off against income in the period in which they become evident. Receivables expected to have a non interest bearing period are discounted to their net present value using an appropriate discount rate.

M DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses derivative financial instruments with predetermined policies and limits in order to reduce fluctuations in exchange and interest rates. Forward rate agreements and swaps are used to reduce exposure to fluctuations in interest rates. Forward foreign exchange contracts are used to reduce exposure to fluctuations in exchange rates. Derivative financial instruments that are designated as hedges of specific items or economic exposures are recognised on the same basis as the underlying hedged items. The net differential paid or received on forwards and swaps is recognised as a component of interest expense or revenue over the period of agreement. Financial instruments that do not constitute hedges are stated at market value and any resultant gain or loss is recognised in the statement of financial performance. The Group does not engage in speculative transactions or hold derivative financial instruments for trading purposes.

N LEASE COSTS

OPERATING LEASES – The trading operation of the Group leases properties for its retail and storage activities. Operating lease payments are included in the determination of the operating profit in equal instalments to monthly rentals paid or payable.

FINANCE LEASES – The interest expense component of finance lease payments is recognised in the Statement of Financial Performance using the effective interest rate method.

O OPERATING CASHFLOW

A substantial portion of the Group’s sales are made on hire purchase terms, which are funded through a long term arrangement with an independent finance company. This funding is included in operating cashflows.

P FOREIGN EXCHANGE

Foreign currency monetary assets and liabilities are translated into New Zealand Dollars at the rate of exchange ruling at balance date. Foreign currency transactions are translated at the rate of exchange ruling at the date of the

transaction. Foreign exchange gains and losses are recognised in the Statement of Financial Performance.

Q COMPARATIVES

Certain comparatives are re-stated to provide a more meaningful comparison with the current accounting period.

R CHANGES IN ACCOUNTING POLICY

All accounting policies have been consistently applied by the Parent and the Group and are consistent with the previous year.

SMITHS CITY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SURPLUS BEFORE INCOME TAX

Surplus Before Income Tax is arrived at after crediting / (charging) the following items:

	GROUP		PARENT	
	30.4.07 (\$000)	30.4.06 (\$000)	30.4.07 (\$000)	30.4.06 (\$000)
INCOME				
Interest - Smithcorp Deposits	60	80	-	-
Interest – Other	4,266	2,716	160	150
Foreign Exchange Gain	-	79	-	79
Intercompany Dividend	-	-	8,000	9,048
Profit on Sale of Property	-	1,270	-	-
Revaluation of Investment Properties	380	-	-	-
Equity Earnings of Associate	95	164	95	164
EXPENSES				
Auditors' Remuneration				
- For Audit Services	(76)	(58)	(17)	(17)
Bad Debts Written Off	(531)	(488)	-	-
Decrease / (Increase) in Bad Debts Provision	(97)	146	-	-
Depreciation				
- Property	-	(83)	-	-
- Leasehold Improvements	(832)	(559)	-	-
- Plant, Fittings and Equipment	(1,283)	(1,132)	(4)	(4)
Directors' Fees	(193)	(159)	(193)	(159)
Amortisation of intangibles	62	22	-	-
Interest – Smithcorp Borrowings	(7,169)	(6,141)	-	-
Interest – Other Borrowings	(2,234)	(1,936)	(74)	(22)
Leasing and Rent Charges	(12,540)	(8,949)	-	-

NOTE 2: BANK BALANCES

Cash	101	31	-	-
Bank Accounts and Short Term Deposits	-	3,897	3,524	7,952
Bank Overdraft Net of Cash Deposits	(2,947)	-	-	-
	<u>(2,846)</u>	<u>3,928</u>	<u>3,524</u>	<u>7,952</u>

NOTE 3: ACCOUNTS RECEIVABLE

Trade Receivables	10,114	9,351	-	-
Other receivables and prepayments	5,250	4,701	181	224
	<u>15,364</u>	<u>14,052</u>	<u>181</u>	<u>224</u>

NOTE 4: SMITHCORP FINANCE BANK BALANCES

Cash and Bank Balances	5	16	-	-
Money Market Deposits	845	1,065	-	-
	<u>850</u>	<u>1,081</u>	<u>-</u>	<u>-</u>

NOTE 5: SMITHCORP FINANCE RECEIVABLES

	GROUP		PARENT	
	30.4.07 (\$000)	30.4.06 (\$000)	30.4.07 (\$000)	30.4.06 (\$000)
Amount Receivable Within 1 Year	50,397	50,220	-	-
Amount Receivable Beyond 1 Year	43,127	41,484	-	-
	93,524	91,704	-	-

Smithcorp Finance Receivables are Hire Purchase and Monthly "Option Plan" Receivables owned by the wholly owned finance company of the Group, Smithcorp Finance Limited. They are recorded net of unearned income of \$22.606million (2006 \$15.250million). The unearned interest has been calculated based on the maximum income that could be received from current contracts.

NOTE 6: INVESTMENTS

Subsidiary Companies	-	-	15,007	15,007
Investment Properties	1,171	791	-	-
Associate (Adventure Brands Limited)	379	284	379	284
	1,550	1,075	15,386	15,291
Carrying Amount of Associate				
Opening Balance	284	-	284	-
Initial Recognition of Associate	-	120	-	120
Surplus Before Taxation For The Year	146	104	146	104
Add / (Deduct) Income Tax For The Year	(51)	60	(51)	60
Closing Balance	379	284	379	284

The shareholding of the Group in Adventure Brands Limited has remained unchanged throughout the year at 30%. Investment properties were valued independently by Fright Aubrey, registered valuers, as at 30 April 2007. The basis of valuation was market value less the estimated costs of disposal, based on each property's highest and best use.

NOTE 7: INTANGIBLE ASSETS

Opening Balance	1,737	915	-	-
Additions at Cost	59	850	-	-
Less Amortisation	(79)	(28)	-	-
Closing Balance	1,717	1,737	-	-

Intangible assets comprise the carrying value of brands, customer data bases, websites and other intellectual property associated with the acquisitions of L V Martin & Son Limited, Meikles Limited and Meikles Finance Limited.

NOTE 8: PROPERTY, PLANT & EQUIPMENT

GROUP	30.4.07 (\$000)				30.4.06 (\$000)			
	AT COST	AT VALUATION	ACCUM DEP	BOOK VALUE	AT COST	AT VALUATION	ACCUM DEP	BOOK VALUE
Land	-	11,874	-	11,874	273	9,050	-	9,323
Buildings	-	8,432	-	8,432	-	7,835	(165)	7,670
TOTAL PROPERTY	-	20,306	-	20,306	273	16,885	(165)	16,993
Leasehold Improvements	9,708	-	(5,601)	4,107	6,457	-	(4,423)	2,034
Plant, Fittings, Equipment	15,781	-	(11,646)	4,135	15,230	-	(10,552)	4,678
	25,489	-	(17,247)	8,242	21,687	-	(14,975)	6,712
TOTAL	25,489	20,306	(17,247)	28,548	21,960	16,885	(15,140)	23,705
PARENT								
Plant, Fittings, Equipment	27	0	(13)	14	27	-	(9)	18

Land and buildings are included in the Financial Statements at an independent valuation dated 30 April 2007 prepared by Fright Aubrey, Registered Valuers. The Directors' policy is to revalue properties in the Group each three years. Property Intended for Sale is stated as a current asset.

NOTE 9: TRADE CREDITORS

	GROUP		PARENT	
	30.4.07	30.4.06	30.4.07	30.4.06
	(\$000)	(\$000)	(\$000)	(\$000)
Employee Entitlements	2,808	2,756	-	-
Trade Creditors and Other Accruals	27,970	32,049	127	856
Total Creditors and Accruals	30,778	34,805	127	856

NOTE 10: TAXATION

INCOME TAX EXPENSE				
Operating surplus before tax	4,200	5,209	7,236	8,483
Add Permanent Differences:				
Imputation Credits Received	12	45	-	22
Other	(360)	(1,159)	(77)	(243)
Dividends	-	-	(8,000)	(9,048)
Total Permanent Differences	(348)	(1,114)	(8,077)	(9,269)
Add / (Deduct) Timing Differences	1,281	(597)	30	(30)
Assessable Income / (Loss)	5,133	3,498	811	(816)
Tax Expense 33%				
Less Imputation Credits	(12)	(45)	-	(22)
Current Tax Expense / (Credit)	1,682	1,109	(268)	(291)
Add Over Provision for Year	-	(383)	-	(246)
Less Tax Losses (Utilised) / Generated	(1,682)	(1,109)	268	291
Income Tax Expenses / (Credit)	-	(383)	-	(246)
TAXATION RECEIVABLE				
(PROVISION FOR TAXATION)				
Opening Balance	-	272	-	436
Credit for the Year	-	383	-	246
Less Refund Received	-	(655)	-	(682)
Prior Year Adjustment	-	-	-	-
Taxation Receivable / (Payable)	-	-	-	-

The Group has tax losses available as at 30 April 2007 of \$25.6 million subject to assessment (2006 \$30.7million). The ability to utilise these tax losses in the future depends on the generation of sufficient assessable income, shareholder continuity and possible changes in legislation. In addition, the Group has access to further tax losses of \$2.285 million (refer note 20).

Deferred taxation asset has not been recognised in the Financial Statements as there is not virtual certainty of realisation.

IMPUTATION CREDIT ACCOUNT

	GROUP		PARENT	
	30.4.07	30.4.06	30.4.07	30.4.06
	(\$000)	(\$000)	(\$000)	(\$000)
Opening Balance	50	159	159	159
Adjustment For Prior Years	-	25	-	-
Add Imputation Credits Received	12	1,352	-	-
Less Imputation Credits Utilised	-	(1,486)	-	-
Closing Balance	62	50	159	159

The account is a memorandum account only and does not form part of the Financial Statements.

NOTE 11: SECURED BORROWINGS

	GROUP		PARENT	
	30.4.07	30.4.06	30.4.07	30.4.06
	(\$000)	(\$000)	(\$000)	(\$000)
Bank Advances and Bills including Long Term Portion of Advances	7,125	14,125	4,000	14,125
Bank Advance for Property	14,283	6,100	-	-
	21,408	20,225	4,000	14,125
Less Current Portion	(1,183)	-	-	-
Term Portion of Term Loans	20,225	20,225	4,000	14,125

The Group's bank borrowings are secured by first ranking debenture stock under a composite debenture deed dated 16 October 1995.

NOTE 12: NATURE OF SECURITY OVER SMITHS CITY GROUP LIMITED ASSETS

There are the following charges over the assets of the Group:

Composite debenture over the assets of the Group excluding Smithcorp Finance Limited and SCG Finance Limited (which was incorporated during the year) in favour of The National Bank of New Zealand securing advances.

The Smithcorp Finance Limited and SCG Finance Limited borrowings are secured by a first ranking charge in favour of Fisher & Paykel Finance Limited over the total assets of Smithcorp Finance Limited and SCG Finance Limited under a deed dated 5 June 1998, as amended by supplemental deeds. The deed may be terminated by either party after giving 37 months notice. These assets have been consolidated as part of the Group financial statements.

Mortgage given by Smiths City Properties Limited for a loan of \$1.183 million in favour of The National Bank of New Zealand Limited secured over property intended for sale at Gore.

NOTE 13: SHARE CAPITAL

At balance date the Group and Parent had issued and paid up capital of \$10.652million (2006 \$10.652million). The number of shares issued is 52,956,884 (2006 52,956,884). All shares are fully paid and have equal voting and dividend rights. Upon winding up all shares rank equally with regard to the Group's residual assets.

NOTE 14: EQUITY

	SHARE CAPITAL	RETAINED EARNINGS	CAPITAL RESERVES	REVALUATION RESERVE	TOTAL EQUITY
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
GROUP 2007					
Balance at Start of Year	10,652	24,075	94	5,433	40,254
Add Surplus After Tax	-	4,142	-	-	4,142
Add revaluation of property	-	-	-	3,538	3,538
Deduct Dividend Paid	-	(2,912)	-	-	(2,912)
Balance at End of Year	10,652	25,305	94	8,971	45,022
PARENT 2007					
Balance at Start of Year	10,652	2,334	-	-	12,986
Add Surplus After Tax	-	7,236	-	-	7,236
Deduct Dividend Paid	-	(2,912)	-	-	(2,912)
Balance at End of Year	10,652	6,658	-	-	17,310

Included under retained earnings is an amount of \$757,000 (2006 \$698,000) which is the minority interest of L V Martin & Son Limited.

NOTE 15: EMPLOYEE SHARE OWNERSHIP SCHEME

No shares were issued to staff under the Employee Share Ownership Scheme in the current year.

The total number of shares on issue is 350,000 being 0.66% of the total shares on issue in the Group. At balance date the market value of these shares was \$227,500 (65 cents per share). The shares do not carry the entitlement to vote.

The staff share scheme is administered by Smiths City Staff Share Plan Trustees Limited, formerly Computerstore Limited (the "Trustee"). Smiths City Group Limited appoints the Directors of the Trustee. Shares have previously been issued under the terms of the Deed of Trust for the staff share scheme and have been issued fully paid to eight senior members of the management team of the Group. The shares are funded by the Trustee who has made interest free loans to the participants. These loans are to be repaid from future dividends over the next two years at the conclusion of which participants will have the choice of repaying any outstanding loans and taking up the shares. If the shares are not taken up they will be sold by the Trustee on the open market.

NOTE 16: RELATED PARTY TRANSACTIONS

Note 20 identifies all companies within the Group and Note 6 identifies the associate company. All of these companies are related parties to the Parent. Other than as identified below, there are no other related parties with whom material transactions have taken place.

RENTAL INCOME

During the year Smiths City Properties Limited received rental income of \$1.495million (2006 \$1.772million) from Smiths City (Southern) Limited, a fellow subsidiary company of the parent. This rental transaction is conducted on an arms length basis.

MANAGEMENT CONTRACT (GROUP AND PARENT)

Smiths City (Southern) Limited, a subsidiary company, entered into a management contract dated 1 November 2005 with Retail Management Services (2000) Limited to provide the services of Richard Hellings as Managing Director for a three year period to 31 October 2008 with an annual retainer of \$300,000 from 1 November 2005 plus an estimated annual incentive of \$10,613 plus the use of a motor vehicle and annual health premiums with an estimated cost of \$21,000 per annum. This contract was based on independent expert advice provided by Sheffield Consulting Group Limited.

INFORMATION TECHNOLOGY SERVICES

The company has an existing contract with Datacom Group Limited of which John Holdsworth and Craig Boyce, Directors of Smiths City Group Limited, are Directors, to provide information technology outsourcing services for the computer hardware and software facilities of the company. The transaction was completed on a commercial arms length basis within the Managing Director's delegated powers.

ADVENTURE BRANDS

The Group has a 30% holding in Adventure Brands Limited through a subsidiary. Purchases for the year were \$2,065,320 (2006 \$1,251,529). The amount owing at year end was \$96,402 (2006 \$229,399). At balance date the Group had advanced \$993,458 to Adventure Brands Limited (2006 \$33,884). The advance is a revolving credit facility entered into on an arms length basis at an interest rate of 10.41% per annum and is secured over stock funded by the facility and certain debtors of Adventure Brands Limited

NOTE 17: COMMITMENTS

	GROUP		PARENT	
	30.4.07	30.4.06	30.4.07	30.4.06
	(\$000)	(\$000)	(\$000)	(\$000)
OPERATING LEASE LIABILITIES				
Not later than 1 year	10,877	9,492	-	-
Later than 1 year but not later than 2 years	8,983	8,052	-	-
Later than 2 years but not later than 5 years	15,744	14,083	-	-
Later than 5 years	5,048	4,604	-	-
	40,652	36,231	-	-

Operating lease liabilities are commitments for leases for motor vehicles and rentals for properties at arms length values with third parties.

CAPITAL COMMITMENTS

The value of capital commitments at 30 April 2007 was \$nil (2006 \$nil).

CONTINGENT LIABILITIES

The Group has contingent liabilities of \$nil at balance date (2006 \$nil).

The Parent Company has guaranteed \$400,000 of borrowings by Adventure Brands Limited from The National Bank of New Zealand Limited (2006 \$400,000).

NOTE 18: FINANCIAL INSTRUMENTS

a) CREDIT RISK

Financial instruments which potentially subject the Group to credit risk principally consist of bank balances, accounts receivable and Smithcorp receivables.

The Group performs credit evaluations on customers requiring credit but does not require collateral other than that available under hire purchase contracts. While the Group is subject to credit risk on all its bank balances and deposits it does not expect losses to occur as a result of such credit risks.

The Group seeks to ensure its counterparties are, and investments are with, reputable, high quality financial institutions.

Maximum exposures to credit risk at balance date are:

	GROUP		PARENT	
	30.4.07 (\$000)	30.4.06 (\$000)	30.4.07 (\$000)	30.4.06 (\$000)
Bank Accounts and Short Term Deposits	3,300	8,115	3,524	7,952
Cash, Bank Balances and Short Term Deposits	101	31	-	-
Smithcorp Bank Balances and Deposits	850	1,081	-	-
Smithcorp Receivables	93,524	91,704	-	-
Accounts Receivable	15,364	14,052	181	224

The Accounts Receivables are non-interest bearing. The Smithcorp Receivables have fixed effective interest rates of between 0% and 24%. All Smithcorp Receivables mature within 36 months.

b) CONCENTRATION OF CREDIT RISK

The Group is not exposed to any concentration of credit risk.

c) INTEREST RATE RISK

The Group generally adopts a policy of ensuring that its exposure to changes in interest rates is on a floating rate basis. Forward rate agreements and swaps are used to hedge repricing risk on floating rate borrowings.

Exposure to interest rate risk arises in the normal course of the Group's business. Derivative financial instruments are used as a means of reducing exposure to fluctuations in interest rates. While these financial instruments are subject to the risk of market rates changing subsequent to acquisition, such changes would generally be offset by opposite effects on the items being hedged.

The principal or contract amounts of derivative financial instruments being Forward Interest Rate Agreements for the Group and Parent were \$20.300 million (2006 \$34.100 million). The 2007 contracts comprise five back to back forward rate agreements structured in such a manner that when one matures another takes over.

d) SMITHCORP BORROWINGS – HIRE PURCHASE PORTFOLIO

The Group funds a significant portion of its hire purchase portfolio under a facility with Fisher & Paykel Finance Limited. The facility expires with 37 months notice by either party. Interest rates under the facility are reviewed and negotiated on a regular basis by both parties. The average effective interest rate for the year ended 30 April 2007 was 8.65% (2006 8.13%). The effective interest rate as at 30 April 2007 was 9.06%.

e) BORROWING FACILITIES

The Group has borrowing facilities of \$30,225,000 with the National Bank of New Zealand. The interest rate is variable, and is based on the buying rate for bank accepted bills. The average effective rate of interest for the year ended 30 April 2007 was 8.31% (2006 8.05%). The effective interest rate as at 30 April 2007 was 8.75%.

The Group entered into a borrowing facility of \$5million during the year with Fisher & Paykel Finance Limited. The average effective rate of interest for the year ended 30 April 2007 was 10.36%. The effective interest rate as at 30 April 2007 was 10.63%.

The Group entered into a borrowing facility of \$1million during the year with Fisher & Paykel Finance Limited. The average effective rate of interest for the year ended 30 April 2007 was 11.90%. The effective interest rate as at 30 April 2007 was 11.90%.

f) FOREIGN CURRENCY RISK

The Group is exposed to foreign currency risk as a result of purchasing inventory in US Dollars. The Group hedges its exposure by forward foreign exchange contracts.

The principal or contract amount of the forward foreign exchange contracts at balance date is \$6.4million (2006 \$3.5million). The Group has no material unhedged foreign currency exposures at balance date.

g) FAIR VALUE

The carrying amount is the fair value for each of the following classes of financial instrument:

- Cash, Bank Balances and Short Term Deposits
- Smithcorp Bank Balances And Deposits
- Smithcorp Receivables
- Accounts Receivable
- Intercompany Receivables
- Smithcorp Borrowings

The fair values of the following financial instruments differ from their carrying values shown in the Statement of Financial Position:

	2007		2006	
	FAIR VALUE (\$000)	CARRYING VALUE (\$000)	FAIR VALUE (\$000)	CARRYING VALUE (\$000)
Forward Foreign Exchange Contracts	(813)	-	166	-
Forward Interest Rate Agreements	25	-	7	-

NOTE 19: RECONCILIATION OF NET PROFIT AFTER TAX WITH CASH INFLOW FROM OPERATING ACTIVITIES

	GROUP		PARENT	
	30.4.07 (\$000)	30.4.06 (\$000)	30.4.07 (\$000)	30.4.06 (\$000)
Net Surplus per Statement of Financial Performance	4,200	5,592	7,236	8,729
Adjust for non cash items:				
Deduct Share of Earnings From Associate	(94)	(164)	(94)	(164)
Deduct Change in Investment Property Value	(380)	-	-	-
Add Depreciation	2,115	1,773	4	4
Adjusted Surplus	5,841	7,201	7,146	8,569
Add / (Deduct) movements in other working capital items:				
(Increase)/Decrease in Smithcorp Receivables	(1,820)	(5,585)	-	-
Increase in Smithcorp Borrowings	1,999	3,352	-	-
(Increase) in Accounts Receivable	(1,312)	(2,356)	43	507
(Increase) / Decrease in Property Intended For Sale	(1,183)	3,134	-	-
(Increase) in Inventory	(1,374)	(5,092)	-	-
Increase / (Decrease) in Accounts Payable and Provisions	(4,027)	7,625	(729)	(63)
	(7,717)	1,078	(686)	444
Net cash inflow / (outflow) from operating activities GST exclusive	(1,876)	8,279	6,460	9,013

NOTE 20: SUBSIDIARY COMPANIES

The subsidiary companies, all with balance dates of 30 April and all wholly owned except for L V Martin & Son Limited which is 80% owned are included in the consolidated accounts as at 30 April 2007 are as follows:

TRADING

- » Smithcorp Finance Limited - finance
- » Smiths City Properties Limited – property
- » SCG Finance Limited (incorporated Oct 2006)
- » Smiths City (Southern) Limited - retail
- » L V Martin & Son Limited – retail

NON TRADING

- » Smiths City (Auckland) Limited
- » Smiths City (Nelson) Limited
- » Smiths DIY (Southern) Limited
- » Alectra Limited
- » Smiths City (Christchurch) Limited
- » Smiths City Rotorua Limited (in liquidation)
- » Quintana Investments Limited
- » Smiths City (Wellington) Limited
- » Powerstore Limited
- » Smiths City Staff Share Plan Trustees Limited

Smiths City Rotorua Limited (in liquidation), which was struck off the Companies Register in 2002, was re-instated to the register in June 2006. The result is that the Group will have access to extra tax losses of \$2.285 million for taxation years commencing after the year ended 30 April 2007.

All Directors of Smiths City Group Limited are also Directors of the 100% owned subsidiaries except for Mr Hellings who is not a Director of Smiths City Staff Share Plan Trustee Limited and Ms Sheldon who is not a Director of Smiths City (Rotorua) (In Liquidation). The Directors of L V Martin & Son Limited are Messrs J W Holdsworth; R Hellings and T E Douthett.

NOTE 21: SEGMENTAL REPORTING

The Group operates principally in the retail sector of New Zealand. Segmental reporting within the context of Statement of Standard Accounting Practice number 23 issued by the Institute of Chartered Accountants of New Zealand, “Financial Reporting for Segments”, is not required.

NOTE 22: EVENTS SUBSEQUENT TO STATEMENT OF FINANCIAL POSITION DATE

On 28 June 2007 the Directors announced to the NZX that they propose to pay a dividend of 4.0 cents on 13 August 2007 (2006 4.0 cents).

In May 2007 Smiths City Properties Limited sold land and a building at Gore. The costs associated with this property are disclosed in the financial statements as property intended for resale.

Since balance date the Group has sold its building supplies operation to Carter Holt Harvey. Alectra Building Supplies, the trading name of the business has two outlets; one at Rangiora, North Canterbury and the other at Watts Road, Christchurch.

The Group has retained its Alectra Service operations and the Alectra Commercial Fit Out business.

NOTE 23: ACQUISITION OF BUSINESS

Smiths City (Southern) Limited, the Group’s trading subsidiary, acquired certain assets and liabilities as part of the retail business operated by Meikles Limited. The acquisition took place on 1 April 2006. The acquisition had the following effect on the consolidated financial position:

	GROUP	
	30.4.07	30.4.06
	(\$000)	(\$000)
Stock	-	3,923
Net Financial Receivables	-	1,671
Fixed Assets	-	857
Intangibles	-	850
Creditors and Provisions	-	(159)
Consideration	-	7,142

NOTE 24: IMPLEMENTATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (“NZIFRS”)

In December 2002 the New Zealand Accounting Standards Review Board announced that New Zealand International Financial Reporting Standards (NZIFRS) will apply to all New Zealand reporting entities for the periods commencing on or after 1 January 2007.

The Group intends to implement NZIFRS in its annual financial statements for the year ending 30 April 2008.

TRANSITION MANAGEMENT

The Group is currently preparing for implementation and is continuing to:

- a) Assess and quantify the key differences in accounting policies under NZIFRS and current accounting policies;
- b) Determine and quantify the impacts on the financial statements from transition, and
- c) Determine and to implement processes to deal with any related business impacts.

CHANGE IN ACCOUNTING POLICIES ON TRANSITION TO NZIFRS

Significant differences identified by the Group are outlined below. It should not be regarded as a complete list of changes in accounting policies that will result from the transition to NZIFRS, as some decisions have not yet been finalised where choices of accounting policies are available.

The Group has not yet completed an exercise to quantify the effects of the differences in accounting policies discussed below, and is therefore currently unable to reliably quantify impacts on the financial statements, which will arise from transitioning to NZIFRS. It is possible that the actual impact of adopting NZIFRS may vary from the information presented below, and the variation may be material.

DEFERRED TAX

On transition to NZIFRS deferred tax is provided using the balance sheet approach rather than the income statement approach currently applied. The balance sheet approach provides for all temporary differences between the carrying amount of assets and liabilities for accounting and tax purposes. Deferred tax will be recognised in the income statement except to the extent that it relates to items recognised directly in equity or as part of a business combination.

Under NZIFRS a deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. At present a deferred taxation asset is recognised only when it is virtually certain that future taxable profits will be available.

HEDGE ACCOUNTING

The Group maintains an off-balance sheet portfolio of forward exchange contracts to hedge the currency risks associated with both future sales and purchasing requirements. The Group also uses financial instruments as hedges to manage exposure to interest rate risks.

Under NZIFRS (NZIAS39) all derivative contracts, whether used as hedging instruments or otherwise will be recognised at fair value in the Statement of Financial Position. Changes in the fair value of the derivatives will be recognised in the Statement of Financial Performance unless strict hedge criteria are met. The Group believes that it can meet the hedge accounting requirements for the majority of its derivative contracts.

REVENUE

Under NZIFRS financial service fees that are an integral part of the effective interest rate should be recognised as an adjustment to the effective interest rate.

Currently all financial service fees are recognised when they are earned.

NZIFRS 1 also allows a number of exemptions to assist in the transition to reporting under NZIFRS. The Group does not anticipate that they will utilise any NZIFRS 1 exemptions.

FURTHER INFORMATION

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DISCLOSURES OF INTEREST

Directors have disclosed the following interests as Directors, Trustees, Members or Employees of Companies or other entities which may have material dealings with the company from time to time.

Craig David Boyce - Chairman

Bernard Matthews (New Zealand) Limited
 Christchurch City Holdings Limited
 Connexionz Limited
 Datacom Group Limited
 Extra Strength No 164 Limited
 Orion Group Limited
 Progressive Leather Limited
 Snowy Peak Limited

John Allen Dobson – Deputy Chairman

J A Dobson Limited
 Real Journeys Limited
 Gough Holdings Limited
 Orion Group Limited
 Securitised Equipment Holdings Limited
 Securitised Equipment Receivables Limited
 Rural Transport Limited
 New Zealand Express Transport 2006 Limited
 Wilson Bulk Transport

John William Holdsworth

Datacom Group Limited
 L V Martin & Son Limited
 Evander Management Limited

Richard Hellings

L V Martin & Son Limited
 Adventure Brands Limited
 Retail Management Services 2000 Limited
 Ferrymead Park Limited (Honorary)

Susan Jane Sheldon

Freightways Limited
 MediaWorks Limited
 Christchurch International Airport Limited
 Asure New Zealand Limited
 FibreTech New Zealand Limited
 FibreTech Holdings Limited
 National Provident Fund Board of Trustees
 Electronic Transactions Services Limited
 Wool Industry Network Limited

ORDINARY SHARE HOLDINGS BY DIRECTORS AND RELATED PARTIES

	<u>30.4.06</u>	<u>PURCHASES</u>	<u>SALES</u>	<u>30.4.07</u>
Craig David Boyce	3,615,039	-	-	3,615,039
John Allen Dobson	501,579	-	-	501,579
John William Holdsworth	8,614,277	-	-	8,614,277
Richard Hellings	4,778,075	-	-	4,778,075

STATUTORY INFORMATION

REMUNERATION AND OTHER BENEFITS

	<u>DIRECTORS'</u> <u>FEES</u>	<u>OTHER</u> <u>SERVICES</u>	<u>TOTAL</u> <u>REMUNERATION</u>
Craig David Boyce	67,917	-	67,917
John William Holdsworth	45,000	-	45,000
John Allen Dobson	45,000	-	45,000
Susan Jane Sheldon	35,000	-	35,000
	<u>192,917</u>	<u>-</u>	<u>192,917</u>

INTERESTS REGISTER

Disclosures made in the interests register of the company, and its subsidiaries, during the year were by Messrs Boyce and Holdsworth, as Directors of Datacom Group Limited who declared an interest in a continuing contract with a subsidiary company to provide information technology outsourcing services for the computer and software facilities and Mr Hellings who recorded he is the major shareholder of Retail Management Services 2000 Limited which has a management contract with the company.

DIRECTORS' AND OFFICERS' INSURANCE

The company has effected Directors' and Officers' Liability Insurance and Statutory Liabilities and Defence Costs Insurance on behalf of the Directors and Officers. The company has also entered into indemnities with Directors and Officers as required by the company's Constitution. The insurance and indemnity do not cover liabilities arising from criminal action. Directors have completed Certificates of Indemnity and Insurance as required by Section 162 of the Companies Act 1993.

USE OF COMPANY INFORMATION

During the year the Board did not receive any notices from Directors of the company requesting the use of company information received in their capacity as Directors which would otherwise not have been available to them.

EXECUTIVE EMPLOYEES' REMUNERATION

During the year the following numbers of employees received remuneration of at least \$100,000.

<u>REMUNERATION</u>	<u>NUMBER OF EMPLOYEES</u>
\$100,000-\$109,999	7
\$100,000-\$119,999	3
\$120,000-\$129,999	1
\$140,000-\$149,999	1
\$150,000-\$159,999	1
\$170,000-\$179,999	1
\$180,000-\$189,999	1

COMMUNITY SUPPORT

Donations and Charities

During the year the Group made donations in cash or product in support of local charities of \$113,458 (2006: \$10,774).

The Group extensively supports charitable organisations in many locations by involvement in fund raising activities such as raffles and lotteries. Much of this effort is put into raising funds in conjunction with the Group's retail promotions and media partners. The group also supports organisations such as the IHC, Ronald McDonald House in Canterbury, The Canterbury Hospital Trust and is the major sponsor of the Santa Parade in Christchurch.

STATUTORY INFORMATION

Environment

The Group is committed to introducing practices which will reduce harm to the environment. At the present time the Group recycles materials out of washing machines and refrigerators, collects and properly disposes of refrigerant gases and recycles packaging cartons and printer cartridges. The Group also assists with recycling second hand goods through the operation of its small chain of clearance centres. The Group has sought and where practical received assurances from its suppliers that furniture products imported from overseas are manufactured from timbers grown in sustainable forests and not rain forests.

20 LARGEST REGISTERED HOLDERS OF EQUITY SECURITIES AS AT 6 JULY 2007

<u>HOLDER NAME</u>	<u>BALANCE</u>	<u>%</u>
John William Holdsworth	7,732,284	14.60
Retail Management Services 2000 Limited	4,778,075	9.02
Extra Strength No 164 Limited	3,615,039	6.83
New Zealand Central Securities Depository Limited	3,566,613	6.73
Douglas Carrick Belton	1,439,433	2.72
Ace Finance Limited	1,422,600	2.69
Arthur Christopher Peglar	1,180,649	2.23
Philip Julian Eriksen & Julian Hans Eriksen	1,000,000	1.89
Merrill Inez Holdsworth	881,993	1.67
Superannuation & Mutual Savings	878,600	1.66
Erroll Douglas George Scott	700,000	1.32
Colin David Smith and Glenis Elizabeth Smith	557,792	1.05
Russell Dillon Horlor	540,000	1.02
Ian Russell Smith and Jean Maree Smith	530,620	1.00
J A Dobson Limited	501,579	0.95
Margaret Anne O'Keefe	500,000	0.94
Gordon Henry Boyle	440,000	0.83
A W and N J C Smith & Peter Crowhen Ltd	409,752	0.77
Lorraine Mary McCaffrey	405,000	0.76
Austen Herbert Stewart Kyle	405,000	0.76
	31,485,029	59.44

DISTRIBUTION OF REGISTERED HOLDERS OF EQUITY SECURITIES AS AT 11 JULY 2007

<u>RANGES</u>	<u>NUMBER OF HOLDERS</u>	<u>NUMBER OF SECURITIES</u>	<u>%</u>
1-1,000	901	551,334	1.04
1,001-5,000	819	2,149,500	4.06
5,001-10,000	320	2,560,822	4.84
10,001-100,000	353	9,897,706	18.69
100,001 and above	57	37,797,522	71.37
	2,450	52,956,884	100.00

SUBSTANTIAL SECURITY HOLDERS

The following are Substantial Security Holders as at 30 June 2007 as defined by the Securities Markets Act 1988:

<u>Substantial Security Holder</u>	<u>Number Of Voting Securities With Beneficial Interest</u>	<u>Number Of Voting Securities With No Beneficial Interest</u>	<u>Total</u>	<u>%</u>
Richard Hellings	4,778,075	-	4,778,075	9.02
Craig David Boyce	3,615,039	-	3,615,039	6.83
John William Holdsworth	7,732,284	881,993	8,614,277	16.27

The total number of issued voting securities of Smiths City Group Limited as at that date was 52,956,884.

The chain of stores operating under the Smiths City brand is the largest trading arm of the group. It has 18 stores in the South Island and seven in the North Island.

Smiths City stocks a wide range of product including computers, whiteware, televisions, digital cameras, beds, household furniture, flooring, cycles, camping goods, mowers, barbeques and hardware.

Management's strategy during the year has been to continue expanding into the North Island and continuing to improve the South Island stores.

Highlights for Smiths City during the year were

- » Opening the new Andersons Bay Road store in Dunedin. The new store is the second large format store in Dunedin and gives strength to our market share in the South Island's second largest city.
- » Moving to larger premises in Greymouth in June 2006 allowing an improvement in the product selection available to West Coast customers.
- » Opening in Palmerston North in September 2006. This is the first greenfields store in the North Island and it has made steady progress since opening.
- » Relocating, in December 2006, the Queenstown store to the new Frankton business and retail park. This development is now the retail destination centre for the region and Smiths

City is one of the major retailers. Product range and selection have been improved greatly as a result of the move.

- » Opening a store in Gisborne in early 2007 gave the division its second greenfields store in the North Island. The arrival of Smiths City was well received by locals and trading since opening has been encouraging.
- » The growth in sales of installed products such as air-conditioning, carpets and gas heating products as a result of the close working relationship between the retail stores and Alectra, the trades and installation division. Smiths City, in association with Alectra, offers a superior service in these product areas. The response of customers to an "installed" sales offering has been very positive and this fits well into our full service philosophy. The coming year will see solar heating products added to the product range again using the trade skills of Alectra to offer a fully installed service.
- » Furniture Concepts' new store in the historic Armson building in Christchurch has been established with very complementary customer feedback.
- » As part of the strategy to maintain a competitive market position, Smiths City imports a substantial quantity of product. Through the year the import programme has continued to develop. It is intended that an exciting range of products will be introduced for Christmas 2007.



Powerstore is a chain of nine specialist stores strategically located in the main South Island centres. It sells a complete range of branded consumer electronics, computers and household appliances. Selling only quality brands Powerstore recognises the desires of customers for the latest in technology.

During the year Powerstore restructured its divisional administration and management to take advantage of cost efficiencies through pooling resources with other divisions of the company.

Highlights for Powerstore during the year were:

- » Relocating its Timaru store to the Stafford Street mall. The new larger store is situated in the centre of the town and is better able to fulfill the needs of customers.
- » Acquiring the Selectrix business in Dunedin. The Selectrix store has been rebranded as Powerstore and the former Powerstore outlet has been closed.
- » Continued growth in the market of LCD and plasma flat panel televisions. This market has been identified by Powerstore as a growth area of the future.



Alectra operates in two parts - a trade based operation (Alectra Services and Alectra Industries) and a business to business trading operation (Alectra Commercial and Alectra Manufacturing).

Alectra's trades operation consists of:

- » Alectra Services: a trades operation which installs and services air conditioners, electrical and gas heating products, floor coverings, in-home entertainment systems, security, kitchen appliances and solar sold through our retail operations. Alectra Services operates throughout New Zealand and provides after sales service where required.
- » Alectra Industries: an electrical contracting business based in Dunedin which designs and installs hard wiring, security, data, fire protection, heating and ventilation products for large or small developments (commercial customers). The operation also assists with retail store developments.

Alectra's business to business operation consists of:

- » Alectra Commercial - supplies products to commercial customers for the fit out of resorts, apartments, hotels and bars and residential dwellings including furnishings and carpets.
- » Alectra Manufacturing – supplies made to measure soft furniture to the commercial market as well as core line furniture to our retail operation.

Highlights of the year for Alectra trades were:

- » The continued commitment to train trades people – currently the unit employs 24 apprentices. During the year 6 staff graduated from their trades courses.
- » Relocating Alectra in Dunedin which allowed Alectra and Smith City to utilize one site and gain efficiency in operation and cost.
- » Continued fitout of new premises for the retail operations.
- » Completed the contract for electrical work at the Dunedin airport expansion.



LV Martin & Son Limited is a company 80% owned by Smiths City Group Limited.

LV Martin & Son retails high quality brands of white goods, consumer electronics and small appliances from 5 stores in the Wellington area, one in Rotorua, and on a fully featured internet site.

The driving proposition for the business is *Excellence in Customer Service*. As such the 73 year old brand is meeting the needs and expectations of the modern consumer and continues to provide them with long held values of trust and performance.

New technologies are strongly promoted as a way to enhance customers' lives, and the focus continues on all elements of customer service.

Highlights for the year for LV Martin & Son Limited were:

- » The geographic expansion of the LV Martin retail brand and presence outside the Wellington region for the first time.
- » Continued growth of an internet presence and sales levels. Sales from the internet continued to grow during the year. The internet site was integrated into other internet shopping sites during the year to increase our visibility and performance.
- » The restructuring of product management and buying functions to ensure strong focus on rapidly changing product categories with the objective of maximising margin opportunities.
- » A continued commitment from the team to lift performance by training.



FINANCE & PROPERTIES

SMITHCORP FINANCE LIMITED AND SCG FINANCE LIMITED

Smithcorp Finance Limited and SCG Finance Limited are the Group's finance companies.

The major functions of these companies are:

- » The provision of flexible finance options for the retail divisions. These options can be secured (hire purchase) or unsecured (revolving credit); and
- » The provision of unsecured loan facilities – under the brand “Lifestyle Plus” – to customers with a proven credit history with Smiths City.
- » To provide finance to the wholesale and retail industry.

As at 30 April the gross value of the finance portfolio was approximately \$116 million. There were approximately 95,500 active accounts.

The finance companies have funding facilities with Fisher & Paykel Finance Limited.

SCG Finance Limited during the year was established to take advantage of non-consumer finance opportunities. SCG Finance is a subsidiary of Smithcorp Finance.

SMITHS CITY PROPERTIES LIMITED

Smiths City Properties Limited is the Group's property owning company.

Prime locations and superior store presentation are critical to the success of any retail organisation. The Group has recognised this and retained ownership of its key Colombo Street location. Based in central Christchurch this site houses the Group's largest retail store as well as the Group Administrative office.

Included in the property portfolio are 4 properties adjacent to the Colombo Street retail site. These properties have been purchased as investments and are rented to third parties at commercial rents.

The property company has also been used to undertake property developments for the retail organisation where considered appropriate by the Board. One development opportunity, at Gore, arose during the year. This development is expected to be completed in the near future and will house the Smiths City retail operation in Gore.

STAFF WHO WERE PART OF THE SMITHS CITY GROUP OF COMPANIES AS AT 30 JUNE 2007

ABERHART Neville	BUNKER John	DAVIES Christopher	FREW Shane	HENDERSON Yvonne	KARAKA Jonette	McCARTAIN Carol	MOSS Lolene	PHILP Janine	SELBY Darren	TE HUIA Jayjay	WILCOCKS Nyssa	Foulkes Christopher
ACKROYD Jasmine	BURCHER Ryan	DAVIES Lynn	FRY Pam	HENNING Sonia	KAVANAGH John	McCARTAIN Danielle	MOTTRAM Joanne	PICKERING Craig	SELBY David	TE MAIPI Robert	WILLIAMS Amie	Fraser John
ADAM Michael	BURDON Barbara	DAVIES Shane	FULTON Grant	HEPI Eru	KELLY Lynda	McCARTHY Deborah	MOUNTAIN Henry	PICKETT Mark	SENEVIRATNE Tyrone	TERRIS Chris	WILLIAMS Isdale	Fraser Stewart
ADAMSON Nyrena	BURGESS Angela	DAVIS Lauren	GABITES David	HEPI Keyyn	KENNA Matthew	McCLOY Murray	MOYLE Roxo	POPE Jeanette	SHARFE Kenneth	TE RUPE Nan	WILLIAMS Kieran	Fu Zhe
ADIE Shaun	BURKE Colin	DAWES Brent	GALLAGHER Michael	HERBERT Rachel	KERR Gavin	McCONCHIE Philip	MOYNIHAN Paul	POPE Noel	SHARP Craig	THOMAS Amanda	WILLIAMS Shane	Garrood David
AGER Jo-Anne	BURKE Keryn	DAWSON Curtis	GALT Jared	HERBERT Toni	KERR Geoff	McCONCHIE Susan	MULQUEEN Kay	POTTINGER Alana	SHAW Bronwyn	THOMAS Sam	WILLIAMS Tracey	Goodwin Philip
AITCHESON Ross	BURNELL Paul	DAWSON Kristen	GALT John	HERRING Dean	KERR Rowan	McDONALD Elita	MULVEY Sandra	POWLEY Mark	SHAW Renae	THOMAS Selma	WILLIAMS James	Gray Steven
ALEXANDER Emma	BURNEY Kate	DE CANNIE Chas	GAMBLE Barry	HEWLETT Brent	KERRIDGE Susan	McDONALD Fiona	MUNRO Marcus	PREST Michael	SHEA Brian	THOMPSON Lyndon	WILLIAMSON Neil	Hallam Angela
ALLAN Bruce	BURROWS Kerry	DE CANNIE Natasha	GARDNER Laura	HEY John	KERRISON Cherie	McDONALD Noel	MURDOCH James	PRESTON Jason	SHIELDS Julian	THOMSEN Christine	WILLIS Gerry	Halligan Andrew
ALLAN Tony	BURTON Ann	DELIS Terry	GARDNER Ian	HIBBS Bradley	KERRISON Jason	McDONALD Tracey	MURDOCH Kevin	PRICE Michael	SHORTLEY Kirsten	THOMSON Craig	WILLIS Lisa	Ham Nigel
ALLEN David	BUTCHER Lynne	DELPORT Travis	GARDNER Mary	HICKMAN Brent	KHAN Imran	McDOUGALL Deean	MURDOCH Maree	PRIDDY Judith	SIDON Darrell	THOMSON Jean	WILLIS Nola	Hancock Gareth
ALLEN Diane	BUTLER Robyn	DEMPSEY Natalya	GEDDES Michael	HIGGS Samantha	KHER Priyanka	McFADDEN Bruce	MURPHY Michael	PRINCE Katharyn	SIMCOCK Martin	THOMSON Kelly	WILSON Lorraine	Hansen Dennis
ALMOND Annette	BYRNE Christopher	DENNETT Joshua	GEEVES Gill	HIGHTON Joanne	KIDD Darryl	McFADDEN Dayle	MURRAY Darren	RITCHARD Jez	SIMPSON Aaron	THOMSON Murray	WILSON Michael	Hearn Stephen
ALMOND Hula	BYRNE Leigh	DIAMOND Sharleyne	GERRARD Glyn	HIGINBOTTOM Brent	KIMURA Selina	McFARLANE Cullin	MURRAY Jamie	PRITCHARD Mark	SIMPSON Vanessa	THOMSON Sloane	WILSON Nathan	Houlihan Michael
AMOS Garry	BYRNE Michael	DICKIE Adam	GERRARD Bryn	HILL Christine	KING Alana	McFARLANE Heath	MURRAY Simon	PROUDFOOT Simon	SINCLAIR Josie	THORMAN Gary	WILSON Nigel	Huff Colin
ANDERSON Garry	BYRON Rachel	DICKIE Peter	GIBBENS Deanna	HILL Samara	KING Michael	McFARLANE Michael	MURRAY Warren	PRUE Helen	SINCLAIR Paul	THORNEY Peter	WILSON Owen	Hutchings Asher
ANDERSON Matthew	CAIN Shirley	DID-DELL Tim	GIBBS Jennifer	HILLMAN Paula	KING Russell	McFARLANE Sue	MWAITA Aloysius	PUGSLEY Norene	SIXTUS Liam	TIH Lynley	WILSON Robert	Jeffries Adam
ANDERSON Rick	CALCOTT Mikoi	DILLMORE Michelle	GIFKINS Matthew	HODGSON Rochelle	KINGI Hunia	McFELIN Lynette	MYATT Shane	PYE Bruce	MYALL Shane	SKELTON Karen	WILSON Sandra	John Shanen
ANDREWS Claire	CALLISTER Carolyn	DILLON Susan	GILL Fallon	HODSON Alice	KINSMAN Murray	McHUGH Andrew	MAYTTON Scott	QUINN Roger	QUINN Roger	SKIPPER Josie	WILSON Stephen	Kallahar Philip
ANDREWS Gemma	CAMERON Karen	DODDS Stuart	GILLAN Stephen	HOFELICH Elaine	KIRCHER Tony	McLWRICK Dayne	NYLTON Brendan	SKJOTT Paul	RAFDORF Grant	TINETTI Leslie	WILSON Terie	Kostasinos Konstantinos
ANDREWS Shona	CAMOUN Anne-Marie	DOELEMEN Hans	GILLESPIE Allan	HOGAN Donna	KIRK Melanie	McINTYRE Allen	NEILL Michael	SLOSS Tracy	RAKENA Waimiri	TINKER Aleisha	WILSON Tony	Kenny Christina
ARCHER Jeff	CARSTON Paul	DOELL Emily	GLUE Susan	HOGARTH Chris	KIRNER Jackie	McKAY Ken	NELSON Darren	SMART Kylie	NELSON Darren	TOBIN Shelley	WINDERS Jonathon	Kent Brenda
ARCHER Kevin	CARTER Ryan	DOLAMORE Judy	GOFFIN Lynda	HOLDEN Maria	KNIGHT Lorraine	McKAY Laura	NELSON Linda	TODD Natalie	RAMSAY Tania	TODD Natalie	WINDSOR Val	Kent Karl
ARCHIBALD Karen	CATTELL John	DONALDSON Diana	GORT Doug	HOLT Kaye	KNOX Jocelyn	McKENZIE Brooke	NELSON Mark	TODD Philip	RANGHI Denise	SMITH Dean	WINTER Terese	Kumar Janend
ARMSTRONG Paul	CATTERMOLLE Warren	DONALDSON Pauline	GRANGER Antony	HOOD Kahm	HOOD Marcus	McKENZIE Nathan	NEPATA Peki (JNR)	SMITH Doug	RAPANA Sonny	SMITH Doug	TOLRA Mark	Lambert Nathan
ARMSTRONG Scott	CHAPMAN Jamie-Lee	DOUGHERTY Michael	GRANT Tracy	HOOPER Fiona	KUMAR Vivek	McKILLOP Colin	NEWBY Paul	SMITH Geoff	REDDLE Simone	SMITH Ian	TOMPKNIS Nicholas	Leigh Anna-Maree
ATWOOD Sarah	CHAPMAN Sarah	DOUGLAS Scott	GRANT Tracy	HOOPER Geoffrey	LAGAN Matthew	McKINNON Neil	REED Tracy	SMITH Ian	REDDING Gail	SMITH Ian	TONKIN Paul	Lesla Faamoeome
AUSTIN John	CHETTY Daniel	DOWNES Leigh	GRAVER Marilyn	HOOPER Geoffrey	LAING David	McLEAN Jamie	REED Tracy	SMITH Ian	NEWALL Alison	SMITH Ian	TONKIN Victor	Loico Emilio
AYERS Sarah-Lee	CHING Campbell	DOWNE Kevin	GREAVER Shaun-lee	HOPKINS Kirt	LAM Hui Li	NICHOLLS Adam	REEVES Coralie	SMITH Margaret	REDDELL Simon	SMITH Margaret	TOOHY Brendon	MacLeod Margaret
BAILIE Lisa	CHING Marcia	GREAVES Sharon	GREGID Barry	HOPKINSON Susan	LAMB Bernadette	McMILLAN Alexander	REI Jamie	SMITH Nathan	SMITH Nathan	SMITH Nathan	TOPP Julie	WOODFOOD Eddy
BAIFOUR Craig	CHISHOLM Murray	GRIBBEN Carl	DOYLE Andrew	HORSKROFT Michael	LAMB Bryan	McMILLAN Lance	REID Andrew	SMITH Nathan	NIXON PHILIP	SMITH Nathan	TORRES DAVIDA Francisco	WOODS Janice
BARBER Craig	CHONG Pau FENG (Sharon)	DREDDGE Shaun	GRIFFIN Vernon	HOSKIN Vicki	LAMB Nicholas	McMULLAN Brent	NOBLE Trish	SMITH Ryan	NOBLE Trish	SMITH Ryan	TORRIE Adrienne	WOODWARD Jason
BARDELL Warren	CHRISTENSEN Dennis	DRYSDALE Martin	GRIBBEN Carl	HOPKINSON Susan	LAMB Nicholas	McPHERSON Vikki	NOFFKE Diane	SMITH Ryan	NOFFKE Diane	REKITTKE Robert	TOUNI Ramzi	WORSLEY Anthony
BARNES Michael	CHUI-YEN Shionaka	DUNCAN Adrienne	DRYSDALE Martin	HORSKROFT Michael	LAMB Bryan	McPHERSON Vikki	NORFTON Rowena	SMITH Tony	NOFFKE Diane	REKITTKE Robert	TOUNI Ramzi	WORSLEY Anthony
BARNETT Simon	CLARK Jim	DUNCAN Anne-Ann	DRYSDALE Martin	HORSKROFT Michael	LAMB Bryan	McPHERSON Vikki	NORFTON Rowena	SMITH Tony	NOFFKE Diane	REKITTKE Robert	TOUNI Ramzi	WORSLEY Anthony
BARRETT Wendy	CLARKE Braden	DUNLOP John	GULLERY Toni	HOSKIN Vicki	LAMB Nicholas	McPHERSON Vikki	NORFTON Rowena	SMITH Tony	NOFFKE Diane	REKITTKE Robert	TOUNI Ramzi	WORSLEY Anthony
BECK Deirdre	CLARKE Tania	DUNN Anthony	GULLERY Toni	HOSKIN Vicki	LAMB Nicholas	McPHERSON Vikki	NORFTON Rowena	SMITH Tony	NOFFKE Diane	REKITTKE Robert	TOUNI Ramzi	WORSLEY Anthony
BECKLEY Grant	CLELAND Ross	DUNN Michael	GUTTERIDGE Jason	HOSKIN Vicki	LAMB Nicholas	McPHERSON Vikki	NORFTON Rowena	SMITH Tony	NOFFKE Diane	REKITTKE Robert	TOUNI Ramzi	WORSLEY Anthony
BENEDETTI Liliانا	CLEMENT Mark	EALAM Thomas	GUY Daniel	HOSKIN Vicki	LAMB Nicholas	McPHERSON Vikki	NORFTON Rowena	SMITH Tony	NOFFKE Diane	REKITTKE Robert	TOUNI Ramzi	WORSLEY Anthony
BENNETT Andrea	CLEMENT Pamela	EASTERBROOK Alistair	GUYER Aaron	HOSKIN Vicki	LAMB Nicholas	McPHERSON Vikki	NORFTON Rowena	SMITH Tony	NOFFKE Diane	REKITTKE Robert	TOUNI Ramzi	WORSLEY Anthony
BERRIQUIST Tracey	CLEVERLEY Lynne	EASTWOOD Kelly	HACKSHAW Janet	HOSKIN Vicki	LAMB Nicholas	McPHERSON Vikki	NORFTON Rowena	SMITH Tony	NOFFKE Diane	REKITTKE Robert	TOUNI Ramzi	WORSLEY Anthony
BERRY Tim	CLINGING Amanda	ECKERSLEY Heath	HAGAN Bill	HUMPHREY Lynne	HUNT Christopher	LEADER Chris	MARRIOTT Hadley	ROBERTSON Craig	ROBERTSON Craig	ROBINSON Maurice	STEER Allan	MOORE Rachael
BHANDARI Avtar	COAD Jessica	ECKHOLD Alison	HAGAN Josephine	HUNT Christopher	HUNTON Lynda	LEAKER Jake	MARRIOTT Hadley	ROBERTSON Craig	ROBERTSON Craig	ROBINSON Maurice	STEER Allan	MOORE Rachael
Bi Yan Qun (Tommy)	COFFEY Mike	EDKINGTON John	HAGUE Bob	HUNT Christopher	HUNTON Lynda	LEAKER Jake	MARRIOTT Hadley	ROBERTSON Craig	ROBERTSON Craig	ROBINSON Maurice	STEER Allan	MOORE Rachael
BIDDINGTON Blair	COFFEY Sandra	EDWARDS Mike	HAGUE Bob	HUNT Christopher	HUNTON Lynda	LEAKER Jake	MARRIOTT Hadley	ROBERTSON Craig	ROBERTSON Craig	ROBINSON Maurice	STEER Allan	MOORE Rachael
BISHOP John	COFFIN Trena	EGERTON Tania	HAILES Melissa	HUNTON Lynda	LEARMOND Bob	LEARMOND Bob	MARRIOTT Hadley	ROBERTSON Craig	ROBERTSON Craig	ROBINSON Maurice	STEER Allan	MOORE Rachael
BLACK Ken	COGHLAN Rory	EGGERS Cory	HALL Carolyn	HUNTON Lynda	LEARMOND Bob	LEARMOND Bob	MARRIOTT Hadley	ROBERTSON Craig	ROBERTSON Craig	ROBINSON Maurice	STEER Allan	MOORE Rachael
BLACK Thomas	COLLIER Nigel	ELLIS John	HALL Patricia	HUNTON Lynda	LEARMOND Bob	LEARMOND Bob	MARRIOTT Hadley	ROBERTSON Craig	ROBERTSON Craig	ROBINSON Maurice	STEER Allan	MOORE Rachael
BLACKBURN Shane	COOK Trevor	ELLIS John	HALL Patricia	HUNTON Lynda	LEARMOND Bob	LEARMOND Bob	MARRIOTT Hadley	ROBERTSON Craig	ROBERTSON Craig	ROBINSON Maurice	STEER Allan	MOORE Rachael
BLACKWOOD Gregory	COOPER Katey	ELLIS John	HALL Patricia	HUNTON Lynda	LEARMOND Bob	LEARMOND Bob	MARRIOTT Hadley	ROBERTSON Craig	ROBERTSON Craig	ROBINSON Maurice	STEER Allan	MOORE Rachael
BLANCHARD Lesley	COOPER Michael	ELLIS John	HALL Patricia	HUNTON Lynda	LEARMOND Bob	LEARMOND Bob	MARRIOTT Hadley	ROBERTSON Craig	ROBERTSON Craig	ROBINSON Maurice	STEER Allan	MOORE Rachael
BLONDELL Paul	COSTA Marco	ELLIS John	HALL Patricia	HUNTON Lynda	LEARMOND Bob	LEARMOND Bob	MARRIOTT Hadley	ROBERTSON Craig	ROBERTSON Craig	ROBINSON Maurice	STEER Allan	MOORE Rachael
BLUE Gwendolin	COTTE Debbie	ELLIS John	HALL Patricia	HUNTON Lynda	LEARMOND Bob	LEARMOND Bob	MARRIOTT Hadley	ROBERTSON Craig	ROBERTSON Craig	ROBINSON Maurice	STEER Allan	MOORE Rachael
BODLE Gary	COUPE Tim	ELLIS John	HALL Patricia	HUNTON Lynda	LEARMOND Bob	LEARMOND Bob	MARRIOTT Hadley	ROBERTSON Craig	ROBERTSON Craig	ROBINSON Maurice	STEER Allan	MOORE Rachael
BONIS Helen	COUPE Tim	ELLIS John	HALL Patricia	HUNTON Lynda	LEARMOND Bob	LEARMOND Bob	MARRIOTT Hadley	ROBERTSON Craig	ROBERTSON Craig	ROBINSON Maurice	STEER Allan	MOORE Rachael
BOUMA Ben	COUPE Tim	ELLIS John	HALL Patricia	HUNTON Lynda	LEARMOND Bob	LEARMOND Bob	MARRIOTT Hadley	ROBERTSON Craig	ROBERTSON Craig	ROBINSON Maurice	STEER Allan	MOORE Rachael
BOYCE Maree	COX Warren	ELLIS John	HALL Patricia	HUNTON Lynda	LEARMOND Bob	LEARMOND Bob	MARRIOTT Hadley	ROBERTSON Craig	ROBERTSON Craig	ROBINSON Maurice	STEER Allan	MOORE Rachael
BRADLEY Dawn	COXSHALL John	ELLIS John	HALL Patricia	HUNTON Lynda	LEARMOND Bob	LEARMOND Bob	MARRIOTT Hadley	ROBERTSON Craig	ROBERTSON Craig	ROBINSON Maurice	STEER Allan	MOORE Rachael
BRADY Eugene	CRACROFT-WILSON Cameron	ELLIS John	HALL Patricia	HUNTON Lynda	LEARMOND Bob	LEARMOND Bob	MARRIOTT Hadley	ROBERTSON Craig	ROBERTSON Craig	ROBINSON Maurice	STEER Allan	MOORE Rachael
BREACH Bonnie	CRAIG Sheila	ELLIS John	HALL Patricia	HUNTON Lynda	LEARMOND Bob	LEARMOND Bob	MARRIOTT Hadley	ROBERTSON Craig	ROBERTSON Craig	ROBINSON Maurice	STEER Allan	MOORE Rachael
BRECHER Helen	CRAIG Murray	ELLIS John	HALL Patricia	HUNTON Lynda	LEARMOND Bob	LEARMOND Bob	MARRIOTT Hadley	ROBERTSON Craig	ROBERTSON Craig	ROBINSON Maurice	STEER Allan	MOORE Rachael
BREMER Helen	CRAIGS Kay	ELLIS John	HALL Patricia	HUNTON Lynda	LEARMOND Bob	LEARMOND Bob	MARRIOTT Hadley	ROBERTSON Craig	ROBERTSON Craig	ROBINSON Maurice	STEER Allan	MOORE Rachael
BREWSTER Adam	CRAWFORD-ELLIS Alexandra	ELLIS John	HALL Patricia	HUNTON Lynda	LEARMOND Bob	LEARMOND Bob	MARRIOTT Hadley	ROBERTSON Craig	ROBERTSON Craig	ROBINSON Maurice	STEER Allan	MOORE Rachael
BRIGGS Jamie	CRETNEY Karen	ELLIS John	HALL Patricia	HUNTON Lynda	LEARMOND Bob	LEARMOND Bob	MARRIOTT Hadley	ROBERTSON Craig	ROBERTSON Craig	ROBINSON Maurice	STEER Allan	MOORE Rachael
BRINDSON Micheal	CRIGHTON Lance	ELLIS John	HALL Patricia	HUNTON Lynda	LEARMOND Bob	LEARMOND Bob	MARRIOTT Hadley	ROBERTSON Craig	ROBERTSON Craig	ROBINSON Maurice	STEER Allan	MOORE Rachael
BROADHURST Paul	CROSS Brian	ELLIS John	HALL Patricia	HUNTON Lynda	LEARMOND Bob	LEARMOND Bob	MARRIOTT Hadley	ROBERTSON Craig	ROBERTSON Craig	ROBINSON Maurice	STEER Allan	MOORE Rachael
BROADWAY Carl	CROSS Daisy	ELLIS John	HALL Patricia	HUNTON Lynda	LEARMOND Bob	LEARMOND Bob	MARRIOTT Hadley	ROBERTSON Craig	ROBERTSON Craig	ROBINSON Maurice	STEER Allan	MOORE Rachael
BROOK Jackie	CROTTON Barry	ELLIS John	HALL Patricia	HUNTON Lynda	LEARMOND Bob	LEARMOND Bob	MARRIOTT Hadley	ROBERTSON Craig	ROBERTSON Craig	ROBINSON Maurice	STEER Allan	MOORE Rachael
BROOK Michelle	CROUCHER Boyd	ELLIS John	HALL Patricia	HUNTON Lynda	LEARMOND Bob	LEARMOND Bob	MARRIOTT Hadley	ROBERTSON Craig	ROBERTSON Craig	ROBINSON Maurice	STEER Allan	MOORE Rachael
BROWN Darrell	CROWE Ben	ELLIS John	HALL Patricia	HUNTON Lynda	LEARMOND Bob	LEARMOND Bob	MARRIOTT Hadley	ROBERTSON Craig	ROBERTSON Craig	ROBINSON Maurice	STEER Allan	MOORE Rachael
BROWN Heather	CUMBERLAND Jan	ELLIS John	HALL Patricia	HUNTON Lynda	LEARMOND Bob	LEARMOND Bob	MARRIOTT Hadley	ROBERTSON Craig	ROBERTSON Craig	ROBINSON Maurice	STEER Allan	MOORE Rachael
BROWN Matthew	CUMMINGS Samantha	ELLIS John	HALL Patricia	HUNTON Lynda	LEARMOND Bob	LEARMOND Bob	MARRIOTT Hadley	ROBERTSON Craig	ROBERTSON Craig	ROBINSON Maurice	STEER Allan	MOORE Rachael
BROWN Michelle	CUNNINGHAM Ian	ELLIS John	HALL Patricia	HUNTON Lynda	LEARMOND Bob	LEARMOND Bob	MARRIOTT Hadley	ROBERTSON Craig	ROBERTSON Craig	ROBINSON Maurice	STEER Allan	MOORE Rachael
BROWN Paul	DALZELL Shaun	ELLIS John	HALL Patricia	HUNTON Lynda	LEARMOND Bob	LEARMOND Bob	MARRIOTT Hadley	ROBERTSON Craig	ROBERTSON Craig	ROBINSON Maurice	STEER Allan	MOORE Rachael
BROWN Sarah	DALY Brian	ELLIS John	HALL Patricia	HUNTON Lynda	LEARMOND Bob	LEARMOND Bob	MARRIOTT Hadley	ROBERTSON Craig	ROBERTSON Craig	ROBINSON Maurice	STEER Allan	MOORE Rachael
BROWNWRIEGE Annett	DALY Margaret	ELLIS John	HALL Patricia	HUNTON Lynda	LEARMOND Bob	LEARMOND Bob	MARRIOTT Hadley	ROBERTSON Craig	ROBERTSON Craig	ROBINSON Maurice	STEER Allan	MOORE Rachael
BUBB Colleen	DAVIDSON Chris	ELLIS John	HALL Patricia	HUNTON Lynda	LEARMOND Bob	LEARMOND Bob	MARRIOTT Hadley	ROBERTSON Craig	ROBERTSON Craig	ROBINSON Maurice	STEER Allan	MOORE Rachael
BUICK Neil	DAVIDSON Jamie	ELLIS John	HALL Patricia	HUNTON Lynda	LEARMOND Bob	LEARMOND Bob	MARRIOTT Hadley	ROBERTSON Craig	ROBERTSON Craig	ROBINSON Maurice	STEER Allan	MOORE Rachael
BULLIMORE Martyn	DAVIDSON Rosalene	ELLIS John	HALL Patricia	HUNTON Lynda	LEARMOND Bob	LEARMOND Bob	MARRIOTT Hadley	ROBERTSON Craig	ROBERTSON Craig	ROBINSON Maurice	STEER Allan	MOORE Rachael

ADMISSION CARD TO ANNUAL MEETING

Shareholders are invited to attend the Annual Meeting of Shareholders of Smiths City Group Limited to be held in the Conference Room, Mancan House Conference Centre, Corner Cambridge Terrace and Manchester Street, Christchurch, at 10.00am on Friday 7 September 2007.

- If you wish to attend the meeting please bring this admission card and ballot paper.
- If you are not attending and would like to appoint another person to act as your proxy please complete the lower two sections, fold and post so that it is received by Link Market Services no later than 48 hours before the start of the meeting.

_____ Holder No _____

Tear Here-----

PROXY FORM

I/We _____ being a shareholder of Smiths City Group Limited hereby appoint* _____ of _____ or failing him/her _____ of _____

as my/our proxy vote for me/us and on our behalf at the Annual Meeting of the company to be held on 7 September 2007 and at any adjournment thereof.

*The "Chairman of the Meeting" is willing to act as proxy for any shareholder who may wish to appoint him for that purpose.

VOTING INSTRUCTIONS/BALLOT PAPER

This form is to be used to vote as follows on the following resolutions:

I direct my proxy to vote as follows:

Fold Here-----

Ordinary Resolutions

	Indicate with tick			
	FOR	AGAINST	ABSTAIN	OPEN
1. To re-elect Mr Dobson as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Mr Hellings as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. To confirm the appointment of KPMG as Auditors and authorise Directors to fix their remuneration	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Signed this _____ day of _____ 2007

Signature(s) of Shareholder(s) _____
(If joint shareholders, both must sign)

OFFICE USE ONLY

Shareholder No:

Holding:

Proxy forms must be delivered to the offices of Link Market Services at National Bank Chambers, 144 Tancred Street, P O Box 384, Ashburton before Wednesday 5 September 2007.

Notes

1. To be valid, proxy forms must be delivered to the office of Link Market Services at National Bank Chambers, 144 Tancred Street, P O Box 384, Ashburton not less than 48 hours before the starting time of the meeting.
2. A shareholder entitled to attend and vote is entitled to appoint a proxy.
3. A proxy can be any person, and does not have to be a shareholder. You can appoint the Chairperson of the meeting as a proxy.
4. A proxy for a company/corporation must be signed in accordance with that company's/corporation's constitution.
5. If no specific direction is given, the proxy holder may vote as he/she thinks fit, or abstain from voting.
6. All joint shareholders must sign the proxy form.
7. If the proxy form is signed under power of attorney, a certificate of non-revocation must be completed and forwarded with the proxy form, along with a copy of the power of attorney.

Freepost Authority Number 114982

LINK MARKET SERVICES
SHARE REGISTRAR
P O Box 384
ASHBURTON