

SMITHS CITY GROUP LIMITED

**Annual Report
for the Year
ended 30 April 2001**

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COMPANY DIRECTORY

DIRECTORS AND OFFICERS

CHAIRMAN	Craig David Boyce
DEPUTY CHAIRMAN	John Allen Dobson
DIRECTORS	Joy Kay Leslie John William Holdsworth Richard Hellings
ALTERNATE DIRECTOR	Gerald Haworth Willis

REGISTERED OFFICE	550 Colombo Street Christchurch
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BANKERS	The National Bank of New Zealand Limited P O Box 454 Christchurch
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AUDITORS	KPMG P O Box 274 Christchurch
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SHARE REGISTRARS	B K Registries P O Box 314 Ashburton
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ADDRESS FOR COMMUNICATIONS

POSTAL	P O Box 2343, Christchurch
TELEPHONE	03 9833000
FACSIMILE	03 9833031
EMAIL	group@smithscity.co.nz
WEBSITE:	www.smithscitygroup.co.nz

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General 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 Wednesday 19 September 2001.

THE BUSINESS OF THE MEETING

ORDINARY BUSINESS

1. Annual Report - to consider and, if approved, to adopt the Annual Report for the year ended 30 April 2001.
2. Directors - to record the retirement by rotation as Directors of the company of Mr J W Holdsworth. Mr Holdsworth is eligible and available for re-election.
3. 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 be properly brought before the meeting.

16 July 2001

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 by 10.00am on 17 September 2001.

SMITHS CITY GROUP LIMITED

Annual Report for the Year ended 30 April 2001

DIRECTORS' DECLARATION

The Directors are pleased to present the Annual Report and Financial Statements for the Company and its subsidiaries for the year ended 30 April 2001.

For and on behalf of the Board

C D BOYCE
Chairman

J A DOBSON
Director

16 July 2001

DIRECTORS' REVIEW

RESULTS

The results for the Group continued to improve in the 2000/01 year despite difficult trading conditions from Christmas onward.

The after tax profit of \$2.38million was up 16% on last years' \$2.05million following an improvement in profits from trading activities and a lower tax requirement.

This year no dividend (last year \$0.258million) was received from Wairau Park Limited, the Auckland property company in which Smiths City has a 21% holding.

Dividends declared this year are 2.0cents per share (fully imputed) compared with 2.5cents last year, (1.5cents fully imputed). The reduction takes account of the nil dividend from Wairau Park.

THE COMPANY

Our company operates in three main areas – retail trading, finance and property.

Progress in each area is as follows:

RETAIL TRADING – The second half year trading proved to be more difficult than the first half ending October 2000. A strong spring and early summer trading pattern quickly turned down just prior to Christmas. Over the second six months Southland, Central Otago and Nelson regions all continued to trade well whilst the remainder of the South Island faced a more difficult trading environment as drought conditions had an adverse impact on consumer confidence. In addition the downturn in the real estate, building and home renovations markets was clearly evident in our hardware and builders supplies sales.

Smiths City continued to grow during the year with the opening of the new Smiths City store at Northwood (northern Christchurch) and the move to new purpose built premises in Ashburton.

We also continued the expansion of the Powerstore appliance chain with a new store opening in Dunedin giving full South Island coverage. In addition we completed a full refurbishment of both the Gore and Invercargill Powerstore premises.

As a result of these moves, and as predicted in last years' report to shareholders, we have at the end of the 2001 financial year just over 45,000 square metres of retail floor space. This represents a 40% increase in the five years since 1996 compared to a 50% increase in our sales over that period. We are now the largest retailer in the South Island market in furniture and appliances and have continued to improve our sales per retail square metre with a 10% growth in this productivity measure over the last five years.

Overall we are very pleased with the growth of our market share in furniture, appliances and sports products and look forward to seeing the full benefits flow through from other initiatives currently in progress.

A more detailed review of trading is covered in the Chief Executive's review.

FINANCE - Total assets of the Group have increased by 4% this year to \$123million. All of this growth is attributed to the finance receivables within Smithcorp Finance. This year we have changed the operation of Smithcorp Finance to be "arms length" from the retail businesses. This has enabled us to improve our focus in each area. We believe this has been most beneficial and we will move forward to develop new finance products for our loyal customer base.

PROPERTY - We have in Christchurch about 50% of our retail floor space and our major property investment - the Colombo Street site.

We recently commissioned a detailed review of retail trading space in Christchurch. This shows that over the five year period ending January 2000 the area of shopping space in Christchurch (excluding garden and builders supplies stores) increased by 20%. Developments already on the drawing board and approved for completion in the next five years could lead to a further 20% increase. The vast majority of this development is outside the Christchurch City centre. This is at a time when the "drivers" of retail - being population growth; household formation and real spending power - increases are below 1% per year.

The implications for developers, retailers and the traditional retail areas of Christchurch

from these changes are obvious and changes in trading patterns are inevitable.

DIRECTORS' REVIEW

(continued)

We are constantly reviewing our options in Christchurch and the implications of these changes on the value of our Colombo Street site given its strategic importance to the company.

The Wairau Park Limited property development on the North Shore in Auckland in which Smiths City has a 21% ownership has completed its building program. It has made a number of small sales through the year sufficient to cover its costs. The property market in Auckland has been slow. However, we are hopeful that in the coming year all of the remaining buildings and land will be sold and the company wound up with the proceeds distributed to the shareholders. We had expected this to be completed by the end of 2001 calendar year but it is now likely to stretch into 2002.

SHAREHOLDERS

In last years Directors' Review we indicated that our objective was to provide a tax paid profit of at least 12.5% to opening shareholders' funds. In the 2000/01 year we achieved 11.5% up from 10.5% the previous year. Our budgets and business plan are directed to achieving these objectives and providing growth in earnings and dividends whilst maintaining our policy of distributing 50% of after tax profits.

SUMMARY

Competition throughout the South Island remains strong in retail – and that is the way it

should be to discourage “new entrants” into an already over-shopped market place.

At Smiths City we will grow through a focus on our “core business and plough back from profits” policy as well as improvement in our operations. Our growth will be limited not by opportunities presenting themselves, but by ensuring those opportunities taken up fit with our strategic direction.

Looking ahead the retail industry faces many issues – in particular changes in technology, static prices and increases in competition. Of particular interest are the changes occurring in the patterns of shopping in terms of increase in retail floor space.

We are dependent on staff and management to adapt to these changes, maintain our competitive position and develop our customer loyalty. We have achieved this over the last 10 years and are confident that we will continue to meet the challenges ahead.

Competitive advantage for Smiths City is from our strong brands; established loyal customer base; and dedicated staff and management. These factors and our ability to adapt to change, provide a positive outlook for the future.

CRAIG BOYCE
CHAIRMAN

CHIEF EXECUTIVE'S REVIEW

RESULTS THIS YEAR

As noted in the Directors' Review the 2000/01 year was, from a trading viewpoint, a year of two distinctly different halves. Reasonably strong trading conditions leading through to November followed by a difficult post Christmas trading period.

Overall it is pleasing to note the continued improvement in the Group's performance. Total sales revenue increased from \$156,433,000 to \$165,276,000 – an increase of 5.6%. This increase in sales flowed through to the trading profit (excluding the dividend from Wairau park received last year) which was up 4.5% on the previous year. With the benefit of a lower tax charge after tax profit was increased by 16%.

The improved profit results were a result of the company concentrating on aggressive but cost effective marketing and the implementation of a strong cost out program.

Major achievements during the year were:

- The Smiths City retail operation continued to trade successfully improving market share in all segments in which it operates. It opened a new store in Northwood, Belfast, selling a full range of home appliances, home furnishings, sports and DIY products. The Ashburton store was moved to new purpose built premises.
- Powerstore continued to improve its market share and the opening of a new store in Dunedin has meant it now has coverage through all desired locations in the South Island.
- Our DIY business in Christchurch was difficult. The downturn in building activity, the mild winter and drought conditions in summer adversely affected sales in many of their traditionally strong product lines. However, the establishment of the Northwood store now gives it additional strength in Christchurch and it is well positioned to take advantage of any upturn in the building trade.
- The Rangiora Timber & Trellis operation, purchased in the previous year based at Rangiora, was successfully rebranded RT&T.
- Our Commercial operation, which sells the full range of product available to the Group into the business market, continued to see

good growth during the year and this area has been recognised by management as a key area for expansion over the next two years.

- Our appliance servicing operation was successfully rebranded Alectra. This continues to be a difficult area in which to earn adequate return on investment but remains strategically important. Rationalisation of resources undertaken in the last quarter of 2001 and the first quarter of 2002 has meant that improvements in results are now forthcoming.

TRADING

As noted earlier, drought conditions throughout a large part of the South Island have had an impact on retail conditions in this calendar year. This is clearly evident when reviewing the company's results on a geographic basis. The company has seen significant growth in Southland and Central Otago – which have been able to take advantages of the strong dairy and tourism industries without the negative effects of the drought – whilst the remainder of the South Island has found trading conditions considerably more difficult. This was particularly so in Christchurch where the effects of the drought and a poor building industry performance were offset only by the results of the new store in Belfast. This store continues to trade very strongly.

A review of the market by product shows:

- In appliances the market in home entertainment products continues to be very competitive. By concentrating our purchasing on quality brands and latest technology products we have been able to increase market shares in both Smiths City and Powerstore.
- The home computer and communications markets continue to be a key area for the company. During the year we saw substantial growth in this area. This is an expanding market in which we see opportunities for continued future growth. As technology advances it will be necessary for retailers to adapt to change and to ensure staff are kept abreast of all those major changes.
- The whiteware market is of major importance to the Group and we have continued to improve our market share in this area. Our close association with Fisher & Paykel is a key part of our ongoing strategy. The superior quality of product produced by Fisher & Paykel is constantly improving

and continues to lead the market. When combined with our aggressive marketing, strong in-store display, excellent staff

product knowledge and the support of our own service operation – Alectra – we consider we have key points of difference

CHIEF EXECUTIVE'S REVIEW (continued)

that enable us to look forward to further increases in market share

- The furniture, flooring, bedding and outdoor furniture sectors have remained very competitive. However, by concentrating on the retailing of quality product at affordable prices we have improved market shares particularly in the bedding and upholstery markets.
- The DIY market in Christchurch has been, and is expected to remain, very competitive. Over the last three years this market segment has seen major growth in retail space in Christchurch. This has inevitably increased competition. When combined with a difficult building and real estate market we anticipate continued tough trading conditions. The addition of the Northwood store which sells a full range of DIY products has strengthened our position markedly and we are in a strong position to take advantage of opportunities that will arise once the building trade improves.
- The sports and camping markets continue to grow. Our emphasis in this area is on outdoor activities and we are seeing good sales growth particularly in the areas of cycles and camping equipment.
- The increase in tourism offers us good opportunities through our Commercial operation. This is our business to business model and expands our target market from purely the domestic retail market into the business market. We see this as a key part of our ongoing strategy and a means of increasing both our sales and our importance to our suppliers. As a market this area should not be effected by the downturn in the rural economy and this is a key area of growth for us.

OUTLOOK

As always, our merchandising and product emphasis is based upon maximising the benefits of combining the Smiths City Group retail brands with quality product brands produced throughout New Zealand and overseas. This emphasis upon quality brands supported by strong marketing, well presented stores and well trained and

enthusiastic staff are the cornerstones of our future trading strategy.

Given the South Island's dependence upon the rural economy there is little doubt that the drought conditions will continue to have an impact on trading conditions. Those areas unaffected by the drought conditions are anticipated to continue to trade well.

Moves the company has undertaken over the last 12 months have been designed to improve the company's offering to its customers throughout the South Island. Management will continue to focus on the achievement of profit growth through:

- Continued improvements in management reporting systems, logistics and working capital management.
- Further improvements in store locations and in-store service and presentation standards where appropriate.
- A concentration on growing sales in non-commodity products in less mature markets such as computers and communication products.
- A concentration on building the Smithcorp Finance Limited operations through our existing customer base.

STAFF

With the changes we have made to the business and the backing of our committed and skilled staff we look forward positively to the new financial year.

As has been stated previously, working in retail puts tremendous demands on our staff and their families. A combination of changes in technology and a more demanding consumer mean that without the positive attitude and support from our staff, and their willingness to accept these changes, we would not be in a position to either achieve the results we have in the last year or look forward confidently to the future.

Included again in this Annual Report are the names of all our staff who were part of the "Smiths City Group team" at the conclusion of

this financial year. I would personally like to thank them all for their efforts during the year. We are all proud to be part of a company that continues to move positively into the future.

RICK HELLINGS
CHIEF EXECUTIVE

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 30 APRIL 2001

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.

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 22 of this Annual Report.

The financial statements are prepared on the basis of historical cost except that land and buildings are stated at valuation.

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 are included in the Financial Statements using the purchase method of consolidation.

INVESTMENT

The Group has an interest in Wairau Park Limited, in which it has a shareholding of 21.45%. The financial results of this company have not been equity accounted due to the lack of ability to exercise significant influence or control over its operations. The investment is included at cost less capital distributions received to date.

GOODWILL ARISING ON ACQUISITION

Goodwill arising on the acquisition of a Group entity represents the excess of the purchase consideration over the fair value of the identifiable net assets acquired. Goodwill has been fully amortised.

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

The interest relating to future accounting periods on the instalment credit receivables is excluded from revenue and is calculated using the rule of 78 method. The cost of the effect of the portion of hire purchase sales made on deferred interest has been recognised.

D DEPRECIATION

Depreciation is charged on the following basis on all fixed assets:

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

E LAND AND BUILDINGS

Land and buildings are stated at valuation as determined every three years by an independent valuer. The basis of valuation is market value less the estimated costs of disposal, on an existing use basis. 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.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 30 APRIL 2001 (continued)

F OTHER FIXED ASSETS

Other fixed assets have been recorded at cost less accumulated depreciation.

G 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.

H 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.

I INVENTORY

Stocks consisting substantially of retail goods (a portion of which are 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 “first in, first out” basis of stock movement is followed. Stocks reduced from cost to net realisable value are valued on a specific identification basis.

J 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.

K FINANCIAL INSTRUMENTS

The group is party to financial instruments to meet financing needs. These financial instruments include bank and finance company loan facilities, forward rate agreements and swaps to reduce exposure to fluctuations in interest rates. 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.

L LEASE COSTS

OPERATING LEASES

The trading operation of the group leases several 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.

FINANCE LEASES

The interest expense component of finance lease payments is recognised in the statement of financial performance using the effective interest rate method.

M 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.

N CHANGES IN ACCOUNTING POLICY

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

SMITHS CITY GROUP LIMITED
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 APRIL 2001

	NOTE	GROUP		PARENT	
		30.4.01 (\$000)	30.4.00 (\$000)	30.4.01 (\$000)	30.4.00 (\$000)
Sales		<u>165,276</u>	<u>156,433</u>	<u>-</u>	<u>-</u>
Ongoing Activities					
Surplus Before Income Tax	1	2,805	2,942	940	230
Plus/(Less) Taxation	9	(425)	(892)	80	4
Net Surplus After Income Tax		<u>2,380</u>	<u>2,050</u>	<u>1,020</u>	<u>234</u>

2001 Surplus Before Income Tax includes a dividend of \$nil from Wairau Park Limited (2000 \$258,000)

STATEMENT OF MOVEMENTS IN EQUITY
FOR THE YEAR ENDED 30 APRIL 2001

	GROUP		PARENT	
	30.4.01 (\$000)	30.4.00 (\$000)	30.4.01 (\$000)	30.4.00 (\$000)
TOTAL EQUITY AT BEGINNING OF YEAR	20,099	19,111	9,556	10,384
Net Surplus for year	2,380	2,050	1,020	234
Deduct provision for dividend	(526)	(789)	(526)	(789)
Deduct dividend paid	(526)	(526)	(526)	(526)
Add conversion of staff share options to shares	-	253	-	253
Add dividend received	-	-	-	-
Deduct revaluation reserve transferred	-	-	(3,327)	-
TOTAL EQUITY AT END OF YEAR	<u>21,427</u>	<u>20,099</u>	<u>6,197</u>	<u>9,556</u>

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 2001

		GROUP		PARENT	
	NOTE	30.4.01	30.4.00	30.4.01	30.4.00
		(\$000)	(\$000)	(\$000)	(\$000)
ASSETS					
Cash and Short Term Deposits	2	(2,646)	23	1,057	3,455
Accounts Receivable	3	6,854	6,065	84	26
Taxation Receivable	9	696	-	911	-
Deferred Taxation		-	349	-	6
Intercompany Payables		-	-	3,271	-
Inventory		<u>26,931</u>	<u>26,236</u>	-	-
CURRENT ASSETS (excluding Smithcorp)		31,835	32,673	5,323	3,487
Smithcorp Bank Balances and Deposits	4	859	473	-	-
Smithcorp Receivables - Current Portion	5	47,479	49,248	-	-
Smithcorp Receivables - Term Portion	5	<u>28,747</u>	<u>21,000</u>	-	-
TOTAL SMITHCORP ASSETS		77,085	70,721	-	-
Investments	6	348	348	13,355	13,355
Fixed Assets	7	<u>14,457</u>	<u>14,260</u>	<u>48</u>	<u>9,404</u>
TOTAL ASSETS		<u>123,725</u>	<u>118,012</u>	<u>18,726</u>	<u>26,246</u>
 LESS LIABILITIES					
Trade Creditors	8	17,770	16,805	203	160
Provision for Dividend		526	789	526	789
Provision for Taxation	9	-	1,241	-	2
Secured Borrowings Current Portion	10	<u>1,401</u>	<u>549</u>	<u>800</u>	-
CURRENT LIABILITIES (excluding Smithcorp)		19,697	19,384	1,259	951
Smithcorp Borrowings Current Portion	11	60,983	-	-	-
Smithcorp Borrowings Term Portion	11	<u>9,863</u>	<u>66,351</u>	-	-
TOTAL SMITHCORP LIABILITIES		70,846	66,351	-	-
Intercompany Payables		-	-	-	4,739
Secured Borrowings Term Portion	10	<u>11,755</u>	<u>12,168</u>	<u>11,000</u>	<u>11,000</u>
TOTAL TERM LIABILITIES		<u>11,755</u>	<u>12,168</u>	<u>11,000</u>	<u>15,739</u>
TOTAL LIABILITIES		<u>102,298</u>	<u>97,913</u>	<u>12,529</u>	<u>16,690</u>
NET ASSETS		<u>21,427</u>	<u>20,099</u>	<u>6,197</u>	<u>9,556</u>
 EQUITY					
Share Capital	12	10,554	10,554	10,554	10,554
Reserves		3,421	3,421	-	3,327
Retained Earnings (Deficit)	13	<u>7,452</u>	<u>6,124</u>	<u>(4,357)</u>	<u>(4,325)</u>
TOTAL EQUITY	13	<u>21,427</u>	<u>20,099</u>	<u>6,197</u>	<u>9,556</u>
 NOTE					
Total current assets		80,173	82,404	7,273	3,487
Total current liabilities		19,697	19,394	729	951

Smithcorp refers to Smithcorp 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 2001

	GROUP		PARENT	
	30.4.01	30.4.00	30.4.01	30.4.00
	(\$000)	(\$000)	(\$000)	(\$000)
CASHFLOW FROM OPERATIONS				
CASH WAS PROVIDED FROM:				
Receipts From Customers	163,650	155,640	(118)	634
Net GST Receipts	-	-	(2)	2
Receipt of Dividend	-	258	1,200	258
Interest Received	<u>107</u>	<u>881</u>	<u>107</u>	<u>92</u>
	163,757	156,779	1,187	986
CASH WAS APPLIED TO:				
Payment to Suppliers and Employees	(154,199)	(148,543)	(253)	-
Interest Paid - Finance Company	(5,307)	(4,272)	-	-
Interest Paid - Bank and Other	(1,632)	(956)	-	(674)
Taxation Paid	(2,013)	-	(827)	-
Net GST Payments	<u>(471)</u>	<u>(1,824)</u>	<u>-</u>	<u>-</u>
	<u>(163,622)</u>	<u>(155,595)</u>	<u>(1,080)</u>	<u>(674)</u>
NET INFLOW FROM OPERATIONS (NOTE 17)	135	1,184	107	312
INVESTING ACTIVITIES				
CASH WAS APPLIED TO:				
Purchase of Fixed Assets	<u>(1,542)</u>	<u>(1,787)</u>	-	-
NET CASH INFLOW (OUTFLOW) FROM INVESTING ACTIVITIES	(1,542)	(1,787)	-	-
FINANCING ACTIVITIES				
CASH WAS PROVIDED FROM:				
Conversion of Options to Shares	-	253	-	253
Receipt of Intercompany Advances	-	-	-	1,217
Receipt of Term Loan	<u>995</u>	<u>892</u>	<u>800</u>	<u>-</u>
	995	1,145	800	1,470
CASH WAS APPLIED TO:				
Payment of Inter-Company Advances	-	-	(1,990)	-
Dividends Paid	(1,315)	(1,048)	(1,315)	(1,048)
Repay Capital Noteholders	-	-	-	-
Payment of Term Loan	<u>(556)</u>	<u>(413)</u>	<u>-</u>	<u>-</u>
	<u>(1,871)</u>	<u>(1,461)</u>	<u>(3,305)</u>	<u>(1,048)</u>
NET CASH INFLOW (OUTFLOW) FROM FINANCING ACTIVITIES	(876)	(316)	(2,505)	422
NET INCREASE (DECREASE) IN CASH HELD	(2,283)	(919)	(2,398)	734
Opening Cash	<u>496</u>	<u>1,415</u>	<u>3,455</u>	<u>2,721</u>
Closing Cash	<u>1,787</u>	<u>496</u>	<u>1,057</u>	<u>3,455</u>
CLOSING CASH 30 APRIL 2001 COMPRISES:				
Cash and Short Term Deposits	(2,646)	23	1,057	3,455
Finance Company Bank Balances and Deposits	<u>859</u>	<u>473</u>	<u>-</u>	<u>-</u>
	<u>(1,787)</u>	<u>496</u>	<u>1,057</u>	<u>3,455</u>

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

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	
	30.4.01 (\$000)	30.4.00 (\$000)	30.4.01 (\$000)	30.4.00 (\$000)
INCOME				
Interest - Smithcorp Finance Deposits	29	26	-	-
Interest – Other	95	687	95	80
Distribution From Subsidiary	-	-	3,150	-
Dividend from Wairau Park	-	258	-	258
Gain on Sale of Property	134	-	-	-
EXPENSES				
Auditors' Remuneration				
- For Audit Services	(49)	(52)	(9)	(9)
- For Other Services	-	(19)	-	-
Bad Debts Written Off	(631)	(475)	-	-
Decrease/(Increase) in Doubtful Debts Provision	(72)	(210)	-	-
Depreciation	(1,345)	(1,420)	(9)	(63)
Directors' Fees	(70)	(65)	(70)	(65)
Interest - Smithcorp Finance Borrowings	(5,307)	(4,272)	-	-
Interest – Other	(1,632)	(956)	(253)	(669)
Leasing and Rent Charges	(4,178)	(4,882)	-	-

NOTE 2: CASH AND DEPOSITS

Cash and Bank Balances	(3,696)	(3,427)	7	5
Money Market Deposits	<u>1,050</u>	<u>3,450</u>	<u>1,050</u>	<u>3,450</u>
	<u>(2,646)</u>	<u>23</u>	<u>1,057</u>	<u>3,455</u>

NOTE 3: ACCOUNTS RECEIVABLE

Trade Receivables	3,822	4,235	-	-
Other Receivables and Prepayments	<u>3,032</u>	<u>1,830</u>	<u>84</u>	<u>26</u>
	<u>6,854</u>	<u>6,065</u>	<u>84</u>	<u>26</u>

NOTE 4: SMITHCORP FINANCE BANK BALANCES

Cash and Bank Balances	9	23	-	-
Money Market Deposits	<u>850</u>	<u>450</u>	<u>-</u>	<u>-</u>
	<u>859</u>	<u>473</u>	<u>-</u>	<u>-</u>

NOTE 5: SMITHCORP FINANCE RECEIVABLES

These represent Hire Purchase and Monthly "Option Plan" Receivables owned by the wholly owned finance company of the Group, Smithcorp Finance Limited.

	GROUP		PARENT	
	30.4.01	30.4.00	30.4.01	30.4.00
	(\$000)	(\$000)	(\$000)	(\$000)
Hire Purchase and Optional Payment Plan Receivables	82,294	74,164	-	-
Less Provision for Unearned Income	<u>(6,068)</u>	<u>(3,916)</u>	-	-
	<u>76,226</u>	<u>70,248</u>	<u>-</u>	<u>-</u>
Comprises:				
Amount Receivable Within 1 Year	47,479	49,248	-	-
Amount Receivable Beyond 1 Year	<u>28,747</u>	<u>21,000</u>	-	-
	<u>76,226</u>	<u>70,248</u>	<u>-</u>	<u>-</u>

NOTE 6: INVESTMENTS

Wairau Park Limited	248	248	248	248
Subsidiary Companies	-	-	13,007	13,007
Other	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
	<u>348</u>	<u>348</u>	<u>13,355</u>	<u>13,355</u>

The shareholding of the Group in Wairau Park Limited has remained unchanged throughout the year at 21.45%. The value of the investment in the Group's books as at 30 April 2001 is \$247,662, being original cost less capital redemptions to balance date.

The group's share of the net assets as disclosed in the Statement of Financial Position of Wairau Park Limited as at 31 March 2001 is \$1,733,577 (2000 \$1,858,074). The Directors' policy of not equity accounting for investments where the company does not have control has been continued.

NOTE 7: FIXED ASSETS

GROUP	30.4.01 (\$000)				30.4.00 (\$000)			
	AT COST	AT VALUATION	ACCUM DEP	BOOK VALUE	AT COST	AT VALUATION	ACCUM DEP	BOOK VALUE
Land	-	4,241	-	4,241	-	4,241	-	4,241
Buildings	-	<u>5,159</u>	<u>(105)</u>	<u>5,054</u>	-	<u>5,159</u>	<u>(53)</u>	<u>5,106</u>
TOTAL PROPERTY	-	9,400	(105)	9,295	-	9,400	(53)	9,347
Leasehold Improvements	2,810	-	(208)	2,602	2,149	-	(1,324)	825
Leased Equipment	1,918	-	(303)	1,615	1,918	-	(303)	1,615
Plant, Fittings, Equipment	<u>6,794</u>	-	<u>(5,849)</u>	<u>944</u>	<u>6,439</u>	-	<u>(3,966)</u>	<u>2,473</u>
	<u>11,522</u>	<u>9,400</u>	<u>(6,465)</u>	<u>14,457</u>	<u>10,506</u>	<u>9,400</u>	<u>(5,646)</u>	<u>14,260</u>
PARENT								
Land	-	-	-	-	-	4,241	-	4,241
Buildings	-	-	-	-	-	<u>5,159</u>	<u>(53)</u>	<u>5,106</u>
TOTAL PROPERTY	-	-	-	-	-	9,400	(53)	9,347
Leasehold Improvements	-	-	-	-	-	-	-	-
Plant, Fittings, Equipment	<u>260</u>	-	<u>(212)</u>	<u>48</u>	<u>261</u>	-	<u>(204)</u>	<u>57</u>
	<u>260</u>	-	<u>(212)</u>	<u>48</u>	<u>261</u>	<u>9,400</u>	<u>(257)</u>	<u>9,404</u>

Land and buildings are included in the accounts at an independent valuation dated 30 April 1999, prepared by Simes & Company, Registered Valuers. The Directors' policy is to revalue properties in the books of the Group on a three year cycle.

During the year land and buildings previously owned by the Parent Company were transferred at book value to a wholly owned subsidiary company. The transfer completed the separation of the business into operating entities for trading, finance and property owning.

NOTE 8: TRADE CREDITORS

	GROUP		PARENT	
	30.4.01 (\$000)	30.4.00 (\$000)	30.4.01 (\$000)	30.4.00 (\$000)
Employee Entitlements	1,483	1,380	-	-
Trade Creditors and Other Accruals	<u>16,287</u>	<u>15,425</u>	<u>203</u>	<u>160</u>
Total Creditors and Accruals	<u>17,770</u>	<u>16,805</u>	<u>203</u>	<u>160</u>

NOTE 9: TAXATION**INCOME TAX EXPENSE**

Operating surplus before tax	2,805	2,942	2,890	230
Add permanent Differences:				
Imputation Credits Received	-	127	-	127
Deduct Exempt Dividend	-	-	(3,150)	-
Add/(Deduct) Deferred Tax	-	-	5	-
Other	<u>(126)</u>	<u>19</u>	<u>8</u>	<u>14</u>
Total Permanent Differences	(126)	146	(3,137)	141
Add/(Deduct) Timing Difference	<u>(2,281)</u>	<u>1,058</u>	<u>1</u>	<u>18</u>
Assessable Income	<u>398</u>	<u>4,146</u>	<u>(246)</u>	<u>389</u>
Tax Expense 33%	131	1,368	(81)	129
Less Imputation Credits	-	(127)	-	(127)
Current Tax	131	1,241	(81)	2
Less Deferred Tax	359	(349)	1	(6)
Add/(Deduct) Prior Year Adjustment	<u>(65)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Income Tax Expenses / (Credit)	<u>425</u>	<u>892</u>	<u>(80)</u>	<u>(4)</u>

DEFERRED TAXATION

Opening Balance	349	-	6	-
Add increase	-	349	-	6
Deduct expenses	<u>349</u>	<u>-</u>	<u>6</u>	<u>-</u>
Closing Balance	<u>-</u>	<u>349</u>	<u>6</u>	<u>6</u>

TAXATION RECEIVABLE (PROVISION FOR TAXATION)

Opening Balance	(1,241)	-	(2)	-
Charge for the Year	(131)	(1,241)	81	(2)
Less Taxation Paid	2,013	-	827	-
Prior Year Adjustment	<u>55</u>	<u>-</u>	<u>5</u>	<u>-</u>
Closing Balance	<u>696</u>	<u>(1,241)</u>	<u>911</u>	<u>(2)</u>

Taxation losses carried forward from the year ended 30 April 1999 are the subject of discussions with the Inland Revenue Department. As losses available to be carried forward against future income periods can not be quantified the Directors have provided for tax in full.

IMPUTATION CREDIT ACCOUNT

Opening Balance	130	191	129	190
Add Imputation Credits Received	2,474	127	1,607	127
Less Imputation Credits Expired	<u>1,344</u>	<u>(188)</u>	<u>1,475</u>	<u>(188)</u>
Closing Balance	<u>1,260</u>	<u>130</u>	<u>261</u>	<u>129</u>

The account is a memorandum account only and does not form part of the financial statements.

NOTE 10: SECURED BORROWINGS

	GROUP		PARENT	
	30.4.01 (\$000)	30.4.00 (\$000)	30.4.01 (\$000)	30.4.00 (\$000)
Bank Advances and Bills including Long Term Portion of Advances	11,800	11,000	11,800	11,000
Loan with IBM New Zealand Credit Limited	<u>1,356</u>	<u>1,717</u>	<u>-</u>	<u>-</u>
	13,156	12,717	11,800	11,000
Less Current Portion	<u>1,401</u>	<u>549</u>	<u>800</u>	<u>-</u>
Term Portion of Term Loans	<u>11,755</u>	<u>12,168</u>	<u>11,000</u>	<u>11,000</u>

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

FINANCE LEASE LIABILITIES

Not later than 1 year	601	549	-	-
Later than 1 year but not later than 2 years	588	548	-	-
Later than 2 years but not later than 5 years	167	620	-	-
Later than 5 years	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	1,356	1,717	-	-
Less Future Lease Finance charges	<u>(233)</u>	<u>(308)</u>	<u>-</u>	<u>-</u>
Net Finance Lease Liability	<u>1,123</u>	<u>1,409</u>	<u>-</u>	<u>-</u>
Made up of:				
Current	498	454	-	-
Non-current	<u>625</u>	<u>955</u>	<u>-</u>	<u>-</u>
	<u>1,123</u>	<u>1,409</u>	<u>-</u>	<u>-</u>

The finance lease liabilities have an interest rate of 7.9% (2000 7.9%).

NOTE 11: 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 in favour of The National Bank of New Zealand Limited securing advances.

Floating debenture in favour of Fisher & Paykel Finance Limited over the assets of Smithcorp Finance Limited.

Floating debenture (second ranking) over the assets of Smiths City (Southern) Limited in favour of IBM Global Financing Limited.

SMITHCORP FINANCE BORROWINGS

The Smithcorp Finance Limited borrowings are secured by a first ranking charge over the total assets of Smithcorp Finance Limited under a debenture dated 5 June 1998. These assets have been consolidated as part of the consolidated group financial statements.

NOTE 12: SHARE CAPITAL

Issued and Paid Up Capital				
Opening Balance (52,606,884 Shares)	10,554	10,301	10,554	10301

Issued from conversion of options (2000 - 1,100,000 shares)	-	<u>253</u>	-	<u>253</u>
Closing Balance (52,606,884 Shares)	<u>10,554</u>	<u>10,554</u>	<u>10,554</u>	<u>10,554</u>

NOTE 13: EQUITY

	SHARE CAPITAL (\$000)	RETAINED EARNINGS (\$000)	CAPITAL RESERVES (\$000)	REVALUATION RESERVE (\$000)	TOTAL EQUIT Y (\$000)
GROUP 2001					
Balance at Start of Year	10,554	6,124	94	3,327	20,099
Add Surplus After Tax	-	2,380	-	-	2,380
Deduct Provision for Dividend	-	(526)	-	-	(526)
Deduct Dividend Paid	-	<u>(526)</u>	-	-	<u>(526)</u>
Balance at End of Year	<u>10,554</u>	<u>7,452</u>	<u>94</u>	<u>3,327</u>	<u>21,427</u>
PARENT 2001					
Balance at Start of Year	10,554	(4,325)	-	3,327	9,556
Less Transferred	-	-	-	(3,327)	(3,327)
Add Surplus After Tax	-	2,970	-	-	2,970
Deduct Provision for Dividend	-	(526)	-	-	(526)
Deduct Dividend Paid	-	(526)	-	-	(526)
Add Dividend Received	-	-	-	-	-
Balance at End of Year	<u>10,554</u>	<u>(2,407)</u>	<u>-</u>	<u>-</u>	<u>8,147</u>

NOTE 14: RELATED PARTY TRANSACTIONS

Note 20 identifies all companies within the Group. 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

The following rental income was received by the parent company Smiths City Group Limited from a subsidiary company:

	30.4.01	30.4.00
	(\$000)	(\$000)
Smiths City (Southern) Limited	1,131	1,007

This rental transaction is conducted on an arms length basis.

MANAGEMENT CONTRACT (GROUP AND PARENT)

All contracts have been based on independent expert advice provided by Sheffield Consulting Group Limited.

For the period to 31 October 1999

Smiths City (Southern) Limited, a subsidiary company, had a management contract dated 27 May 1994 with Retail Management Services Limited to provide the services of Craig David Boyce as Chief Executive and Richard Hellings as General Manager. Retail Management Services Limited owns shares issued by the Parent.

Under the terms of this contract the following payments or benefits were provided to Retail Management Services Limited.

- A Management Fee of \$219,200 per annum in total
- The use of motor vehicles and annual health insurance premiums for two persons with a cost of \$22,520 per annum in total

- Performance bonus (or payment by Retail Management Services Limited in the event of a loss) of up to 10% in total of profit or loss before tax and extraordinary items of Smiths City (Southern) Limited, dependent on achieving certain profit and cashflow targets.

For the period after 31 October 1999

Smiths City (Southern) Limited, a subsidiary company, has a management contract dated 22 December 1999 with Retail Management Services (2000) Limited to provide the services of Richard Hellings as Chief Executive Officer with an annual retainer of \$220,000 (plus an annual incentive of 10% of tax paid equivalent of trading profit to the extent that it exceeds 10% of opening shareholders' funds) plus the use of a motor vehicle and annual health premiums with a cost of \$11,260 per annum.

Smiths City (Southern) Limited, a subsidiary company, has a management contract dated 22 December 1999 with Extra Strength Number 164 Limited to provide the services of Craig Boyce as Executive Chairman with an annual retainer of \$132,000 reduced to \$96,000 from 1 August 2000 and to \$78,000 from 1 February 2001 (plus an annual incentive of 5% of tax paid equivalent of trading profit to the extent that it exceeds 10% of opening shareholders' funds) plus the use of a motor vehicle and annual health premiums with a cost of \$8,150 per annum.

NOTE 15: COMMITMENTS

	GROUP		PARENT	
	30.4.01	30.4.00	30.4.01	30.4.00
	(\$000)	(\$000)	(\$000)	(\$000)
OPERATING LEASE LIABILITIES				
Not later than 1 year	5,291	4,123	-	-
Later than 1 year but not later than 2 years	4,321	3,331	-	-
Later than 2 years but not later than 5 years	7,676	4,286	-	-
Later than 5 years	<u>3,273</u>	<u>722</u>	-	-
	<u>20,561</u>	<u>12,462</u>	-	-

CAPITAL COMMITMENTS

The Group had a capital commitment of \$Nil at balance date (2000 \$800,000).

CONTINGENT LIABILITIES

The Group has contingent liabilities of \$Nil at balance date (2000 \$nil).

NOTE 16: FINANCIAL INSTRUMENTS

a) **CREDIT RISK**

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

The Group performs credit evaluations on customers requiring credit but does not require collateral other than that available under the 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 counter parties are, and investments are with, reputable, high quality financial institutions.

Maximum exposures to credit risk at balance date are:

	GROUP		PARENT	
	30.4.01	30.4.00	30.4.01	30.4.00
	(\$000)	(\$000)	(\$000)	(\$000)
Cash and Short Term Deposits	(2,646)	23	1,057	3,455

Smithcorp Finance Bank Balances and Deposits	859	473	-	-
Smithcorp Finance Receivables	76,226	70,248	-	-
Trade Accounts Receivable	6,854	6,065	84	26

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 outstanding at balance date were:

	GROUP		PARENT	
	30.4.00 (\$000)	30.4.99 (\$000)	30.4.00 (\$000)	30.4.99 (\$000)
Interest rate swaps	3,000	1,250	3,000	1,250
Forward rate agreements	1,500	27,250	1,500	27,250

d) **HIRE PURCHASE PORTFOLIO**

The Group funds a significant portion of its hire purchase portfolio under a facility with an external finance company. The facility expires on 12 September 2002. Interest rates under the facility are reviewed and negotiated on a regular basis by both parties. The effective interest rate for the year ended 30 April 2001 was 7.81% (2000 7.24%).

e) **BANK FACILITY**

The Group has a borrowing facility of \$11,800,000 with the National Bank of New Zealand. The interest rate is variable, and is based on the buying rate for bank accepted bills. The effective rate of interest for the year ended 30 April 2001 was 7.42% (2000 6.03%).

f) **IBM FACILITY**

A subsidiary has a borrowing facility with IBM Global Financing New Zealand Limited terminating in August 2003. The effective rate of interest for the year ended 30 April 2001 was 7.9% (2000 7.9%).

f) **FAIR VALUE**

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

- Cash and short term deposits
- Smithcorp Finance bank balances and deposits
- Smithcorp Finance receivables
- Trade accounts receivable
- Intercompany receivables
- Smithcorp Finance borrowings

The fair value of non-current investment in unlisted shares is disclosed in Note 9.

NOTE 17: RECONCILIATION OF NET PROFIT AFTER TAX WITH CASH INFLOW FROM OPERATING ACTIVITIES

	GROUP		PARENT	
	30.4.01 (\$000)	30.4.00 (\$000)	30.4.01 (\$000)	30.4.00 (\$000)

Net Surplus per Statement of Financial Performance	2,380	2,050	1,020	234
Add non cash items:				
Depreciation	<u>1,345</u>	<u>1,420</u>	<u>9</u>	<u>63</u>
Adjusted surplus	3,725	3,470	1,029	297
Add/(Deduct) movements in other working capital items:				
(Increase)/Decrease in Smithcorp receivables	(5,977)	(12,029)	-	-
Increase/(Decrease) in Smithcorp borrowings	4,495	12,322	-	-
(Increase)/Decrease in accounts receivable	(2,377)	(1,735)	(965)	(4)
(Increase)/Decrease in inventory	(695)	(2,653)	-	-
Increase/(Decrease) in current liabilities	<u>964</u>	<u>1,809</u>	<u>43</u>	<u>19</u>
	<u>(3,590)</u>	<u>(2,286)</u>	<u>(922)</u>	<u>15</u>
Net cash inflow from operating activities GST exclusive	<u>135</u>	<u>1,184</u>	<u>107</u>	<u>312</u>

NOTE 18: SUBSIDIARY COMPANIES

The subsidiary companies, all with balance dates of 30 April and all wholly owned, included in the consolidated accounts at 30 April 2001 are as follows:

TRADING

- Smithcorp Finance Limited (finance)
- Smiths City (Southern) Limited - (retail)
- Smiths City Property Limited (formerly Concerto Carpets Limited)

NON TRADING

- Smiths City Limited (liquidation stayed)
- Smiths City (Christchurch) Limited
- Smiths City (Auckland) Limited
- Quintana Investments Limited
- Smiths City (Rotorua) Limited (in liquidation)
- Smiths City (Wellington) Limited
- Smiths City (Nelson) Limited
- Powerstore Limited
- Smiths DIY (Southern) Limited
- Computerstore Limited

NOTE 19: SEGMENTAL ACCOUNTING

The group operates solely in the retail sector in the South Island of New Zealand. Segmental accounting with 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 therefore not required.

STATUTORY INFORMATION

DISCLOSURES OF INTEREST

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

John William Holdsworth	Datacom Group Limited
John Allen Dobson	Alpine Gas Limited
	Alpine Energy Limited
	Southport NZ Limited
	Gough Holdings Limited
	Fiordland Travel Limited
Joy Kay Leslie	Networks South Limited
	National Provident Fund
	Wickliffe Press Limited
	Dunedin College of Education
	Dunedin Airport
	Met Services Limited
Craig David Boyce	Christchurch City Holdings Limited
	Redbus Limited
	Datacom Limited
	Advanced Foods (New Zealand) Limited
	Television New Zealand Limited
	Industry New Zealand Limited
Richard Hellings	Nil

SHARE HOLDINGS BY DIRECTORS AND RELATED PARTIES

	30.4.00	PURCHASES	SALES	30.4.01
<u>John William Holdsworth</u>				
Ordinary Shares	5,510,494	2,535,183	-	8,045,677
<u>John Allen Dobson</u>				
Ordinary Shares	116,579	-	-	116,579
<u>Joy Kay Leslie</u>				
Ordinary Shares	16,579	-	-	16,579
<u>Craig David Boyce</u>				
Ordinary Shares	2,976,387	1,285,091	-	4,261,478
<u>Richard Hellings</u>				
Ordinary Shares	2,926,883	1,285,092	-	4,211,975

As disclosed in the previous Annual Report Messrs Boyce, Holdsworth and Hellings purchased 5,140,366 shares from National Provident Fund at 30cents per share.

REMUNERATION AND OTHER BENEFITS

	DIRECTORS' FEES	OTHER SERVICES	TOTAL REMUNERATION
John William Holdsworth	20,000	-	20,000
John Allen Dobson	25,000	-	25,000
Joy Kay Leslie	<u>20,000</u>	<u>-</u>	<u>20,000</u>
	<u>65,000</u>	<u>-</u>	<u>65,000</u>

INTERESTS REGISTER

The following are particular disclosures made in the interests register of the company, and its subsidiaries, during the year -

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

STATUTORY INFORMATION **(continued)**

indemnities with Directors and Officers as permitted by the company's Constitution. The insurance and indemnity do not cover liabilities arising from criminal action.

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 EMPLOYEE'S REMUNERATION

During the year the following numbers of employees received remuneration of at least \$100,000 (2000 2).

<u>SUBSIDIARIES</u>	<u>NUMBER OF EMPLOYEES</u>
Smiths City (Southern) Limited	
\$120,000 - \$129,999	1
\$140,000 - \$149,999	2

DONATIONS

During the year the Group made donations of \$17,406 (2000: \$6,602). The company does extensively support a number of local charitable organisations by involvement in fund raising activities such as raffles and lotteries.

Much of this effort is put into raising funds in conjunction with the company's retail promotions and media partners. The highlight of the year is undoubtedly the annual Christmas party held for children in Canterbury. Staff from Smiths City and families join with approximately 100 IHC children to celebrate the season and exchange gifts.

AUDITORS NOTE

