

SMITHS CITY GROUP LIMITED

**Annual Report
for the Year
ended 30 April 2003**

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**ANNUAL
MEETING**

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 Tuesday 9 September 2003.

THE BUSINESS OF THE MEETING

ORDINARY BUSINESS

1. Annual Report - to receive the Annual Report for the year ended 30 April 2003.
2. Directors - to record the retirement by rotation as a Director of the company of Mr C D Boyce. Mr Boyce is eligible and available for re-election.
3. Directors – to record the retirement of Mrs S J Waterfield as a Director. Mrs Waterfield was appointed a Director of the company in April 2003. In accordance with the company's constitution Mrs Waterfield is required to retire at the first Annual Meeting following her appointment. She 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.
5. Directors' Fees – to increase total Directors' Fees to \$135,000 per annum to be divided between the Directors as they shall determine with such Fees continuing to be paid until altered by Shareholder Resolution. Refer attached Explanatory Note .

SPECIAL BUSINESS

To consider and, if thought fit, adopt the following resolution which will be proposed as a Special Resolution:

THAT the existing Constitution of the company be revoked and that the Constitution submitted to the meeting and signed by Craig Boyce for the purpose of identification, be adopted. Refer attached Explanatory Note.

GENERAL BUSINESS

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

24 July 2003

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 B K Registries, the company's share registrar at P O Box 384, Ashburton by 10.00am on Friday 5 September 2003.

Explanatory Note – ORDINARY BUSINESS

Item 5 Directors' Fees

Your Directors have proposed a change in the maximum level of Directors' Fees from \$70,000 – as set in 1987 – to \$135,000.

The necessity for this proposed change has arisen as a result of:

- The significant change in legal requirements of Directors since 1987 together with the increasing size of the business, particularly in the last five years which have resulted in the time taken to attend to Directors' responsibilities increasing considerably.
- The change in status from Executive Chairman to Non Executive Chairman – to take place on 1 October 2003 – of Mr Craig Boyce will increase the number of Directors to be paid Directors' Fees from three to four. His remuneration will now be paid from Directors' Fees rather than from salary. The overall cost to the company will be no greater, therefore, than in the 2003 financial year.
- The additional responsibilities that will arise as a result of the changes in Corporate Governance requirements associated with becoming a publicly listed company.

This brings the Directors to four Non Executive Directors and the Chief Executive, and the structure of the Board in line with the Governance requirements of the New Zealand Stock Exchange.

The Directors have sought independent advice from Sheffield Consulting Group Limited to determine a level of Directors' Fees that:

- a) Is comparable with other retailers of similar size, and
- b) Is fair reward for the time taken by your Directors on their duties associated with Smiths City Group Limited.

This independent advice recommended fees between \$165,000 and \$185,000. It can be seen that the maximum level recommended of \$135,000 is significantly below the recommended level and shows the commitment of the Directors to ensuring fair value for the shareholders.

Explanatory Note – SPECIAL BUSINESS

Adoption of New Constitution

This Explanatory Note is a summary of the material differences between the proposed constitution and the existing constitution. The changes to the existing Constitution are required to ensure that Smiths City's constitution will comply with the proposed listing rules of the New Zealand Alternative Exchange ("NZAX"). Those provisions, however, are suspended until such time as Smiths City obtains listing on the NZAX. As this is a summary only, shareholders are encouraged to obtain a full copy of the proposed constitution, which is available on request from Smiths City's registered office at 550 Colombo Street, Christchurch (Attention Gerry Willis).

Material Differences

Definitions – The definitions set out in Schedule A of this Explanatory Memorandum are new definitions, which were required due to the proposed listing of Smiths City on the NZAX.

The Listing Rules – For so long as Smiths City is listed on the NZAX, it must comply with the listing rules of the NZAX. In the event of any inconsistency between the listing rules of the NZAX and the constitution, the listing rules prevail. A full copy of the proposed listing rules is available on request from Smiths City's registered office at 550 Colombo Street, Christchurch (Attention Gerry Willis).

Share repurchases – Smiths City is now entitled under the listing rules to offer to repurchase shares from its shareholders by effecting offers on market. However, its ability to do a selective repurchase has been restricted by prohibiting selective repurchases from related parties and capping the number of shares being able to be purchased in any 12 month period to 10% of the total shares on issue, unless prior shareholder approval has been obtained. In all repurchase instances, Smiths City must give 3 business days prior notice to the NZAX.

Financial assistance – Smiths City's ability to provide financial assistance for the purpose of, or in connection with, the acquisition of its shares has also been restricted by the listing rules. Smiths City is now prohibited from providing financial assistance to related parties and the level of financial assistance provided to non-employees in any 12 month period is now capped at 5% of Shareholders' Funds, unless prior shareholder approval has been obtained. In relation to the provision of financial assistance to employees, the cap is now 2% of Shareholders' Funds.

Issue of shares – Subject to certain exceptions (including pro rata issues), Smiths City must obtain shareholder approval to any issue of new shares or Securities. The main exception to this is that in any 12 month period Smiths City may issue new shares without shareholder approval, provided the number of shares issued does not exceed 20% of the total number of shares on issue at the commencement of that 12 month period. This is contrary to the existing constitution that caps the number of new shares able to be issued without shareholder approval at 20,000,000. Further, Smiths City can issue new shares to employees without shareholder approval, provided the number of shares issued in any 12 month period does not exceed 5% of the total number of shares on issue at the commencement of that 12 month period and for the period of 5 years preceding the date of issue the number of shares issued to employees, does not exceed 10% of the total number of shares on issue. There are no pre-emptive rights in relation to issues of new shares.

Sale of less than minimum holding – Smiths City's ability to exercise a power of sale over a small holding has been preserved, although the level of small holding has been increased from 500 shares to 1000. Smiths City's Board, however, does not intend to exercise such power in relation to shareholdings less than 1000 as at the date of adoption of the Constitution.

Rights and powers attaching to shares – clause 12 of the new constitution sets out a number of situations where persons (and their associates) are disqualified from voting in favour of a particular resolution. In general, persons disqualified are those persons who may have a financial or personal interest in the outcome of the implementation of the proposed resolution. For example: (a) Directors are disqualified from voting in favour of any resolution regarding their remuneration; and (b) persons are disqualified from voting in favour of any resolution authorising the issues of shares to themselves. In addition, where shares are only partly paid then those shares shall only have fractional voting rights

based on the percentage paid up. In all other respects, the rights and powers attaching to shares as set out in Section 36 of the Companies Act 1993 are preserved.

Explanatory Note – SPECIAL BUSINESS Adoption of New Constitution (continued)

Material transactions and transactions with related parties – subject to certain exceptions, the constitution now contains a number of provisions which restrict and/or clarify Smiths City’s ability to enter into material transactions or transactions with related parties, unless Smiths City has first obtained the prior approval of shareholders. For example, Smiths City must now obtain the prior approval of shareholders to a change in the essential nature of its business.

Pre Break Announcement - Where Smiths City wants to undertake any action or transaction otherwise than in accordance with the restrictions referred to above relating to share repurchases, financial assistance, issue of shares, rights and powers attaching to shares, and material transactions then the NZAX Listing Rules permit such action provided Smiths City has issued an announcement to the market giving full details of the proposed action or transaction. Such announcement must be made 10 business days prior to undertaking the proposed action or transaction. This gives shareholders 10 business days to decide whether to remain shareholders in light of the proposed transaction.

Directors – Except for filling casual vacancies and certain situations where Directors are deemed eligible for re-election, Directors may now only be nominated for election by shareholders. The rotational retirement policy applicable to non-executive Directors continues to apply. Directors retain the ability to appoint alternates.

Directors’ remuneration – the provisions in the new constitution now enable shareholders to fix Directors’ remuneration either as an overall sum payable to all Directors (which may be divided up amongst the Directors in such manner as they see fit) or as an amount to a particular Director. Further, any exit payments to Directors must first be approved by an ordinary resolution of shareholders.

Managing Director – the constitution preserves the position of Managing Director, which enables the Board to appoint one or more of their number to the position of Managing Director for a fixed term not exceeding 5 years. The Managing Directors’ remuneration (except his or her remuneration in his or her capacity as a member of the Board) is fixed by the Board without reference to shareholders, subject to a cap of 1.5% of the lesser of Shareholders Funds or Smith City’s Average Market Capitalisation as defined in the NZAX proposed listing rules.

Chairperson of Directors’ Meetings – the position of Chairperson has been retained, however the Chairperson no longer has a casting vote in any circumstances.

Voting at Directors’ meetings – a Director is now not entitled to vote in respect of any matter in which that Director is interested nor shall that Director be counted for the quorum for the meeting, except in limited circumstances.

Schedule 3 – Schedule 3 sets out the provisions of the constitution that are suspended and ignored until the date Smiths City lists on the NZAX. These provisions will, however, apply from the date of listing without the need for any further act or resolution on the part of shareholders.

At the time of preparation of this Explanatory Memorandum, the listing rules of the NZAX were still in the process of being approved by the Securities Commission. Smiths City’s solicitors are of the view that the proposed constitution complies with the proposed listing rules of the NZAX as drafted as at the date of printing of this Explanatory Memorandum. However, if the proposed listing rules of the NZAX are subsequently amended then this may require further amendments to the constitution to achieve consistency with the final listing rules.

Explanatory Note – SPECIAL BUSINESS Adoption of New Constitution (continued)

Schedule A

“**Call**” means a resolution of the Board under clause 22.1 requiring Shareholders to pay all or part of the unpaid amount of the issue price of any Securities and, where the context requires, means the obligation of a Shareholder to meet the amount due pursuant to such a resolution;

“**Director**” means a person appointed as a director of the Company in accordance with this Constitution;

“**Employee**” in relation to the Company includes an employee or officer of the Company or any of its subsidiaries, a labour only contractor, consultant, or consultant company who or which contracts with the Company or with any of its subsidiaries, any trustee or trustees on behalf of any of the above employees or officers, and any trustee or trustees of, or in respect of, any pension, superannuation or like fund established for the benefit of any of the above employees or officers;

“**Listed**” means in relation to the Company the period during which the Company has a listing on the market operated by the NZX;

“**Minimum Holding**” means a holding of 1,000 Securities;

“**NZAX**” means the New Zealand alternative market operated by the NZX;

“**NZX**” means the New Zealand Exchange Limited;

“**NZAX Listing Rules**” means the listing rules of the NZAX as amended from time to time;

“**Ordinary Resolution**” means a resolution passed by a simple majority of Votes of holders of Securities of the Company which carry Votes, entitled to vote and voting;

“**Pre Break Announcement**” – means an announcement to the market which is made pursuant to rule 1.1A of Part B, Section 1 of the NZAX Listing Rules; and

“**Shareholders’ Funds**” means the amount disclosed as equity (whether described as equity, shareholders funds, or otherwise) in the most recent published group financial statements of the Company and its Subsidiaries.

FINANCIAL INFORMATION

DIRECTORS' REPORT

Your Directors are pleased to submit to shareholders their Report and Financial Statements for the year ended 30 April 2003.

PRINCIPAL ACTIVITIES

Smiths City Group Limited is a Christchurch, New Zealand, based company. The Group's principal activities during the year were:

TRADING

- The retailing of consumer electronic products, kitchen appliances, home heating solutions, home furnishings and sporting goods through the Smiths City and Powerstore chains of stores.

The company – through Alectra – has always had a strong whiteware servicing and electrical repair and contracting business. The operation has now been extended to incorporate our comprehensive business to business sales operation selling building products (including truss and pre-cut frames), consumer electronics, kitchen appliances, home furnishings and heating products principally into the residential building and hospitality industries. This is seen as a key growth area for the Group.

FINANCE

- The provision of finance for the Group's retailing activities through Smithcorp Finance Limited.

PROPERTY

- The ownership of the flagship Colombo Street property in central Christchurch by Smiths City Properties Limited.

FINANCIAL PERFORMANCE

The Directors are pleased to report an audited after tax profit for the year of \$4.048million – an increase of 20.3% on last year's profit of \$3.366million. Sales in the same period were \$187.508million – an increase of 6.6% on last year's sales of \$175.876million.

It is particularly pleasing to report that continued improvements in management reporting systems, product selection and in-store service and merchandising have seen profits increase at a rate greater than the increase in sales.

RETURN ON FUNDS EMPLOYED

Shareholders' equity at 30 April 2003 totalled \$26.823million compared to \$24.365million at 31 April 2002.

The audited profit of \$4.048million represents a return of 16.6% on opening shareholders' funds, up from 15.7% last year and 11.8% in the 2001 year. We have moved ahead of our target of 15% return, having revised this up from the 12.5% set in previous years.

DIVIDEND

The Directors have declared a fully imputed final dividend of 2.0cents per share bringing the dividend for the year to a fully imputed 3.0cents per share (last year 3.0cents per share).

DIRECTORS

On 18 February 2003 Mrs Joy Leslie retired from the Board having served as a Director for seven years. During her term as a Director, Mrs Leslie made a very significant contribution to the development of Smiths City Group Limited. Her experience and business acumen have been invaluable to the company.

On 23 April 2003 Mrs Stephanie Waterfield was appointed as a Director. Mrs Waterfield is Christchurch based and previously held the position of Chief Executive Officer for the Nurse Maude Association for eight years during which time that organisation underwent major growth and asset development. She is currently a self employed health consultant, a member of the Canterbury District Health Board Disability Advisory Committee and a fellow of the New Zealand Institute of Management.

REVIEW OF TRADING

In the last two years the Group has increased sales by 13.3% and pre-tax profit (excluding dividends received from Wairau Park) by over 80.0%. These results are tangible evidence that improvements in our businesses – which have been the focus of management over the last five years – have delivered real increases in shareholder value.

However, the Group operates exclusively in the South Island where growth in population and

household numbers is relatively static. In addition, the last two years has seen the South

Island retail environment change markedly. In particular, the larger chains that operate in our

DIRECTORS' REPORT (continued)

product categories – Harvey Norman, Pacific Retail Group, Farmers, Briscoes Group (incorporating Rebel Sports), Mitre 10 and Placemakers – have increased their retail space and market presence considerably. The result has been an increase in competition and pressure on sales and margins.

With these market changes, combined with the slowing rural economy we currently face, it is clear that profit increases of the size experienced in the last two years cannot be continued.

The key to future growth of the company is to focus on strengthening the competitive advantages that have delivered these results in what will clearly be a more difficult trading environment. In particular, the company must maximise the advantages of:

- Its strong retail brands.
- The benefits of the branded products it sells and its strong relationships with suppliers.
- The established and loyal customer base.
- Its skilled and dedicated staff.

As noted last year the company has what we consider to be the correct number of stores for a South Island operation of its kind. Growth will be delivered by enlarging stores (rather than increasing the number of stores) and improving the range of home furnishings, home appliances and sporting goods offered to the consumer.

To this end the company announced at the Annual General Meeting in August 2002 the \$6million upgrade to the Colombo Street site, which is owned by the Group. The project is progressing well. Covering a land area of approximately 16,000 square feet (four acres) in central Christchurch it is a tangible sign of our commitment to improving our retail offering which will inevitably provide long term benefits for our customers, the company and shareholders.

WAIRAU PARK LIMITED

During the year under review \$645,000 was received in dividends from Wairau Park Limited, the Auckland property development company in which the company has a 21.49% shareholding.

This operation at Wairau Park is now coming to an end with all the land now developed and the final buildings to be sold. The accounts for the year ending 31 March 2003 show shareholders' funds of \$2.415million which would value our 21.49% investments at \$0.521million.

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At this stage we have no confirmed date by which the investment will be finalised but it is anticipated that this will be completed within two years.

SHAREHOLDER ISSUES

SHARE TRADING

Following legislation passed in late 2002 the New Zealand Stock Exchange announced plans to withdraw share trading facilities for unlisted companies. Effectively, when this move is completed the "Secondary Board" facility, on which Smiths City shares have traded since 1991, will be closed. Whilst no definitive date has been set we expect this to occur in early 2004.

The New Zealand Stock Exchange has made several public announcements in regard to a replacement facility for the Secondary Board. At the time of writing this report the Stock Exchange does not have approval for their draft listing rules from the Securities Commission. The company is, therefore, not in a position to make a definitive decision in regard to the most appropriate method to be set up for shareholders to continue to trade their shares once the Secondary Board is disbanded. The company is continuing to review the options available for trading and will inform shareholders on this once a final decision can be made.

In preparation, should the Board of Directors decide that the best option for the company is to list on the New Zealand Stock Exchange, shareholders are being asked to approve a totally new Constitution at the Annual Meeting. The new Constitution continues all the existing terms and conditions currently in place with the only changes being those required to comply with anticipated listing requirements.

A detailed explanation has been included as an Explanatory Note to the Special Resolution and included with the Notice of Annual Meeting.

ROLE OF CHAIRMAN

On 1 May 1999 Mr Craig Boyce, having resigned as Chief Executive, became Chairman of the Board of Directors. He retained certain executive duties, principally in the area of

Smithcorp Finance Limited which was recognised as a key area of growth for the Group. In the period since that time Mr Boyce has been remunerated as an employee and received no Directors' Fees.

DIRECTORS' REPORT (continued)

On 1 October 2003 Mr Boyce will resign from all remaining executive duties and become Non Executive Chairman of the Board of Directors of Smiths City Group Limited. Those executive duties currently undertaken by Mr Boyce will be absorbed into the current management team. From that date Mr Boyce will be remunerated through Directors' Fees.

DIRECTORS' FEES

In September 1987 the company approved a maximum level of Directors' Fees of \$70,000. In the current year Directors' Fees of \$65,000 were paid to the three Non-Executive Directors.

Given the growth of the company, the increasing complexity of corporate governance practise (and hence in Directors' responsibilities) in the period since 1987, the change in the structure of the Board outlined above (which will require the Non Executive Chairman to be remunerated via Directors' Fees) and the potential change in corporate structure as a result of the disbanding of the Secondary Board it is now necessary to increase the overall level of Directors remuneration.

Shareholder approval for an increase in Directors' Fees from \$70,000 to \$135,000 per annum is sought. This revised level of Directors' Fees is less than the recommended level set by independent consultants, Sheffield Consulting Limited.

A more detailed explanation has been included as an Explanatory Note to the Ordinary

Resolution included with the Notice of Annual Meeting.

DIRECTORS' VIEW OF THE FUTURE

In last year's report we set down the principles which guide the Directors and management in our planning for the future.

In particular –

- That the first duty of Directors is the survival and well being of the company. The challenge then is to consistently grow shareholder value.
- That we focus on our "core business" of retail, finance and property within the South Island market.
- We will grow our business through our existing operations unless an opportunity occurs which fits with our "strategic direction".

These principles remain. In our planning for the next three years we have set a target of a minimum after tax return on opening shareholders' funds of 15% and intend to hold dividends at approximately 50% of profit in order to provide for our growth.

Smiths City operates in one of the areas of the New Zealand economy most subject to change particularly with the entry of new participants into our markets. However, we are confident that we have the strength in our business and people to compete successfully in this environment.

**CRAIG BOYCE
DOBSON
CHAIRMAN**

**J A
DIRECTOR**

CHIEF EXECUTIVE'S REVIEW

INTRODUCTION

The company operates through three trading operations – Smiths City, Powerstore and Alectra – supported by centralised logistics (including distribution), management information and treasury functions. Smithcorp Finance Limited provides funding for the provision of flexible finance options for customers and Smiths City Properties Limited owns the strategically important Colombo Street property in the centre of Christchurch.

REVIEW OF 2003 FINANCIAL YEAR

The first half of the 2003 financial year saw strong retail trading conditions as the buoyant economy led to strong consumer confidence. The second half of the financial year saw softer trading conditions as the combined effect of the Middle East unrest, the spread of SARS, the threat of power cuts and a rising dollar adversely effecting the rural sector were only partially offset by stable interest rates and a buoyant building market. The result was lower consumer confidence in the second half year.

The market reacted aggressively to the softer trading conditions with price pointed promotions to stimulate demand. This put considerable pressure on margins. Under the circumstances the 13.6% increase in operating profit excluding dividend from Wairau Park from \$4.472million to \$5.079million was pleasing. In the same period sales increased 6.6% from \$175.876million to \$187.508million.

Major achievements during the year were:

SMITHS CITY

Smiths City is a long established, successful and profitable trading operation with considerable brand recognition. It operates from 17 stores which are supported by six Clearance Centres selling trade-in and budget product.

A clear focus on buying and marketing led to continued improvements in market share in product areas highlighted as strategically important - in particular in the provision of heating solutions, consumer electronic products, kitchen appliances and bedding. The heating market offers considerable opportunity for further growth as we expand the product area through the provision of a full range of home heating solutions.

As part of the ongoing review of locations and in-store product offering Smiths City relocated its Invercargill and Alexandra stores to larger premises and both stores' trading has exceeded expectations. In the coming year the company will be relocating its Wanaka store to a larger location and is currently reviewing options for its Filleul Street, Dunedin, and Rotherham Street, Riccarton, stores.

In addition Smiths City has expanded its import furniture program to ensure that the company is taking advantage of design and manufacturing capabilities not only from New Zealand but also other parts of the world.

POWERSTORE

Powerstore is a young brand first established in mid-1997 and acquired by the Group from Southpower in November 1997. From that date the company has concentrated on developing Powerstore into a full South Island chain with stores of a consistent size and product range in all the key South Island population centres. The final part of this process was completed in May 2003 when the Northwood store opened replacing a much smaller Wairakei Road store.

Having got the mix of stores correct, management has concentrated on increasing its brand awareness to the public and improving its in-store service levels. The success of this was shown by a strong second half year performance.

The future for the Powerstore brand is positive as developments in technology products and reducing price points open new markets for the chain.

ALECTRA

Alectra, our whiteware service, electrical wiring and gas fitting business, has had a successful 2003. This is an area where skill shortages are an industry problem. We are fortunate to have some of the most skilled technicians available in the country.

Towards the end of the financial year we have taken the opportunity to combine the trades based Alectra operation with our Commercial business to enable us to maximise the opportunities that are arising particularly in the residential building and hospitality industries.

This business with its extensive skill base now enables us to combine a full range of electrical

wiring, data cabling and whiteware installation capabilities with the supply of consumer

electronics, home appliances and home furnishing products to the ever-changing

CHIEF EXECUTIVE'S REVIEW (continued)

commercial market – a truly exciting opportunity.

SUPPORT OPERATIONS

Our centralised systems and administration teams continued to improve the quality and timeliness of management information to the trading operations. This is seen as a key requirement in our ability to compete in increasingly competitive markets.

In addition considerable effort has been put into improving the efficiency of our in-home and inter-branch South Island delivery service. The benefits of these improvements will continue into the future.

SMITHCORP FINANCE LIMITED

During the year the company successfully expanded its “Lifestyle Plus” finance options which provide flexible finance packages for our customers. We continue to seek new opportunities in this area.

SMITHS CITY PROPERTIES LIMITED

The commitment Smiths City has to improving its customer offering has been noted above. Smiths City Properties Limited owns the Colombo Street premises in central Christchurch from which Smiths City's largest store trades.

At the August 2002 Annual Meeting the Board announced a major upgrade to this premises. Covering nearly four acres the store will, when complete, offer approximately 9,000 square metres of ground floor retail space, supported by in excess of 140 ground level customer car parks. The product range available from Colombo Street will be the widest available in New Zealand. The projected date for completion is November 2003. When complete this upgrade will not only provide a unique customer experience but will also add considerable value to the Group's property assets.

STAFF

Included towards the end of this Annual Report are the names of all staff who were part of the “Smiths City Group Team” at the conclusion of this financial year.

Working in retail is demanding on staff and their families. The loyalty, enthusiasm and knowledge of our staff gives us – in my

opinion – a key competitive edge when we are compared with other retailers. I would personally like to take this opportunity to thank all of them for their efforts.

OUTLOOK

As noted in the Directors' Report the South Island retail market has changed considerably in the last few years. As the larger retailers increased their presence in the market the retail environment has become more competitive and margins under more pressure.

The company is committed to seeing growth in revenue (and hence profits) from its current operations. As noted previously the company currently trades in those towns it considers appropriate for Smiths City, Powerstore and Alectra and has no plans for opening additional sites. Sales growth will therefore be achieved through increasing market share in key targeted product segments (principally those that offer higher margins and non-commodity pricing) and adding new product lines into existing stores.

The Smiths City chain is a well established profitable business – large enough to compete in its own right. Powerstore adds value through its ability to use our existing infrastructure (thus reducing our average cost per transaction) and to take advantage of the profit opportunities available through changing technology. Alectra supports retail through its trade base but also give us great opportunities for growth by opening new markets for us in the commercial field. The combined offering of the three trading divisions offers us unique points of difference on which we can capitalise.

Paramount in this strategy is the need to ensure that all stores meet the required presentation standard and are of a size commensurate to population and product opportunities.

As no additional stores are to be opened in 2004 it is likely that at least three stores will relocate and two further stores will be increased in size. The outlook, therefore, remains positive.

RICK HELLINGS
CHIEF EXECUTIVE

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CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Smiths City Group Limited acknowledges the need for the highest standards of Corporate Governance practice and ethical conduct.

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
- 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 Chief Executive Officer of the Group.

GROUP MANAGEMENT STRUCTURE

The Groups' organisation structure is focused on its three main activities: trading; the provision of consumer finance and the maintenance 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 corrective action is taken promptly to mitigate and monitor the risk.

AUDIT COMMITTEE

The Board has an Audit Committee which meets as required. The terms of reference for the committee are the responsibility of the entire Board.

The Audit Committee is accountable to the Board for recommendations of the external auditors, KPMG. It also directs and monitors the audit function and reviews the annual audit process. The committee gives the Board assurance on the accuracy of the financial information in the Groups annual report. In addition, the committee are responsible for ensuring that the Group has effective internal controls. The committee met four times during the year under review.

SHARE TRADING PROTOCOL

The Board has adopted 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 three months after the announcement of the company's half year or annual results. This policy complies with the Securities Markets Act 1988 and its insider trading regulations.

SMITHS CITY GROUP LIMITED

TREND STATEMENT

<u>FINANCIAL PERFORMANCE</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Sales	<u>187,508</u>	<u>175,876</u>	<u>165,276</u>	<u>156,433</u>	<u>139,745</u>
Operating Profit Before Taxation	5,079	4,472	2,805	2,684	1,767
Deduct Taxation	<u>(1,676)</u>	<u>(1,536)</u>	<u>(425)</u>	<u>(892)</u>	-
Operating Profit After Taxation	3,403	2,936	2,380	1,792	1,767
Add Dividend From Associate	645	430	-	258	689
Profit After Taxation And Dividend From Associate	<u>4,048</u>	<u>3,366</u>	<u>2,380</u>	<u>2,050</u>	<u>2,456</u>
 <u>FINANCIAL POSITION</u>					
Assets					
Total Current Trading Assets	38,840	37,121	34,481	32,673	29,063
Non Current Assets	<u>15,891</u>	<u>14,420</u>	<u>14,805</u>	<u>14,608</u>	<u>14,242</u>
Total Trading Assets	54,731	51,541	49,286	47,281	43,305
Financing Company Assets	<u>85,730</u>	<u>81,770</u>	<u>77,085</u>	<u>70,721</u>	<u>58,834</u>
Total Assets	<u>140,461</u>	<u>133,311</u>	<u>126,371</u>	<u>118,002</u>	<u>102,139</u>
 Deduct Liabilities					
Total Current Trading Liabilities	24,552	23,427	20,942	18,835	16,761
Non Current Liabilities	<u>12,485</u>	<u>11,000</u>	<u>11,755</u>	<u>12,168</u>	<u>11,945</u>
Total Trading Liabilities	37,037	34,427	32,697	31,003	28,706
Finance Company Liabilities	<u>76,601</u>	<u>74,519</u>	<u>72,247</u>	<u>66,900</u>	<u>54,322</u>
Total Liabilities	<u>113,638</u>	<u>108,946</u>	<u>104,944</u>	<u>97,903</u>	<u>83,028</u>
 Net Group Assets	 <u>26,823</u>	 <u>24,365</u>	 <u>21,427</u>	 <u>20,099</u>	 <u>19,111</u>
 Consisting Of:-					
Capital	10,652	10,652	10,554	10,554	10,301
Reserves	<u>16,171</u>	<u>13,713</u>	<u>10,873</u>	<u>9,545</u>	<u>8,810</u>
Shareholders' Funds	<u>26,823</u>	<u>24,365</u>	<u>21,427</u>	<u>20,099</u>	<u>19,111</u>
 <u>FINANCIAL POSITION RESTATING FINANCE COMPANY AS AN INVESTMENT</u>					
Total Trading Assets (As Above)	54,731	51,541	49,286	47,281	43,305
 Net Finance Company Assets					
Receivables	84,923	81,517	76,226	70,248	58,220
Bank	807	253	859	473	614
Deduct Borrowings	<u>(76,601)</u>	<u>(74,519)</u>	<u>(72,247)</u>	<u>(66,900)</u>	<u>(54,322)</u>
Net Investment In Finance Company	<u>9,129</u>	<u>7,251</u>	<u>4,838</u>	<u>3,821</u>	<u>4,512</u>
Total Assets	<u>63,860</u>	<u>58,792</u>	<u>54,124</u>	<u>51,102</u>	<u>47,817</u>
 Deduct Total Trading Liabilities (As Above)	 <u>37,037</u>	 <u>34,427</u>	 <u>32,697</u>	 <u>31,003</u>	 <u>28,706</u>
 Net Group Assets With Finance Company As An Investment	 <u>26,823</u>	 <u>24,365</u>	 <u>21,427</u>	 <u>20,099</u>	 <u>19,111</u>
 Consisting Of Shareholders' Funds	 <u>26,823</u>	 <u>24,365</u>	 <u>21,427</u>	 <u>20,099</u>	 <u>19,111</u>
 Key Ratios					
Net Profit After Tax To Sales	2.2%	1.9%	1.4%	1.3%	1.8%
Net Profit After Tax To Opening Net Assets	16.6%	15.7%	11.8%	10.7%	14.4%
Earnings Per Share (Cents)	7.64	6.36	4.52	3.90	4.77
Shareholders' Funds To Total Assets	19.1%	18.3%	17.0%	17.0%	18.7%
Shareholders' Funds To Total Assets Restating Finance Company As An Investment	42.0%	41.4%	39.6%	39.3%	40.0%

AUDITORS' REPORT



Audit report

To the shareholders of Smiths City Group Limited

We have audited the financial statements on pages 17 to 30. The financial statements provide information about the past financial performance and financial position of the company and group as at 30 April 2003. This information is stated in accordance with the accounting policies set out on pages 17 to 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 2003 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 judgements 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 issued by the Institute of Chartered Accountants of New Zealand. 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 and certain of its subsidiaries in relation to taxation and general accounting advice. 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 17 to 30:
 - 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 2003 and the results of their operations and cash flows for the year ended on that date.

Our audit was completed on 24 July 2003 and our unqualified opinion is expressed as at that date.

Christchurch



Member Firm of
KPMG International

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 30 APRIL 2003

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 23 to 30 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 interests in Wairau Park Limited, in which it has a shareholding of 21.49% and Adventure Brands Limited, in which it has a shareholding of 30%. The financial results of these companies have not been equity accounted due to the lack of ability to exercise significant influence or control over their operations. The investments are 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 property, plant and equipment:

- | | |
|---|-------------------|
| • 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 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.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 30 APRIL 2003 (continued)

Capital work in progress is recorded at valuation prior to commencement of the project, adjusted for additions and disposals at their monetary value. On completion of the project the property is transferred to land and buildings at an independent valuation.

F OTHER PROPERTY, PLANT AND EQUIPMENT

Other property, plant and equipment has 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 “weighted average cost” formula 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 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.

**STATEMENT OF SIGNIFICANT ACCOUNTING
POLICIES FOR THE YEAR ENDED 30 APRIL 2003
(continued)**

N 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.

O COMPARATIVES

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

P 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
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 APRIL 2003

		GROUP		PARENT	
	NOTE	30.4.03 (\$000)	30.4.02 (\$000)	30.4.03 (\$000)	30.4.02 (\$000)
Sales		187,508	175,876	-	-
Ongoing Activities					
Surplus Before Income Tax	1	5,724	4,902	4,267	(266)
Plus/(Less) Taxation	9	(1,676)	(1,536)	257	323
Net Surplus After Income Tax		4,048	3,366	4,524	57

2003 Group Surplus Before Tax includes a dividend of \$645,000 from Wairau Park Limited (2002 \$430,000)
2003 Parent Surplus Before Tax includes a dividend of \$4,400,000 from subsidiaries (2002 \$Nil)

STATEMENT OF MOVEMENTS IN EQUITY
FOR THE YEAR ENDED 30 APRIL 2003

		GROUP		PARENT	
		30.4.03 (\$000)	30.4.02 (\$000)	30.4.03 (\$000)	30.4.02 (\$000)
TOTAL EQUITY AT BEGINNING OF YEAR		24,365	21,427	5,826	6,197
Net Surplus for year		4,048	3,366	4,524	57
Deduct dividend paid		(1,590)	(526)	(1,590)	(526)
Add shares issued for staff shares		-	98	-	98
TOTAL EQUITY AT END OF YEAR		26,823	24,365	8,760	5,826

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 2003

	NOTE	GROUP		PARENT	
		30.4.03 (\$000)	30.4.02 (\$000)	30.4.03 (\$000)	30.4.02 (\$000)
ASSETS					
Cash and Short Term Deposits	2	19	26	2,559	2,252
Accounts Receivable	3	7,607	7,982	20	116
Taxation Receivable	9	52	-	-	408
Intercompany Receivables		-	-	3,932	920
Inventory		31,162	29,113	-	-
CURRENT ASSETS (excluding Smithcorp)		38,840	37,121	6,511	3,696
Smithcorp Bank Balances and Deposits	4	807	253	-	-
Smithcorp Receivables - Current Portion	5	49,447	34,869	-	-
Smithcorp Receivables - Term Portion	5	35,476	46,648	-	-
TOTAL SMITHCORP ASSETS		85,730	81,770	-	-
Investments	6	368	248	13,375	13,255
Property, Plant and Equipment	7	15,523	14,172	30	34
TOTAL ASSETS		140,461	133,311	19,916	16,985
LESS LIABILITIES					
Overdraft	2	193	495	-	-
Trade Creditors	8	24,359	22,627	156	159
Taxation Payable	9	-	305	-	-
Secured Borrowings Current Portion	10	-	-	-	-
CURRENT LIABILITIES (excluding Smithcorp)		24,552	23,427	156	159
Smithcorp Borrowings Current Portion	11	36,141	35,993	-	-
Smithcorp Borrowings Term Portion	11	40,460	38,526	-	-
TOTAL SMITHCORP LIABILITIES		76,601	74,519	-	-
Secured Borrowings Term Portion	10	12,485	11,000	11,000	11,000
TOTAL TERM LIABILITIES		12,485	11,000	11,000	11,000
TOTAL LIABILITIES		113,638	108,946	11,156	11,159
NET ASSETS		26,823	24,365	8,760	5,826
EQUITY					
Share Capital	12	10,652	10,652	10,652	10,652
Reserves		3,421	3,421	-	-
Retained Earnings (Deficit)	13	12,750	10,292	(1,892)	(4,826)
TOTAL EQUITY	13	26,823	24,365	8,760	5,826
NOTE					
Total current assets		89,094	72,243	6,511	3,696
Total current liabilities		60,693	59,420	156	159

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 2003

	GROUP		PARENT	
	30.4.03 (\$000)	30.4.02 (\$000)	30.4.03 (\$000)	30.4.02 (\$000)
CASHFLOW FROM OPERATIONS				
CASH WAS PROVIDED FROM:				
Receipts From Customers	181,938	167,730	29	76
Receipt of Dividend	645	430	5,045	430
Taxation Refund	-	-	408	-
Interest Received	5,212	5,098	89	80
	187,795	173,258	5,571	586
CASH WAS APPLIED TO:				
Payment to Suppliers and Employees	(174,968)	(161,084)	(542)	3
Interest Paid - Finance Company	(5,379)	(5,062)	-	-
Interest Paid - Bank and Other	(1,382)	(1,459)	-	-
Taxation Paid	(2,034)	(535)	-	-
	(183,763)	(168,140)	(542)	3
NET INFLOW FROM OPERATIONS (NOTE 18)	4,032	5,118	5,029	589
INVESTING ACTIVITIES				
CASH WAS PROVIDED FROM:				
Proceeds From Sale of Property, Plant and Equipment	3,878	1,100	-	-
Realisation of Investments	-	100	-	100
	3,878	1,200	-	100
CASH WAS APPLIED TO:				
Purchase of Shares in Associate	(120)	-	(120)	-
Purchase of Property, Plant and Equipment	(6,836)	(1,540)	-	7
NET CASH INFLOW (OUTFLOW) FROM INVESTING ACTIVITIES	(3,078)	(340)	(120)	107
FINANCING ACTIVITIES				
CASH WAS PROVIDED FROM:				
Receipt of Intercompany Advances	-	-	-	2,351
Receipt of Term Loan for Redevelopment	1,485	-	-	-
	1,485	-	-	2,351
CASH WAS APPLIED TO:				
Payment of Inter-Company Advances	-	-	(3,012)	-
Dividends Paid	(1,590)	(1,052)	(1,590)	(1,052)
Payment of Term Loan	-	(2,155)	-	(800)
	(1,590)	(3,207)	(4,602)	(1,852)
NET CASH INFLOW (OUTFLOW) FROM FINANCING ACTIVITIES	(105)	(3,207)	(4,602)	499
NET INCREASE (DECREASE) IN CASH HELD	849	1,571	307	1,195
Opening Cash	(216)	(1,787)	2,252	1,057
Closing Cash	633	(216)	2,559	2,252
CLOSING CASH 30 APRIL 2003 COMPRISES:				
Cash and Short Term Deposits	(174)	(469)	2,559	2,252
Finance Company Bank Balances and Deposits	807	253	-	-

633	(216)	2,559	2,252
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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	
	30.4.03 (\$000)	30.4.02 (\$000)	30.4.03 (\$000)	30.4.02 (\$000)
INCOME				
Interest - Smithcorp Finance Deposits	37	31	-	-
Interest – Other	5,175	5,067	89	80
Distribution From Subsidiaries	-	-	4,400	-
Dividend from Wairau Park	645	430	645	430
EXPENSES				
Auditors' Remuneration				
- For Audit Services	(47)	(52)	(9)	(9)
- For Other Services	(39)	(29)	-	(28)
Bad Debts Written Off	(848)	(837)	-	-
Decrease/(Increase) in Doubtful Debts Provision	(60)	(113)	-	-
Depreciation	(2,033)	(1,825)	(7)	(7)
Directors' Fees	(65)	(65)	(65)	(65)
Interest - Smithcorp Finance Borrowings	(5,379)	(5,062)	-	-
Interest – Other Borrowings	(1,382)	(1,174)	-	-
Leasing and Rent Charges	(6,541)	(6,049)	-	-
Loss on sale of property, plant and equipment	-	(12)	-	-

NOTE 2: BANK BALANCES

CASH AND SHORT TERM DEPOSITS				
Cash and Bank Balances	19	26	(19)	6
Money Market Deposits	-	-	2,578	2,246
	19	26	2,559	2,252
OVERDRAFT				
Cash and Bank Balances	(2,771)	(2,741)	-	-
Money Market Deposits	2,578	2,246	-	-
	(193)	(495)	-	-

Bank overdraft has been set off against cash balances pursuant to a right of set off.

NOTE 3: ACCOUNTS RECEIVABLE

Trade Receivables	4,944	6,011	-	-
Other Receivables and Prepayments	2,663	1,971	20	116
	7,607	7,982	20	116

NOTE 4: SMITHCORP FINANCE BANK BALANCES

Cash and Bank Balances	7	3	-	-
Money Market Deposits	800	250	-	-
	807	253	-	-

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	
	30.4.03 (\$000)	30.4.02 (\$000)	30.4.03 (\$000)	30.4.02 (\$000)
Hire Purchase and Optional Payment Plan Receivables	89,939	87,693	-	-
Less Provision for Unearned Income	(5,016)	(6,176)	-	-
	<u>84,923</u>	<u>81,517</u>	<u>-</u>	<u>-</u>
Comprises:				
Amount Receivable Within 1 Year	49,447	34,869	-	-
Amount Receivable Beyond 1 Year	35,476	46,648	-	-
	<u>84,923</u>	<u>81,517</u>	<u>-</u>	<u>-</u>

NOTE 6: INVESTMENTS

Wairau Park Limited	248	248	248	248
Subsidiary Companies	-	-	13,007	13,007
Adventure Brands Limited	120	-	120	-
	<u>368</u>	<u>248</u>	<u>13,375</u>	<u>13,255</u>

The shareholding of the Group in Wairau Park Limited has remained unchanged throughout the year at 21.49%. The value of the investment in the Group's books as at 30 April 2003 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 2003 is \$520,847 (2002 \$1,189,276). The Directors' policy of not equity accounting for investments where the Group does not exercise significant influence or control has been continued.

The Group acquired a 30% shareholding in Adventure Brands Limited for \$120,000 during the year.

The Group's share of the net assets as disclosed in the Statement of Financial Position of Adventure Brands Limited as at 31 March 2003 is \$169,999. The investment has not been equity accounted as the Group does not exercise significant influence or control.

NOTE 7: PROPERTY, PLANT & EQUIPMENT

GROUP	30.4.03 (\$000)				30.4.02 (\$000)			
	AT COST	AT VALUATION	ACCUM DEP	BOOK VALUE	AT COST	AT VALUATION	ACCUM DEP	BOOK VALUE
Land	-	-	-	-	-	4,169	-	4,169
Capital Work In Progress	-	10,692	(52)	10,640	-	-	-	-
Buildings	-	-	-	-	-	5,073	-	5,073
TOTAL PROPERTY	-	10,692	(52)	10,640	-	9,242	-	9,242
Leasehold Improvements	4,520	-	(2,812)	1,708	3,540	-	(2,122)	1,418
Leased Equipment	-	-	-	-	-	-	-	-
Plant, Fittings, Equipment	10,678	-	(7,503)	3,175	9,730	-	(6,218)	3,512
	<u>15,198</u>	<u>-</u>	<u>(10,315)</u>	<u>4,883</u>	<u>13,270</u>	<u>-</u>	<u>(8,340)</u>	<u>4,930</u>
	<u>15,198</u>	<u>10,692</u>	<u>(10,367)</u>	<u>15,523</u>	<u>13,270</u>	<u>9,242</u>	<u>(8,340)</u>	<u>14,172</u>
PARENT								
Land	-	-	-	-	-	-	-	-
Buildings	-	-	-	-	-	-	-	-
TOTAL PROPERTY	-	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-	-
Plant, Fittings, Equipment	149	-	(119)	30	149	-	(115)	34
	<u>149</u>	<u>-</u>	<u>(119)</u>	<u>30</u>	<u>149</u>	<u>-</u>	<u>(115)</u>	<u>34</u>

Land and buildings are included in the Financial Statements at an independent valuation dated 30 April 2002, prepared by Fright Aubrey, Registered Valuers. The Directors' policy is to revalue properties in the books of the Group on a three year cycle.

CAPITAL WORK IN PROGRESS

At 30 April 2002 this property was valued in the Group Statement of Financial Position at independent valuation of \$9,242,000 prepared by Fright Aubrey, Registered Valuers. The re-development project involves the sale of part of the land and buildings owned at 30 April 2002, the purchase of new land and buildings and a substantial re-development of the site now owned by the Group.

GROUP	
30.4.03	
(\$000)	
Land & Buildings at Valuation at 30 April 2002	9,242
Less: Land & Buildings Sold (Proceeds)	(3,878)
Add: Land & Buildings Purchased (Cost)	3,360
Add: Work in Progress (Cost)	1,968
Less: Depreciation	(52)
Carrying Value at 30 April 2003	10,640

Capital work in progress is carried at the 2002 valuation, adjusted for property additions, disposals and capital work in progress at cost. The re-development property will be independently valued on completion during the year ending 30 April 2004 and the revaluation reserve adjusted accordingly.

NOTE 8: TRADE CREDITORS

	GROUP		PARENT	
	30.4.03	30.4.02	30.4.03	30.4.02
	(\$000)	(\$000)	(\$000)	(\$000)
Employee Entitlements	1,575	1,491	-	-
Trade Creditors and Other Accruals	22,784	21,136	156	159
Total Creditors and Accruals	24,359	22,627	156	159

NOTE 9: TAXATION

INCOME TAX EXPENSE				
Operating surplus before tax	5,724	4,902	4,267	(266)
Add permanent Differences:				
Imputation Credits Received	318	212	2,484	212
Deduct Exempt Dividend	-	-	-	-
Other	(130)	(188)	-	(18)
Total Permanent Differences	188	24	2,484	194
Add/(Deduct) Timing Differences	126	663	(1)	(2)
Assessable Income	6,038	5,589	6,750	(74)
Tax Expense 33%	1,993	1,844	2,227	(24)
Less Imputation Credits	(318)	(212)	(2,484)	(212)
Current Tax	1,675	1,632	(257)	(236)
Add/(Deduct) Prior Year Adjustment	1	(96)	-	(87)
Income Tax Expenses / (Credit)	1,676	1,536	(257)	(323)
DEFERRED TAXATION				
Opening Balance	-	-	-	-
(Deduct) expenses	-	-	-	-
Closing Balance	-	-	-	-
TAXATION RECEIVABLE (PROVISION FOR TAXATION)				
Opening Balance	(305)	696	408	911
Charge for the Year	(1,676)	(1,632)	258	236
Less Transferred	-	-	(666)	-

Add Taxation Paid/(Deduct Taxation Received)	2,034	535	-	(826)
Prior Year Adjustment	(1)	96	-	87
Closing Balance	52	(305)	-	408

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 cannot be quantified the Directors have provided for tax in full.

IMPUTATION CREDIT ACCOUNT

	GROUP		PARENT	
	30.4.03 (\$000)	30.4.02 (\$000)	30.4.03 (\$000)	30.4.02 (\$000)
Opening Balance	1,724	1,495	(235)	899
Add Imputation Credits Received	2,352	1,047	2,484	494
Less Imputation Credits Utilised	(783)	(818)	(783)	(1,628)
Closing Balance	3,293	1,724	1,466	(235)

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

NOTE 10: SECURED BORROWINGS

Bank Advances and Bills including Long Term Portion of Advances	11,000	11,000	11,000	11,000
Advance for Colombo Street Development	1,485	-	-	-
	12,485	11,000	11,000	11,000
Less Current Portion	-	-	-	-
Term Portion of Term Loans	12,485	11,000	11,000	11,000

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

The Group entered into a term loan facility for \$5million during the year to finance the Colombo Street site re-development. The loan is repayable over three years from December 2004 and is secured by way of mortgages over certain Group properties and the existing first ranking debenture stock.

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 excluding Smithcorp Finance Limited in favour of The National Bank of New Zealand Limited securing advances.

A floating debenture (second ranking) over the assets of Smiths City (Southern) Limited in favour of IBM Global Financing Limited was released during the 2002 year.

The Smithcorp 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 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 (52,956,884 Shares)	10,652	10,554	10,652	10,554
Issued for Staff Shares (350,000 Shares at 28cents)	-	98	-	98
Closing Balance (52,956,884 Shares)	10,652	10,652	10,652	10,652

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 13: EQUITY

	SHARE CAPITAL (\$000)	RETAINED EARNINGS (\$000)	CAPITAL RESERVES (\$000)	REVALUATION RESERVE (\$000)	TOTAL EQUIT Y (\$000)
GROUP 2003					
Balance at Start of Year	10,652	10,292	94	3,327	24,365
Add Surplus After Tax	-	4,048	-	-	4,048
Deduct Dividend Paid	-	(1,590)	-	-	(1,590)
Balance at End of Year	<u>10,652</u>	<u>12,750</u>	<u>94</u>	<u>3,327</u>	<u>26,823</u>
PARENT 2003					
Balance at Start of Year	10,652	(4,826)	-	-	5,826
Add Surplus After Tax	-	4,524	-	-	4,524
Deduct Dividend Paid	-	(1,590)	-	-	(1,590)
Balance at End of Year	<u>10,652</u>	<u>(1,892)</u>	<u>-</u>	<u>-</u>	<u>8,760</u>

NOTE 14: EMPLOYEE SHARE OWNERSHIP SCHEME

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

In the previous year in accordance with a resolution passed at the Annual General Meeting of the Group on 29 September 2000 to enable shares to be offered to employees, Directors resolved to issue 350,000 ordinary shares on 13 July 2001 to employees, such shares ranking pari passu with existing shares as regards to voting rights. These were issued at a price of 28cents per share being the average share price over 20 working days from the announcement of the result for the financial year ended 30 April 2001 which occurred on 13 July 2001.

The total number of shares issued was 350,000 being 0.66% of the total shares on issue in the Group and which is less than the 2% approved by shareholders for issue in any one financial year.

The staff share scheme administered by Smiths City Staff Share Plan Trustees Limited, formerly Computerstore Limited (the "Trustee"). Shares were issued under the terms of the Deed of Trust for the staff share scheme and have been issued fully paid to 11 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 five 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 15: RELATED PARTY TRANSACTIONS

Note 19 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:

	30.4.03	30.4.02
	(\$000)	(\$000)
Smiths City (Southern) Limited	1,007	1,031

This rental transaction is conducted on an arms length basis.

MANAGEMENT CONTRACT (GROUP AND PARENT)

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 amended to \$275,000 from 1 April 2002 (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. This contract has been based on independent expert advice provided by Sheffield Consulting Group Limited.

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 \$78,000 from 1 February 2001 amended to \$60,000 commencing 1 November 2002 (plus an annual incentive of 2.5% 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.

INFORMATION TECHNOLOGY SERVICES

During the year a subsidiary company entered into a contract with Datacom Group Limited to provide information technology outsourcing services for the computer hardware and software facilities of the company for three years from 1 November 2002. The transaction was completed on a commercial arms length basis within the Chief Executive Officer's delegated powers and involved the redeployment of some staff members from the subsidiary.

NOTE 16: COMMITMENTS

	GROUP		PARENT	
	30.4.03 (\$000)	30.4.02 (\$000)	30.4.03 (\$000)	30.4.02 (\$000)
OPERATING LEASE LIABILITIES				
Not later than 1 year	6,118	4,915	-	-
Later than 1 year but not later than 2 years	4,912	3,776	-	-
Later than 2 years but not later than 5 years	10,879	7,215	-	-
Later than 5 years	3,500	2,176	-	-
	25,409	18,082	-	-

CAPITAL COMMITMENTS

The approximate value of the capital work in progress described in Note 7 yet to be completed at 30 April 2003 was \$3,988,000 (2002 \$nil).

CONTINGENT LIABILITIES

The Group has contingent liabilities of \$nil at balance date (2002 \$nil).

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

NOTE 17: 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	
	30.4.03 (\$000)	30.4.02 (\$000)	30.4.03 (\$000)	30.4.02 (\$000)
Cash and Short Term Deposits	19	26	2,559	2,252
Smithcorp Finance Bank Balances and Deposits	807	253	-	-
Smithcorp Finance Receivables	84,923	81,517	-	-
Trade Accounts Receivable	7,607	7,982	20	116

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	
	30.4.03 (\$000)	30.4.02 (\$000)	30.4.03 (\$000)	30.4.02 (\$000)
Forward rate agreements	35,750	20,500	35,750	20,500

The 2003 contracts comprise six back to back forward rate agreements structured in such a manner that when one matures another takes over.

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 2004. 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 2003 was 6.84% (2002 7.59%).

e) **BANK FACILITY**

The Group has a borrowing facility of \$11,000,000 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 2003 was 6.48% (2002 6.27%).

The Group also entered into a term loan facility for \$5,000,000 during the year. The interest rate is variable based on the buying rate for bank accepted bills. The effective rate of interest for the year ended 30 April 2003 was 6.75%.

f) **IBM FACILITY**

A subsidiary had a borrowing facility with IBM Global Financing New Zealand Limited scheduled to terminate in August 2003 but which was repaid in full during the 2002 year. The effective rate of interest for the year ended 30 April 2003 was nil (2002 7.9%).

g) **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 maintaining a US Dollar bank account for these

inventory purchases. The Group has no material unhedged currency exposures at balance date.

h) **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 values of non-current investments in unlisted shares are disclosed in Note 6.

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

	2003		2002	
	FAIR VALUE (000)	CARRYING VALUE (000)	FAIR VALUE (000)	CARRYING VALUE (000)
Forward Rate Agreements	(45)	-	4	-

NOTE 18: RECONCILIATION OF NET PROFIT AFTER TAX WITH CASH INFLOW FROM OPERATING ACTIVITIES

	GROUP		PARENT	
	30.4.03 (\$000)	30.4.02 (\$000)	30.4.03 (\$000)	30.4.02 (\$000)
Net Surplus per Statement of Financial Performance	4,048	3,366	4,524	57
Add non cash items:				
Depreciation	2,033	1,825	7	7
Adjusted surplus	6,081	5,191	4,531	64
Add/(Deduct) movements in other working capital items:				
(Increase)/Decrease in Smithcorp Receivables	(3,406)	(5,291)	-	-
Increase/(Decrease) in Smithcorp Borrowings	2,082	3,673	-	-
(Increase)/Decrease in Accounts Receivable	376	(2,133)	501	569
(Increase)/Decrease in Inventory	(2,049)	(2,182)	-	-
Increase/(Decrease) in Current Liabilities	948	5,860	(3)	(44)
	(2,049)	(73)	498	525
Net cash inflow from operating activities GST exclusive	4,032	5,118	5,029	589

NOTE 19: SUBSIDIARY COMPANIES

The subsidiary companies, all with balance dates of 30 April and all wholly owned, included in the consolidated accounts at 30 April 2003 are as follows:

TRADING

- Smithcorp Finance Limited - (finance)
- Smiths City Properties Limited - (property)
- Smiths City (Southern) Limited - (retail)

NON TRADING

- Smiths City (Auckland) Limited
- Smiths City (Rotorua) Limited (in liquidation)
- Smiths City (Christchurch) Limited
- Quintana Investments Limited

- Smiths City (Nelson) Limited
- Smiths DIY (Southern) Limited
- Alectra Limited
- Smiths City (Wellington) Limited
- Powerstore Limited
- Smiths City Staff Share Plan Trustees Limited, formerly Computerstore Limited

The liquidation of Smiths City Limited, a non-trading subsidiary, was completed on 18 June 2003.

NOTE 20: SEGMENTAL REPORTING

The Group operates principally in the retail sector in the South Island 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 therefore not required.

**STATUTORY AND
SHAREHOLDER
INFORMATION**

STATUTORY AND SHAREHOLDER 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.

Craig David Boyce - Chairman	Christchurch City Holdings Limited Datacom Group Limited Bernard Matthews (New Zealand) Limited Television New Zealand Limited New Zealand Trade & Enterprise Limited Extra Strength No 164 Limited Wairau Park Limited Orion Group Limited Connexionz Limited
John Allen Dobson – Deputy Chairman	Rockgas Timaru Limited Alpine Energy Limited Southport NZ Limited Gough Holdings Limited Fiordland Travel Limited Networks South Limited Wilson Bulk Transport Versatile Buildings Limited Securitised Equipment Receivables Limited J A Dobson Limited
John William Holdsworth	Datacom Group Limited
Richard Hellings	Retail Management Services 2000 Limited Adventure Brands Limited Ferrymead Park Limited (Honorary)

ORDINARY SHARE HOLDINGS BY DIRECTORS AND RELATED PARTIES

	<u>30.4.02</u>	<u>PURCHASES</u>	<u>SALES</u>	<u>30.4.03</u>
Craig David Boyce	4,830,078	1,000,000	(2,415,039)*	3,415,039
John Allen Dobson	151,579	300,000	-	451,579
John William Holdsworth	8,614,277	-	-	8,614,277
Rick Hellings	4,780,575	-	(2,500)**	4,778,075

**Transferred to A M Boyce*

***Transferred to R K Hellings*

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	20,000	-	20,000
	<u>65,000</u>	<u>-</u>	<u>65,000</u>

INTERESTS REGISTER

There were no particular disclosures made in the interests register of the company, and its subsidiaries, during the year except that Messrs Boyce and Holdsworth, as Directors of Datacom Group Limited,

declared an interest in a contract with a subsidiary company to provide information technology outsourcing services for the computer and software facilities.

STATUTORY AND SHAREHOLDER INFORMATION (continued)

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 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.

<u>SUBSIDIARIES</u>	<u>NUMBER OF EMPLOYEES</u>
Smiths City (Southern) Limited	
\$170,000 - \$179,999	1
\$100,000 - \$109,999	2

DONATIONS

During the year the Group made donations in cash or product of \$29,890 (2002: \$22,960).

In addition the Group 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 Group'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.

20 LARGEST REGISTERED HOLDERS OF EQUITY SECURITIES AS AT 30 APRIL 2003

<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	3,415,039	6.45%
Probatas Investments Limited	2,355,916	4.45%
New Zealand Central Securities Depository Limited	1,470,593	2.78%
Anne McKenzie Boyce	1,294,000	2.44%
Bevan Hugh Wallace	1,009,875	1.91%
Watt Land Company Limited	950,000	1.79%
Merrill Inez Holdsworth	881,993	1.67%
David Russell Smith	848,973	1.60%
Bevan Hugh Wallace	500,000	0.94%
Errol Douglas George Scott	455,000	0.86%
J A Dobson Limited	451,579	0.85%
Margaret Anne O'Keefe	435,225	0.82%
William Aubrey Cocks	375,000	0.71%
Smiths City Staff Employee Share Plan Trustee Limited	350,000	0.66%
Austen Herbert Stewart Kyle	325,000	0.61%
Lorraine Mary McCaffrey	325,000	0.61%
Shady Deals Limited	300,000	0.57%

Charlotte Vanessa Montgomery

<u>300,000</u>	<u>0.57%</u>
28,553,552	53.92%

STAFF WHO WERE PART OF THE SMITHS CITY GROUP OF COMPANIES AS AT 30 APRIL 2003

ABERHART David	BROAD Warren	COFFEY Mike	ECKHOLD Alison	GRAVER Melissa	HOWARTH Pam	LANGE Colin	McMULLAN Brent	PALFREYMAN Amber	SHAW Bronwyn	THOMAS James	WINTER Teresa
ADAM Wendy	BROUGHAM Ken	COFFEY Thomas	EDINGTON John	GRAY Alan	HUBAND Cameron	LATIMER Brett	McRAE Roger	PARATA Judith	SHEPHERD David	THOMPSON Jason	WITHINGTON Day
ADAMSON Nyrena	BROWN Heather	COLE Russell	EDLIN Scott	GRAY Janine	HUBBER Bradley	LATIMER Vicki	MACKIE Glen	PARISH Linda	SHIRLEY Cindy	THOMSON Christine	WITHINGTON Nige
ADIE Shaun	BROWN Jimmy	COLLEY Shaun	EDMONDS Todd	GRAY Robert	HUDSON Tui	LAURIE Hamish	MALAE Angeline	PARKINSON Denis	SIDON Darrell	THOMSON Jean	WOOD Nick
ADDIS Caraline	BROWN John	CONNOLLY Nathan	EDWARDS Chris	GRAY Thelma	HUGHES Alisha	LAWS Daphne	MANDER Alan	PARRY Cathy	SIMCOCK Martin	THOMSON Murray	WOOD Peter
ADLER Maurice	BROWN Paul	COOK Trevor	EDWARDS Wayne	GREAVES Sue	HUISMAN Glen	LAWSON Sharon	MANSON Charmaine	PARRY Sheryl	SIMMONS Laura	THORNLEY Peter	WOOD Sharon
AGAR Chris	BROWN Sharlene	COOK Travis	EGGERS Cory	GREENING John	HUMMELSTAD Rebecca	LAWSON Toni	MANSON Sheryl	PARSONS Margaret	SIMON Nathan	TIMBLICK Wayne	WOOD Sheryl
AITCHESON Ross	BROWN Todd	COOMER John	EKETONE Molly	GREENFELL Warren	HUNT Martin	LEADER Tim	MANUEL-LIMA Alphonso	PATEL Jayna	SIMPSON Paula	TITO Jared	WOOD Tina-Marie
AL-ANBUKY Zainab	BROWN Ursula	COOPER Michael	ELLEY Carol	GRIFFIN Daniel	HUNTER Scott	LE COMTE Clint	MARSH Sally-Ann	PATEMAN Greg	SINCLAIR Colleen	TODD Phillip	WOODFORD Eddy
ALLEN Diane	BROWN Warwick	COOPER Shaun	ELLIOTT Kaye	GRIFFITH Kelly Ann	HUNTON Craig	LEE John	MARSHALL Marie	PATTERSON Rose	SINCLAIR Maria	TOMLIN Morgan	WOODS Margaret
ALLEN Sonja	BROWNE Stefan	COSTA Marco	ELLIS Allen	GRIMWOOD Hamish	HURLEY Kane	LEE Marcus	MARSHALL Sally	PAUL Anna	SINCLAIR Marilyn	TONKIN Gregg	WOODS Nick
ALLEN Stephen	BUCKMAN Toni	COUNIHAN Melanie	ELLIS Jodie	GUILFORD Jan	HURRING Glen	LEE Nicole	MATTHEWS Shane	PAUL Hayden	SINCLAIR Mark	TONKIN Paul	WRIGHT Sam
ALLEWAY Mark	BUNKER John	COUNSELL Cherida	ELLIS John	GUNN Sandra	HUTCHISON Nathan	LEE Sim	MATTSON Rachel	PENMAN Brian	SINCLAIR Paul	TONKIN Victor	WYNESS Stuart
ANDERSON Annette	BURDON Barbara	COWIE Amie	ELLIS Mike	GUNNING Maria	HUTCHISON Steven	LEEDER Julie	MAYNARD Philip	PENNY Stuart	SKILTON Ross	TOOHEY Brendon	YOUNG Tony
ANDERSON Doug	BURGESS Caleb	CRAGGS Kay	ELLMERS Jeanette	HAGAN Bill	HYDE Aron	LE FEVRE Michael	MEACHEN Helen	PETERSON Samuel	SKIPPER Josephine	TOPP Julie	YOUNG Trevor
ANDERSON Garry	BURGESS Grant	CRAGGS Nicola	EMMERSON-LOVE Karyn	HAGUE Matthew	IRELAND Alan	LEMEN Brian	MEIKLE Judy	PETERSON Shane	SKJOTT Paul	TUCKER Paul	ZUPPICICH Angela
ANDERSON Matthew	BURKE Colin	CRAIG Boyd	EVANS Quentin	HAINES Trevor	JAMES Kim	LEUNG David	MERCER Philip	PETRIE Robin	SMITH Brent	TULLOCH Tom	
ANDERSON Rick	BURKE Keryn	CRAWLEY Stefan	EVANS Shane	HAIR Sonia	JARVIS Chris	LEWIS Kristine	MELUI Robin	PHILLIPS Sally	SMITH Dean	TURNBULL Christopher	BOYCE Craig
ANDREWS Eunice	BURKETT Craig	CREELMAN Wayne	EWINGTON Mark	HAISTY Darlee	JEFFRIES Renee	LIDDICOAT Justina	MIDDLEDITCH Kelvin	PINKERTON Nigel	SMITH Doug	TURNER Gareth	HELLINGS Rick
ANDREWS Kelly	BURNEY Kate	CRIGHTON Lance	FAGA Iona	HALL Ray	JENKINS Bryce	LIDDY Shaun	MIDDLEMISS Les	POOLE Michael	SMITH Graeme	TURNER Robert	
ANDREWS Shona	BUSBRIDGE Emma	CROSS Brian	FAGAN Michael	HAMILTON Peter	JENKINS Ray	LINDSAY Leanne	MILLER Elen	POPE Noel	SMITH Ian	TURTON Peter	
APPLETON Rochelle	BUSSELL Craig	CROSS Daisy	FARIS Carol	HAMMOND Michael	JOBSON Albie	LINTON Kevin	MILLNS Diane	PRANGELL Adam	SMITH Michael	TYSON Nigel	
ARCHER Jonathon	BUSSELL Glenn	CROSS Suzanne	FARMER Roger	HANNAH Helen	JOHNS David	LINWOOD Christopher	MILLS Susan	PRICE Laurette Ann	SMITH Nathan	UNKOVICH Ella	
ARCHER Kevin	BUSSELL Michelle	CROTON Barry	FARRALL Ann	HANSEN Malcolm	JOHNSON Harold	LLOYD Jerome	MILNE Hamish	PRIDDY Judith	SMITH Peter	VAN DER LUGT Adrian	
ARMSTRONG Brian	BUTCHER Kyle	CROUCHER Boyd	FEARN Richard	HAPI Matthew	JOHNSON Lauren	LOASBY Gayle	MILNE Sandie	PRISCOTT James	SMITH Ryan	VAN ROOY Logan	
ARNOLD Amie	BUTCHER Lynne	CROZIER Hugh	FEARNLEY Margaret	HARKERSS Joan	JOHNSON Scott	LOCHHEAD Mark	MOORE Geoff	PRITCHARD Colette	SMITH Tony	VINE Rebecca	
ARROWSMITH Robert	BUTLER Joanne	CUMBERLAND Jill	FERGUSON Ann	HARKERSS Joanne	JOHNSON Shane	LOGIE Judy	MOORE Gordon	PRITCHARD Mark	SMITH Tony	VUGTS Greta	
ARSCOTT Joanne	BUTLER Robyn	CUNNINGHAM Ian	FIFITA Leroy	HARTLEY Cathy	JOHNSON Simon	LONG Gavin	MOORE Shane	PYE Bruce	SMITHERS Michael	VULLERMAN Carleen	
ATKINSON John	BUTLER Michelle	CUNNINGHAM Joanne	FLACK James	HARRIS Alan	JOHNSTON David	LONG Kevin	MOORE Shane	RADFORD Grant	SMYLIE Melissa	WADE Gena	
ATKINSON Kylie	BUTLER Stan	CUNNINGHAM Joanne	FLECK Paula	HARRIS Haydon	JOHNSTON Lois	LONSDALE Erin	MORGAN Neil	RAMIREZ Emily	SMYTH Brad	WALKER David	
ATKINSON Rodger	BYRNE Leigh	DALY Jane	FOWLER Angela	HARRIS Michael	JOHNSTON Russell	LORD Colin	MORRISON Suzanne	RANGI Denise	SNOOK Christopher	WALKER Tony	
AYERS Sarah-Lee	BYRON Rachel	DALY Margaret	FRANSSSEN Pieter	HARRISON Barbi	JOHNSTON Sacha	LORMANS Vince	MOYNIHAN Paul	RANSLEY Maxwell	SNOOK David	WALSH John	
BAILEY Jennifer	CALLISTER Carolyn	DAVIES Nick	FRASER Kay	HART Ray	JOHNSTON Sarah	LOUTTIT Glenda	MULVEY Sandra	RASMUSSEN Nancy	SOLOMON Tau	WALTERS Anthony	
BAILEY Lisa	CALVERT Alan	DAWSON Curtis	FRASER Regan	HARTSTONGE Trevor	JOHNSTON Susan	LUAUFUTU Lino	MURDOCH Kevin	REID Andrew	SOWDEN Loris	WALTERS Ross	
BALFOUR Craig	CAMERON Leon	DAWSON Graham	FREDRIC Aaron	HAWARD Robyn	JOINES Maurice	LUCAS Chris	MURDOCH Maree	REID Murray	SPARKS Steven	WARD Judi	
BARBER Craig	CAMPBELL Stacey	DAY Josh	FREWEN Paul	HARVEY Christine	JOLLY Alan	LUCAS Jared	MURDOCH Tracey	REINDERS Eddy	SPENCER Corinna	WARD Peter	
BARBER Haley-Jan	CANDLISH Greta	DE CANNE Chas	FREWEN Suzanne	HARVEY Jason	JONES Bill	LYONS Danny	MURRAY Janice	REKITTKE Robert	SPERRY Grant	WARDS Claire	
BARDELL Warren	CARROLL Scott	DELIS Terry	FRY Pam	HAWKE Karla	JONES Lee	MCANALLY Robert	MURRAY Warren	RICKARD Tracey	STANTON Craig	WARNER Sue	
BATES Rachael	CARSON Julie	DELURY Mike	FULTON Grant	HAWKE Michael	JONES Leighton	MacASKILL Evelyn	NAVARRETE Manuel	RIETVELD Joanne	STANTON Tracy	WARREN Steve	
BENNIE Melanie	CARSTON Evan	DEMPSEY Natalya	FYFE Maree	HAYNES Travis	JOPE Kerrin	McCONCHIE Susan	NEAME Andrew	RIGBY Juliette	STAPLES Kelly	WATSON Andrew	
BERGMAN Stephen	CARSTON Paul	DEMPSEY Rowan	GABITES David	HEAPHY Jean	JOSS Timothy	McCORD Kaye	NEILL Michael	ROBISON Wendy	STEPHENS Abbie	WATSON James	
BEST Rick	CASEY Natasha	DEVLIN Tessa	GAGE David	HEINZ Jessica	JOYCE Graeme	McDONALD Fiona	NELSON Darren	ROBSON Rodney	STEPHENS Claire	WEEKLY Peter	
BHATIA Jagdeep	CASKIE Sandy	DICKIE Peter	GALLAGHER Michael	HELLINGS Reece	KEENAN Nicole	McDONALD Graeme	NELSON Mark	ROGATSKI Philip	STEWART Paul	WENLOCK Tony	
BIGGS Melissa	CATTELL John	DID-DELL Tim	GALLOWAY Leanne	HENDERSON Cody	KEILLER Garry	MacDONALD Ian	NEWALL Alison	ROSS Leonorah	STILL Debra	WESTOBY Gordon	
BISHOP John	CATTERMOLE Warren	DILLON Toni	GEERLOFS Angela	HENDERSON Damien	KELLY Lynda	MacDONALD Noel	NEWBY Paul	ROWAN Paul	STONE Michael	WESTWOOD Wendy	
BLACK Ken	CHAIPANIT Ning	DILWORTH John	GEEVES Gill	HENDERSON Gordon	KERR Gavin	McELWAIN Steven	NEWMAN Michelle	ROWELL Nathaniel	STOWELL Megan	WHAANGA Saul	
BLAIR Tania	CHAPMAN Alistar	DIXON James	GERRAND Glyn	HENDERSON Yvonne	KERR Rowan	McFARLANE Sue	NEWTON Stuart	ROYCE Taane	STRINGER Lynne	WHITAKER Neville	
BLANCH Deborah	CHAPMAN Kelly	DODDS Jane	GIBSON Kim	HENRY Rachel	KIM Shayne	McFALL Brent	NICHOLSON Fran	RUSS Christine	STUART Michelle	WHITE Jan	
BLONDELL Paul	CHAPMAN Sarah	DODDS Stuart	GILBERT Richard	HEWLETT Brent	KIMURA Selina	McFELIN Lynette	NIXON Philip	RUSSELL Susan-Lee	SULLIVAN Brent	WHITE Renee	
BOAL Andrew	CHING Campbell	DODGHSUN Rebecca	GILBERT Tony	HEY John	KING Lorraine	McGRATH Kevin	NOBLE Trish	RUSSELL Wallace	SULLIVAN Jennifer	WHITE Suzanne	
BOND Judith	CHING Marcia	DONALDSON Diana	GILLESPIE Allan	HICKMAN Brent	KING Nicky	McGRATH Mathew	NORTON Rowena	RUTHERFORD Heather	SULLIVAN Sharon	WILD Paul	
BOND Raewyn	CHISHOLM Murray	DONALDSON Pauline	GILLESPIE Duncan	HICKS Christine	KING Russell	McGRATH Sean	NYBERG Jamie	RYDER Keith	SUTTON Paul	WILKES Rachel	
BONIS Daryl	CHRISTENSEN Dennis	DONDERS Eran	GILLESPIE Sean	HIGHTON Joanne	KING Tim	McGROUTHER Katrina	NYE Andrew	SANTURE James	SWANSON Duncan	WILLIAMS Isdale	
BONIS Helen	CHRISTIE Tammy	DOUGHERTY Michael	GILLIGAN Barbara	HIGINBOTTOM Brent	KIRK Melanie	McINTOSH Scott	OAKLEY Lynda	SAVAGE Hamish	TAHAPEEHI Tete	WILLIAMS Shane	
BOYD Gloria	CLARK Alan	DOWNIE Kevin	GLAZIER John	HILL Christine	KIRNER Heather	McINTYRE Anastasia	O'CONNELL Ryan	SAVIDAN Pamela	TAKITIMU Michaeala	WILLIAMS Tracey	
BOYD Kelvin	CLARK Delwyn	DRAKE Debbie	GLUE Susan	HILLERBY Margaret	KIRNER Jackie	McINTYRE Bryce	O'DONNELL Mark	SAVILLE Maree	TANGIITI Teri	WILLIS Gerry	
BRADLEY Andrew	CLARK Jamie	DRUMMOND Bill	GOFFIN Lynda	HODDER SWAIN Jeffrey	KNOX Blake	McISAAC Darryn	OLIVER Max	SCHERRER Markus	TAURIMA Dean	WILSON Craig	
BRADY Eugene	CLARK Jim	DRUMMOND Donna	GOODWIN Miriam	HOEFlich Elaine	KNOX Jocelyn	MackAY Ken	OLSON Nichola	SCOTT Jenny	TAURIMA Roseanne	WILSON Emma	
BRASS Beryl	CLARK Vicki	DUNCAN Adrienne	GORT Doug	HOGARTH Chris	KRUISHOOP Allison	McKENZIE Nathan	ONG Thai	SEAWARD Arthur	TAYLOR Janelle	WILSON Lorraine	
BREACH Melanie	CLARKE Michael	DUNN Michael	GOWER Brian	HOLLAND Jonathon	KUMAR Vishal	McKENZIE Tania	ORR Gregory	SECKER Ron	TAYLOR Tracey	WILSON Margaret	
BREWER Donald	CLARKE Paul	DUNNAGE Lee	GOWER Peter	HONEYWILL Stephen	KUMBAROFF Maria	McKILLOP Colin	ORR Jamin	SEDDON Lynne	TE-EVALE Suli	WILSON Nigel	
BRICE Warner	CLEVERLEY Charles	DURRER Joe	GRAHAM Jillian	HOOPEr Geoffrey	LAING Judith	McKILLIP Darren	OSBORNE Geoff	SEDDON Rhys	TEPAA Nickolas	WILSON Tony	
BRIGGS Jamie	CLUTTERBUCK Amie	DYE John	GRAHAM Judith	HOPKINSON Bryan	LAIRD Joshua	McLAY Carla	OXNAM Kenneth	SENEVIRATNE Tyrone	TERRILL Simon	WINDERS Denise	
BRISCAN Victor	COE Michael	EARL Amanda	GRANT Judith	HORNER Jennifer	LAMB Bernadette	MACLENNAN Scotty	PAGE Peter	SEXTON Rachael	THEYERS Kristin	WINDERS Jonathon	
BROAD Murray	COFFEY James	EBDELL Leigh	GRAVER Marilyn	HOSKIN Vicki	LAMB Bryan	McMILLAN Lance	PACKMAN Cynthia	SHARFE Kenneth	THOMAS Craig	WINDSOR Val	

ADMISSION CARD TO ANNUAL MEETING

Shareholders are invited to attend the Annual meeting of Smiths City Group Limited to be held at Mancan House, Corner of Manchester Street and Cambridge Terrace, Christchurch, on Tuesday 9 September 2003 at 10.00am.

- 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 B K Registries Limited 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 9 September 2003 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
1. To re-elect Mr Boyce as a Director	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Mrs Waterfield as a Director	<input type="checkbox"/>	<input type="checkbox"/>
3. To confirm the appointment of KPMG as auditors And authorise the Directors to fix their remuneration	<input type="checkbox"/>	<input type="checkbox"/>
4. To fix Directors' Fees at \$135,000 per annum	<input type="checkbox"/>	<input type="checkbox"/>
5. To adopt a new Constitution	<input type="checkbox"/>	<input type="checkbox"/>

Signed this _____ day of _____ 2003

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 B K Registries Limited at National Bank Chambers, 144 Tancred Street, P O Box 314, Ashburton before Friday 5 September 2003.

Notes

1. To be valid, proxy forms must be delivered to the office of B K Registries Limited at National Bank Chambers, 144 Tancred Street, P O Box 314, Ashburton not less than 48 hours before the 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.

Reply Paid Envelope

SHARE REGISTRAR
B K Registries Limited
P O Box 314
ASHBURTON

COMPANY DIRECTORY

DIRECTORS AND OFFICERS

CHAIRMAN Craig David Boyce
DEPUTY CHAIRMAN John Allen Dobson
DIRECTORS Stephanie Jane Waterfield (appointed 23 April 2003)
John William Holdsworth
Richard Hellings
Joy Kay Leslie (resigned 18 February 2003)
ALTERNATE DIRECTOR Gerald Haworth Willis
CHIEF EXECUTIVE Richard Hellings

REGISTERED OFFICE 550 Colombo Street
Christchurch

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

AUDITORS KPMG
P O Box 274
Christchurch

SHARE REGISTRARS B K Registries
P O Box 384
Ashburton

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

