



**INTERIM REPORT
&
FINANCIAL
STATEMENTS**

**SMITHS CITY GROUP LIMITED
AND SUBSIDIARIES**

**DIRECTORS'
REPORT**

RESULTS AND DIVIDEND

Your Directors are pleased to report an unaudited profit after taxation for the six months to 31 October 2002 of \$1,615,000 compared with \$1,141,000 for the six months to 31 October 2001 – an increase of 41.5%. Sales in the same period increased from \$85,519,000 to \$91,657,000 – an increase of 7.2%.

The Directors have declared a fully imputed interim dividend of 1cent per share.

TRADING

The Directors believe the continued improvement in profitability of the Group, which follows a 41.4% increase in profit in the year to 30 April 2002 compared to 30 April 2001, is a good result. All trading divisions contributed strongly as did the finance company, Smithcorp Finance Limited.

The increase in sales reflects a strong economy which has resulted in good levels of consumer confidence, as well as good increases in market share in targeted product categories – in particular, heating, furnishings and consumer electronics.

Particularly pleasing, however, is that continued improvements in management reporting systems, product selection, in store service and merchandising have again seen profits increase at a rate greater than the increase in sales.

The Group will continue its strategy of growing revenue by increasing sales through existing stores and product categories, and by taking advantage of new opportunities as they arise.

As part of this strategy the company has started the redevelopment of the Colombo Street store – the only property owned by the Group - announced at the Annual General Meeting in August 2002. This is an exciting project which covers a land area of approximately 16,000 square metres in central Christchurch. When complete the customer offering from the company's largest retail site will have been substantially improved as well as improving the capital value of the property itself.

INVESTMENTS

During the six months to October 2002 a fully imputed dividend of \$172,000 (last year \$215,000) was received from Wairau Park Limited, the Auckland property development company which Smiths City has a 21% holding. Two further dividends totalling \$472,000 have been received since October.

OUTLOOK

November and December trading has continued in a similar pattern to the October period. Due to the very strong second half last year it is unrealistic to expect the increases in profit experienced for the six months to October to be sustained for the rest of the year. However, the company is confident of delivering further moderate increases in both sales and profit from within the existing trading operations.

**SMITHS CITY GROUP LIMITED
AND SUBSIDIARIES**

UNAUDITED STATEMENT OF FINANCIAL PERFORMANCE FOR SIX MONTHS ENDED 31 OCTOBER 2002

	SIX MONTHS ENDED 31.10.02 \$000	SIX MONTHS ENDED 31.10.01 \$000	YEAR ENDED 30.4.02 \$000
OPERATING REVENUE	91,657	85,519	175,876
OPERATING SURPLUS BEFORE TAXATION	2,154	1,383	4,472
PLUS DIVIDEND FROM ASSOCIATE	172	215	430
	2,326	1,598	4,902
LESS TAXATION	(711)	(457)	(1,536)
NET PROFIT AFTER TAX	1,615	1,141	3,366

UNAUDITED STATEMENT OF MOVEMENTS IN EQUITY FOR THE SIX MONTHS ENDED 31 OCTOBER 2002

	SIX MONTHS ENDED 31.10.02 \$000	SIX MONTHS ENDED 31.10.01 \$000	YEAR ENDED 30.4.02 \$000
TOTAL EQUITY AT BEGINNING OF THE PERIOD	24,365	21,427	21,427
Net Surplus For The Period	1,615	1,141	3,366
Deduct Dividend Paid	(1,059)	(526)	(526)
Add Shares Issued to Staff	-	-	98
Net Increase in Equity	556	615	2,938
TOTAL EQUITY AT THE END OF THE PERIOD	24,921	22,042	24,365

**SMITHS CITY GROUP LIMITED
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**UNAUDITED STATEMENT OF FINANCIAL POSITION
FOR THE SIX MONTHS ENDED 31 OCTOBER 2002**

	SIX MONTHS ENDED 31.10.02 \$000	SIX MONTHS ENDED 31.10.01 \$000	YEAR ENDED 30.4.02 \$000
CURRENT ASSETS			
Cash	28	28	27
Receivables	9,306	8,206	7,982
Inventories	31,963	28,465	29,113
TOTAL CURRENT ASSETS	41,297	36,699	37,122
SMITHCORP FINANCE RECEIVABLES	83,506	78,780	81,517
OTHER ASSETS			
Investments	368	248	248
Property, Plant and Equipment	13,961	14,083	14,172
TOTAL OTHER ASSETS	14,329	14,331	14,420
TOTAL ASSETS	139,132	129,810	133,059
CURRENT LIABILITIES			
Accounts Payable	17,019	16,196	16,196
Overdraft	1,952	71	243
Provisions	8,095	7,471	6,736
TOTAL CURRENT LIABILITIES	27,066	23,738	23,175
SMITHCORP FINANCE BORROWINGS	76,145	71,975	74,519
NON CURRENT LIABILITIES			
Term Loan	-	1,055	-
Secured Borrowings	11,000	11,000	11,000
TOTAL NON CURRENT LIABILITIES	11,000	12,055	11,000
TOTAL LIABILITIES	114,211	107,768	108,694
NET ASSETS	24,921	22,042	24,365
SHAREHOLDERS' FUNDS			
Share Capital Reserves	10,652	10,554	10,652
Revaluation Reserves	3,327	3,327	3,327
Other Reserves	94	94	94
Retained Earnings	10,848	8,067	10,292
TOTAL EQUITY	24,921	22,042	24,365

**SMITHS CITY GROUP LIMITED
AND SUBSIDIARIES**

UNAUDITED STATEMENT OF CASHFLOWS FOR THE SIX MONTHS ENDED 31 OCTOBER 2002

	SIX MONTHS ENDED 31.10.02 \$000	SIX MONTHS ENDED 31.10.01 \$000	YEAR ENDED 30.4.02 \$000
Cashflows From Operating Activities			
Cash Was Provided From:			
Receipts From Customers	90,281	81,386	172,717
Receipt of Dividend	172	214	430
Taxation Refund	-	300	-
Interest Received	56	37	111
Total Cashflow From Operating Activities	90,509	81,937	173,258
Cash Was Applied To:			
Payments to Suppliers and Employees	(86,519)	(76,014)	(161,084)
Income Taxes Paid	(650)	-	(535)
Interest Paid:			
Finance Company	(2,616)	(2,673)	(5,062)
Bank and Other	(477)	(718)	(1,459)
	(90,262)	(79,405)	(168,140)
Net Cashflow From Operating Activities	247	2,532	5,118
Cashflows From Investing Activities			
Cash Was Provided From:			
Sale of Property, Plant and Equipment	-	1,064	1,100
Receipts From Loan	-	100	100
Total Cashflows From Investing Activities	-	1,164	1,200
Cash Was Applied To:			
Purchase Shares in Associate	(120)	-	-
Purchase of Property, Plant and Equipment	(778)	(325)	(1,540)
Total Cashflows Applied in Investing Activities	(898)	(325)	(1,540)
Net Cash Inflow(Outflow) from Investing Activities	(898)	839	(340)
Cashflows From Financing Activities			
Cash Was Applied To:			
Repay Term Loans	-	(1,103)	(2,155)
Pay Dividend	(1,059)	(526)	(1,052)
Total Cashflows Applied To Financing Activities	(1,059)	(1,629)	(3,207)
Net Cashflows Used in Financing Activities	(1,059)	(1,629)	(3,207)
Net Increase (Decrease) in Cash Held	(1,710)	1,742	1,571
Cash at Beginning of Period	(242)	(1,813)	(1,814)
Cash at End of Period	(1,952)	(71)	(243)

**SMITHS CITY GROUP LIMITED
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**RECONCILIATION OF CASHFLOW WITH OPERATING PROFIT FOR THE SIX MONTHS ENDED 31 OCTOBER
2002**

	SIX MONTHS ENDED 31.10.02 \$000	SIX MONTHS ENDED 31.10.01 \$000	YEAR ENDED 30.4.02 \$000
Net Profit After Taxation per Statement of Financial Performance	1,615	1,141	3,366
Add Depreciation	990	699	1,825
Adjusted Net Surplus	2,605	1,840	5,191
Add/(Deduct) Movements in Working Capital (Increase)/Decrease in Smithcorp Receivables	(1,989)	(2,554)	(5,291)
Increase/(Decrease) in Smithcorp Borrowings	1,627	1,129	3,673
(Increase)/Decrease in Receivables	(1,324)	(2,783)	(2,133)
(Increase)/Decrease in Inventories	(2,850)	(1,533)	(2,182)
Increase/(Decrease) in Current Liabilities	2,178	6,433	5,860
Net (Increase)/Decrease in Working Capital	(2,358)	692	(73)
Net Cashflow From Operating Activities; GST Exclusive	247	2,532	5,118

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 OCTOBER 2002**

- These financial statements are unaudited and have been prepared in accordance with FRS-24, Interim Financial Statements, and should be read in conjunction with the previous annual financial report as at 30 April 2002. The accounting policies used are consistent with those used in previously published interim financial statements and the previous audited annual financial report dated 30 April 2002.
- In August 2002 the Group announced a major development of the Colombo Street, Christchurch property. As at 30 April 2002 this property was valued in the Smiths City Group Limited Balance Sheet at an independent valuation of \$9,242,000. The 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 redevelopment of the site then owned by the Group. Completion of certain of these transactions did not occur until November and construction did not commence until November. Accordingly, as at 31 October 2002 the project has been included in the Balance Sheet as follows:

	\$
Land and buildings at valuation 30 April 2002	9,424,000
Less: land and buildings sold	(3,878,000)
Add: land and buildings purchased by 31 October 2002	2,775,000
	8,139,000
Balance held: in funds	1,009,000
Balance held: work in progress	94,000
Balance included at 31 October 2002	9,242,000