

A. F. GROVER & COMPANY LIMITED

DIRECTORS' REPORT

Directors: P.R. Chambers
C.K. Lomax
J.V. Sutton Resigned 20 June 2003

The directors present their report for the year ended 31st December 2003.

ACCOUNTS, ACTIVITIES AND AUDITORS

The directors submit the accounts of the company for the year ended 31st December 2003. The company is a dormant company within the meaning of S249AA of the Companies Act 1985 and accordingly, no auditors have been appointed. No changes in the books of account of the company have taken place during the year and any expenses have been met by the ultimate holding company, Smith & Nephew plc. The accounts, therefore, consist of a balance sheet only.

DIRECTORS AND THEIR INTERESTS

The directors of the Company at the date of this report are those listed above.

None of the directors have any interest in the shares of the Company.

The interests of the directors, who were directors as at 31st December 2003, in the share capital of the ultimate holding company were as follows:-

	Ordinary Shares		Options on Ordinary Shares	
	At 31/12/03	At 01/01/03	At 31/12/03	At 01/01/03
P.R. Chambers	10,343	6,795	47,145	40,238
C.K.Lomax	23,604	30,609	132,335	134,835

The options granted under Executive and Employee Share Option Schemes ("Share Options") are exercisable between 2004 and 2010 at prices ranging between 145p and 418p per share. During the year, under the rules of Smith & Nephew plc's Share Option Schemes, P.R. Chambers was granted 10,419 Share Options and exercised 3,512 options, C.K. Lomax was granted 17,500 Share Options and exercised 20,000 options.

By order of the Board, 24 September 2004

PR Chambers

For and on behalf of
Smith & Nephew Nominee Services Limited
Secretary

Registered Office: 15 Adam Street, London, WC2N 6LA
Registered Number: 564349



A. F. GROVER & COMPANY LIMITED

BALANCE SHEET AT 31ST DECEMBER 2003

	NOTES	31 st December 2003 £	31 st December 2002 £
CURRENT ASSETS:			
Amounts due from Group Companies		68,700	68,700
		-----	-----
NET ASSETS:		68,700	68,700
		=====	=====
CAPITAL AND RESERVES:			
Called up Share Capital	2	68,700	68,700
		-----	-----
SHAREHOLDERS FUNDS:		68,700	68,700
		=====	=====

NOTES TO THE ACCOUNTS

- The company's ultimate holding company is Smith & Nephew plc, incorporated in England and Wales.
- At 31st December 2003 and 31st December 2002 the share capital of the company was:

	Authorised £	Allotted, called up and fully paid £
Ordinary Shares of £1 each	100,000	68,700
	=====	=====

For the year ended 31st December 2003 the Company was entitled to exemption under section 249AA(1) of the Companies Act 1985 ("CA"). No members have required the Company to obtain an audit of its accounts for the year in question in accordance with S249B(2) CA.

The Directors acknowledge their responsibility for:

- Ensuring the Company keeps accounting records which comply with S221 CA;
- Preparing accounts which give a true and fair view of the state of affairs of the Company as at the end of its financial year, and of its profit and loss for the financial year in accordance with S226 CA, and which otherwise comply with the requirements of the Companies Act relating to accounts, so far as applicable to the Company.

Approved by the Board on 24 September 2004



 Director