



SmithsCity

Smiths City Group

Interim Financial Statements

31 October 2019

Consolidated Statement of Financial Performance	2
Consolidated Statement of Comprehensive Income	2
Consolidated Statement of Changes in Equity.....	3
Consolidated Statement of Financial Position.....	4
Consolidated Statement of Cash Flows.....	5
Condensed Notes to the Financial Statements.....	6
Company Directory	14

Consolidated Statement of Financial Performance

For the Six Months to 31 October 2019

	NOTE	UNAUDITED 6 MONTHS 31.10.19 (\$m)	UNAUDITED 6 MONTHS 31.10.18 (\$m)
Retail Sales	5	90.7	107.9
Cost of Retail Goods Sold		(65.5)	(79.5)
Gross Profit		25.2	28.4
Other Income		0.7	2.1
Interest Income on Finance Business Receivables		3.6	4.1
Interest Expense on Finance Business Borrowings		(1.2)	(1.5)
Employee Benefits		(13.7)	(14.7)
Depreciation and Amortisation		(6.5)	(1.2)
Other Operating Expenses		(10.9)	(16.7)
Operating (Loss) / Profit		(2.8)	0.5
Interest Expense – Lease Liabilities		(1.1)	-
Interest Income – Bank Deposits		0.1	0.1
Loss / Profit Before Tax	4	(3.8)	0.6
Taxation		1.6	(0.7)
Net Loss After Tax		(2.2)	(0.1)

Consolidated Statement of Comprehensive Income

For the Six Months to 31 October 2019

	UNAUDITED 6 MONTHS 31.10.19 (\$m)	UNAUDITED 6 MONTHS 31.10.18 (\$m)
Loss For The Period	(2.2)	(0.1)
Other Comprehensive Income		
<i>Items That May Be Reclassified Subsequently to Profit or Loss</i>		
Cash Flow Hedges – Net of Tax	0.1	0.2
Total Comprehensive Income	(2.1)	0.1
Earnings Per Share For Profit Attributable To Equity Holders: Basic and Diluted Earnings Per Share (Cents)	(4.1)	(0.2)

The above consolidated statements of financial performance and comprehensive income should be read in conjunction with the accompanying notes

Consolidated Statement of Changes in Equity

For the Six Months to 31 October 2019

	SHARE CAPITAL	HEDGING RESERVES	RETAINED EARNINGS	TOTAL EQUITY
	(\$m)	(\$m)	(\$m)	(\$m)
BALANCE 1 MAY 2018	10.7	(0.3)	33.9	44.3
Adoption of NZ IFRS 9	-	-	(0.4)	(0.4)
Restated Equity	10.7	(0.3)	33.5	43.9
Loss For the Period	-	-	(0.1)	(0.1)
Cash Flow Hedges – Net of Tax	-	0.2	-	0.2
Total Comprehensive Income for the Period	-	0.2	(0.1)	0.1
BALANCE 31 OCTOBER 2018 - UNAUDITED	10.7	(0.1)	33.4	44.0
Loss For the Period	-	-	(1.6)	(1.6)
Cash Flow Hedges – Net of Tax	-	0.2	-	0.2
Total Comprehensive Income for the Period	-	0.2	(1.6)	(1.4)
BALANCE 30 APRIL 2019 - AUDITED	10.7	0.1	31.8	42.6
Adoption of NZ IFRS 16	-	-	(3.1)	(3.1)
Restated Equity	10.7	0.1	28.7	39.5
Loss For the Period	-	-	(2.2)	(2.2)
Cash Flow Hedges – Net of Tax	-	0.1	-	0.1
Total Comprehensive Income for the Period	-	0.1	(2.2)	(2.1)
BALANCE 31 OCTOBER 2019 - UNAUDITED	10.7	0.2	26.5	37.4

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Consolidated Statement of Financial Position

As at 31 October 2019

	NOTE	UNAUDITED 6 MONTHS 31.10.19 (\$m)	UNAUDITED 6 MONTHS 31.10.18 (\$m)	AUDITED FULL YEAR 30.4.19 (\$m)
Cash and Cash Equivalents		9.2	2.3	6.4
Trade and Other Receivables		6.0	12.3	7.4
Inventories		32.5	34.8	34.8
Finance Business Receivables	7	63.5	68.7	65.8
Property, Plant and Equipment		4.9	7.0	5.6
Intangible Assets		2.1	1.7	2.0
Deferred Taxation		11.3	7.1	8.0
Right of Use Assets	6	40.9	-	-
TOTAL ASSETS		170.4	133.9	130.0
Trade and Other Payables		18.9	29.0	22.4
Loans and Borrowings	8	65.0	60.9	65.0
Lease Liabilities	6	49.1	-	-
TOTAL LIABILITIES		133.0	89.9	87.4
NET ASSETS		37.4	44.0	42.6
Share Capital Reserves		10.7	10.7	10.7
Other Reserves		0.2	(0.1)	0.1
Retained Earnings		26.5	33.4	31.8
TOTAL EQUITY		37.4	44.0	42.6
Net Tangible Assets Per Share (Cents)		67.0	80.3	77.0

The above consolidated balance sheet should be read in conjunction with the accompanying notes

For and on behalf of the Board, who authorised the issue of these consolidated interim financial statements on 13 December 2019:



A G Kerr
Chairman



T D Allison
Audit and Risk Committee Chairman

Consolidated Statement of Cash Flows

For the Six Months to 31 October 2019

	UNAUDITED 6 MONTHS 31.10.19 (\$m)	UNAUDITED 6 MONTHS 31.10.18 (\$m)	AUDITED FULL YEAR 30.4.19 (\$m)
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts From Customers	90.6	110.1	202.6
Interest Received – Finance Business	2.5	2.5	5.2
Interest Received – Other	0.1	0.2	0.1
Payments To Suppliers And Employees	(84.6)	(114.4)	(211.1)
Interest Paid – Finance Business	(1.2)	(1.5)	(2.8)
NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES	7.4	(3.1)	(6.0)
CASH FLOWS FROM INVESTING ACTIVITIES			
Repayments from Finance Customers	45.5	50.5	96.9
Advances to Finance Customers	(42.3)	(50.3)	(93.1)
Purchase of Property, Plant & Intangibles	(0.7)	(1.0)	(1.7)
NET CASH INFLOW / (OUTFLOW) FROM INVESTING ACTIVITIES	2.5	(0.8)	2.1
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease Liabilities	(7.1)	-	-
Loans and Borrowings	-	-	4.1
NET CASH INFLOW / (OUTFLOW) FROM FINANCING ACTIVITIES	(7.1)	-	4.1
Net Inflow / (Outflow) in Cash and Cash Equivalents Held	2.8	(3.9)	0.2
Cash at Beginning of Period	6.4	6.2	6.2
CASH AT END OF PERIOD	9.2	2.3	6.4
RECONCILIATION OF NET PROFIT WITH CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) / Profit Before Tax	(3.8)	0.6	(1.9)
Add Depreciation, Amortisation and Impairment	6.5	1.2	4.6
Add Interest – Lease Liabilities	1.1	-	-
	3.8	1.8	2.7
Add / (Deduct) Movements in Working Capital			
Decrease / (Increase) in Receivables	(1.0)	0.6	(0.1)
Decrease / (Increase) in Inventories	3.6	(4.6)	(2.6)
(Decrease) / Increase in Accounts Payable and Provisions	1.0	(0.9)	(6.0)
Movements in Working Capital	3.6	(4.9)	(8.7)
NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES	7.4	(3.1)	(6.0)

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Condensed Notes to the Financial Statements

1) General Information

Smiths City Group Limited (“the Company”) is a company domiciled in New Zealand, registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange (“NZX”). The company is a Financial Market Conducts (“FMC”) Reporting Entity under the Financial Markets Conduct Act 2013.

The consolidated financial statements of Smiths City Group Limited for the six months ended 31 October 2019 comprise the Company and its subsidiaries (together referred to as the “Group”). These unaudited consolidated interim financial statements were approved for issue on 13 December 2019.

Smiths City Group Limited is primarily involved in the retailing of consumer electronics products, kitchen appliances, home heating solutions and home furnishings together with the provision of finance to support the retailing operations.

2) Basis Of Preparation

a) Statement of Compliance

These general purpose financial statements for the interim six month reporting period ended 31 October 2019 have been prepared in accordance with accounting standard NZ IAS 34 *Interim Financial Reporting*. They have also been prepared in accordance with Generally Accepted Accounting Principles (GAAP) applicable to for-profit entities. They do not include all the notes included in the full annual financial statements and are to be read in conjunction with the Annual Report for the year ended 30 April 2019.

b) Functional and Presentation Currency

The financial statements are presented in New Zealand dollars (\$) which is the Group’s functional currency. All financial information presented in New Zealand dollars has been rounded to the nearest million unless otherwise stated.

c) Changes in Accounting Policies

The accounting policies applied are consistent with those as described in the annual financial statements for the year ended 30 April 2019, except for the effects of applying NZ IFRS 16 Leases.

d) Use of Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. There have been no changes to the areas of estimation uncertainty and critical judgement in applying accounting policies that have the most significant effect on the amount recognised in the financial statements from those appearing in the Annual Report for the year ended 30 April 2019, other than as described in recognising NZ IFRS 16 below.

e) Adoption of NZ IFRS 16 Leases

NZ IFRS 16 is effective for the annual period beginning 1 May 2019. The adoption of this new standard has resulted in the Group recognising a right-of-use asset and related lease liability in connection with all former operating leases.

The new standard has been applied using the modified retrospective approach, with the cumulative effect of adopting NZ IFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Comparative figures for the year ended 30 April 2019 are not restated but instead continue to reflect the accounting policies under NZ IAS 17 Leases.

f) Transition

On adoption of NZ IFRS 16, the Group recognised lease liabilities as the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 May 2019. The incremental borrowing rate applied to the lease liabilities as at 1 May 2019 was 4.2%. This rate has been applied across all lease categories.

The Group used the following practical expedients when applying NZ IFRS 16 for the first time:

- Applied a single discount rate to a portfolio of leases with similar characteristics;
- Adjusted the right-of-use assets by the amount of onerous contract provision immediately before the date of initial application, as an alternative to an impairment review;
- For leases of low-value assets the Group has not recognised a right of use asset and lease liability and has accounted for the lease expense on a straight line basis over the remaining lease term;
- Exclusion of initial direct costs from minimising the right-of-use asset at the date of initial application;
- Used hindsight when determining the lease term, particularly in the relation to extending leases;
- The definition of a lease under NZ IFRS 16 was applied only to contracts entered into or changed on or after 1 May 2019. For contracts entered into before the transition date the Group relied on its assessment made applying NZ IAS 17 Leases.

The Group did not hold any finance leases as at 30 April 2019. A reconciliation of operating lease commitments at 30 April 2019 to the lease liability recognised at 1 May 2019 is as follows:

	(\$m)
Operating lease commitments disclosed at 30 April 2019	50.7
Discounted using the lessee's incremental borrowing rate at the date of initial application	(6.2)
Different treatment of extensions and leases yet to commence	9.1
Different treatment of lease incentives	1.1
Lease Liabilities at 1 May 2019	54.7

The recognised right-of-use assets relate to the following types of assets:

	1 May 2019 (\$m)
Properties	43.8
Vehicles	1.5
Office Equipment	0.3
Total	45.6

The adoption of NZ IFRS 16 affected the following items in the balance sheet on 1 May 2019:

	Increase/ (Decrease) (\$m)
Right-of-Use Assets	45.6
Deferred Tax Asset	1.6
Sundry Accruals	(1.1)
Onerous Lease Provision	(3.3)
Lease Liabilities	54.7

The net impact on retained earnings on 1 May 2019 was a decrease of \$3.1m.

Other than the reclassification of operating lease payments to financing activities, NZ IFRS 16 had no other significant impact to the cash flow statement.

Measurement and Recognition of Leases

For any new contracts entered into on or after 1 May 2019, the Group considers whether a contract is, or continues, a lease if the contract conveys the right to control the use of an asset for a period of time in exchange for consideration.

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's

incremental borrowing rate. The incremental borrowing rate is the rate that the Group would have to pay to borrow the funds necessary to obtain a right of use asset of similar value in a similar economic environment with similar terms and conditions.

Lease payments included in the measurement of the lease liability are made up of:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate; and
- Payments or penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset.

Lease assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Critical Accounting Judgement

When the Group has the option to extend a lease, management uses its judgement to determine whether or not an option would be reasonably certain to be exercised. Management considers all facts and circumstances, including past performance, extension terms and strategic direction for the Group (particularly with property leases).

Policy Applicable Before 1 May 2019

Prior to 1 May 2019, leases of assets were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss as a straight line basis over the period of the lease.

- g) Certain comparatives have been restated to ensure consistent presentation of financial information for this period.

3) Seasonality

The Group's revenue and profitability follow a seasonal pattern with higher sales and net profits typically achieved in the second half of the financial year as a result of additional sales generated during the Christmas trading period.

4) Segment Information

The Group has two reportable operating segments within the Group, namely retail and the finance business. The Chief Executive Officer is considered to be the Chief Operating Decision Maker (“CODM”) in conjunction with the Board of Directors in terms of NZ IFRS 8 *Operating Segments*. These segments have been defined based on the reports regularly reviewed by the CODM to make strategic decisions. The parent company and other non-trading subsidiaries have been included for reconciling purposes in the below analysis.

The finance business segment is the financing of retail sales. This segment reflects the provision of flexible branded finance options to the Group’s retail customers as being considered a key and integral part of the full service offering of all the trading operations of the Group.

The following is an analysis of the Group’s results by operating segment.

	Retail Activities (\$m)	Finance Business (\$m)	Parent & Other (\$m)	Inter- Segment Elimination (\$m)	Total Segments (\$m)
Six Months Ended 31 October 2019					
Revenue					
External Customers	90.7	-	-	-	90.7
Interest Income on Finance Business Receivables	-	3.6	-	-	3.6
From Other Segments	0.8	1.7	-	(2.5)	0.0
Other Income	0.6	0.1	-	-	0.7
Interest Income on Bank Deposits	0.1	-	-	-	0.1
Segment Revenues	92.2	5.4	-	(2.5)	95.1
Purchases Net Of Rebates	(65.5)	-	-	-	(65.5)
Employee Benefits	(13.3)	(0.4)	-	-	(13.7)
Interest Expense on Finance Business Borrowings	-	(1.2)	-	-	(1.2)
Interest Expense on Lease Liabilities	(1.1)	-	-	-	(1.1)
Depreciation and Amortisation on Non Financial Assets	(1.3)	-	-	-	(1.3)
Depreciation of Right of Use Assets	(5.2)	-	-	-	(5.2)
Other Expenses	(11.6)	(1.5)	(0.3)	2.5	(10.9)
Segment (Loss) / Profit Before Tax	(5.8)	2.3	(0.3)	-	(3.8)
Segment Assets	96.6	90.3	54.9	(71.4)	170.4
Segment Liabilities	115.6	66.0	6.9	(55.5)	133.0
Six Months Ended 31 October 2018					
Revenue					
External Customers	107.9	-	-	-	107.9
Interest Income on Finance Business Receivables	-	4.1	-	-	4.1
From Other Segments	0.9	1.2	1.0	(3.1)	0.0
Other Income	2.1	-	-	-	2.1
Interest Income on Bank Deposits	0.1	-	-	-	0.1
Segment Revenues	111.0	5.3	1.0	(3.1)	114.2
Purchases Net Of Rebates	(79.5)	-	-	-	(79.5)
Employee Benefits	(13.2)	(0.5)	(1.0)	-	(14.7)
Interest Expense on Finance Business Borrowings	-	(1.5)	-	-	(1.5)
Depreciation and Amortisation on Non Financial Assets	(1.2)	-	-	-	(1.2)
Other Expenses	(17.7)	(1.2)	(0.9)	3.1	(16.7)
Segment (Loss) / Profit Before Tax	(0.6)	2.1	(0.9)	-	0.6
Segment Assets	58.9	85.0	49.4	(59.4)	133.9
Segment Liabilities	62.8	64.2	6.4	(43.5)	89.9

5) Revenue

The Group's retail sales disaggregated by business function is as follows:

	UNAUDITED 6 MONTHS 31.10.19 (\$m)	UNAUDITED 6 MONTHS 31.10.18 (\$m)
Sale of Goods	89.3	105.5
Rendering of Services	1.4	2.4
	90.7	107.9

6) Lease Assets and Liabilities

The Group leases assets, predominantly comprising property, vehicle and office equipment leases. Information about leases for which the Group is a lessee is presented below:

Right-of-Use Assets

	(\$m)
Balance as at 1 May 2019	45.6
Additions During the Period	0.5
Depreciation Charges	(5.2)
Balance at 31 October 2019	40.9

Lease Liabilities

	(\$m)
Less than One Year	1.1
One to Five Years	21.7
More than Five Years	26.3
Balance at 31 October 2019	49.1

The total interest expense on lease liabilities and the total cash outflow for the six months ended 31 October 2019 was \$1.1m and \$5.2m respectively.

7) Smiths City Finance Receivables

	FIXED INSTALMENT (\$m)	REVOLVING CREDIT (\$m)	TOTAL (\$m)
31 October 2019			
Gross Finance Receivables	55.3	17.0	72.3
Provision For Unearned Income	(7.4)	-	(7.4)
	47.9	17.0	64.9
Less Expected Credit Losses	(0.5)	(0.9)	(1.4)
	47.4	16.1	63.5

	FIXED INSTALMENT (\$m)	REVOLVING CREDIT (\$m)	TOTAL (\$m)
31 October 2018			
Gross Finance Receivables	59.9	19.7	79.6
Provision For Unearned Income	(9.4)	-	(9.4)
	50.5	19.7	70.2
Less Expected Credit Losses	(0.6)	(0.9)	(1.5)
	49.9	18.8	68.7

30 April 2019	FIXED INSTALMENT	REVOLVING CREDIT	TOTAL
	(\$m)	(\$m)	(\$m)
Gross Finance Receivables	57.4	18.5	75.9
Provision For Unearned Income	(8.6)	(0.1)	(8.7)
	48.8	18.4	67.2
Less Expected Credit Losses	(0.5)	(0.9)	(1.4)
	48.3	17.5	65.8

Gross finance receivables include all interest and finance related fees due under financing agreements.

The interest rate charged to customers on fixed instalment and flexible credit agreements varies. For those customers paying their accounts within the promotional term any interest paid is rebated to the customer and, accordingly, no interest is charged. However, for those customers whose accounts become interest bearing the rate charged is 23.95% per annum (2018 23.95%). Note that for contracts written since July 2016 interest is charged on the outstanding balance at the end of the promotional term. This has resulted in a reduction in unearned income compared to prior years. Interest on those fixed instalment contracts where the promotional term is the same as the contract term has been excluded as historical data shows that such interest is unlikely to be collected.

The finance receivables relate to products sold on deferred payment terms. There are no unguaranteed residual values accruing to the benefit of the Group.

Releases from unearned income are calculated on the probability that contracts will enter an extended interest bearing period. This probability is assessed based on historical data.

8) Smiths City Finance Borrowings

The Senior Secured Facility and Secured Bank Overdraft are provided by ASB bank under a combined Senior Secured Facility Agreement secured firstly by way of fixed and floating charge over both the Finance Business Receivables and, secondly, over all other assets of the Group. The loan is subject to various covenants including a capital ratio. The facility expires on 21 June 2020.

9) Financial Instruments

The Group's activities expose it to a variety of financial risks, market risk (including currency and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program seeks to minimise potential adverse effects on the Group's financial performance. The Group uses certain derivative financial instruments to hedge certain risk exposures.

The consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements. They should be read in conjunction with the Group's annual financial statements for the period ending 30 April 2019. There have been no changes in the risk management policies since year end.

The Group's classification of each class of financial assets and their fair values is set out on the next page. Note that the only instruments designated at fair value are the derivative financial instruments. The derivatives are classified as Level 2 in the fair value hierarchy and there has been no movement between levels of fair value hierarchy during the six months ended 31 October 2019.

Financial Instruments by Category

	UNAUDITED 6 MONTHS 31.10.19 (\$m)	UNAUDITED 6 MONTHS 31.10.18 (\$m)	AUDITED FULL YEAR 30.4.19 (\$m)
Financial assets measured at amortised cost			
Cash and Cash Equivalents	9.2	2.3	6.4
Finance Business Receivables	63.5	68.7	65.8
Trade Receivables	1.0	6.9	2.0
Other Receivables	3.7	3.9	3.5
Derivatives measured at fair value			
Forward Exchange Contracts and Interest Rate Swaps	0.1	-	0.1
	77.5	81.8	77.8

	UNAUDITED 6 MONTHS 31.10.19 (\$m)	UNAUDITED 6 MONTHS 31.10.18 (\$m)	AUDITED FULL YEAR 30.4.19 (\$m)
Financial liabilities measured at amortised cost			
Trade Payables	11.9	19.5	12.8
Non Trade Payables and Accrued Expenses	2.9	5.2	1.9
Finance Business Borrowings	65.0	60.9	65.0
	79.8	85.6	79.7

Note that the fair value of the Group's financial assets and liabilities is not considered to be materially different to their carrying value.

Interest Rates Used for Determining Fair Value

The following interest rates used to discount estimated cash flows, where applicable, are based on the government yield curve at the reporting date plus an appropriate constant credit spread:

	2019	2018
Derivatives Held For Risk Management	2.49%	2.49%-3.68%

Financial Instruments Carried At Fair Value

Fair value hierarchy

The table below analyses recurring fair value measurements for financial assets and financial liabilities. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

31 October 2019

	Level 1	Level 2	Level 3	Total
Derivatives				
Forward Exchange – Contracts Used For Hedging	-	0.1	-	0.1
Interest Rate Swaps Used For Hedging	-	-	-	-

31 October 2018

	Level 1	Level 2	Level 3	Total
Derivatives				
Forward Exchange – Contracts Used For Hedging	-	-	-	-
Interest Rate Swaps Used For Hedging	-	-	-	-

30 April 2019

	Level 1	Level 2	Level 3	Total
Derivatives:				
Forward Exchange – Contracts Used For Hedging	-	-	-	-
Interest Rate Swaps Used For Hedging	-	0.1	-	0.1

Level 2 fair values for simple over the counter derivative financial instruments are based on observable market data which is tested for reasonableness and which reflects the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

Specific valuation techniques used to determine fair value financial instruments include:

- The fair value of foreign exchange contracts is determined using forward exchange rates at the balance sheet date.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observables yield curves.

10) Capital Commitments

The value of capital commitments as at 31 October 2019 was \$nil (2018 \$nil).

11) Related Party Transactions

During the six months ended 31 October 2019 the company advanced and repaid loans to its subsidiaries by way of internal transfers between current accounts. All transactions were in the normal course of business and on normal commercial terms. In presenting the financial statements of the Group the effect of transactions and balances between fellow subsidiaries and those with the parent have been eliminated.

The Group has not had any other related party transactions for the six months ended 31 October 2019.

12) Contingent Liabilities

The Group has contingent liabilities of \$nil at 31 October 2019 (2018 \$nil).

13) Events After Balance Date

The Group does not have any subsequent events to report.

14) Restatement of Prior Period

As at 1 May 2018 the Group adopted NZ IFRS 9 Financial Instruments of which the impact was not reflected in the interim financial statements for the period ended 31 October 2018. As a result the comparative period has been adjusted. The amount of the impact is a reduction in finance receivables by \$0.6m, a reduction in retained earnings by \$0.4m and an increase in deferred tax by \$0.2m. A full analysis of the transition to NZ IFRS 9 is provided in the 2019 Annual Report.

Company Directory

Directors and Officers

Chairman

Alastair Gibson Kerr

Directors

Tony Donald Allison
Benjamin John Powles
Antony David Karp

Chief Executive Officer

Roy James Campbell

Registered Office

261 Opawa Road
Christchurch 8022

Bankers

ASB Bank
ASB House, Level 2, 166 Cashel Street
P O Box 13650
Christchurch 8140

Auditors

KPMG
Level 5, 79 Cashel Street
P O Box 1739
Christchurch 8140

Share Registrars

Link Market Services Limited
Level 11, Deloitte Centre
80 Queen Street
P O Box 91976
Auckland 1010
Telephone 093755990

Address for Communications

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