



**SHRIRO HOLDINGS  
LIMITED**

20  
18

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ANNUAL REPORT



## NOTICE OF GENERAL MEETING

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Notice is given that the 2019 Annual General Meeting of Shriro Holdings Limited will be held at 104 Vanessa Street, Kingsgrove, on Thursday 30 May 2019 at 2:00pm (AEST).

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# Over- view

**Shriro continues its  
global growth strategy.**

\$181.1<sub>M</sub> ↓

Revenue

6.0<sub>M</sub>

Net Debt

14.3<sub>M</sub>

EBITDA

7.0

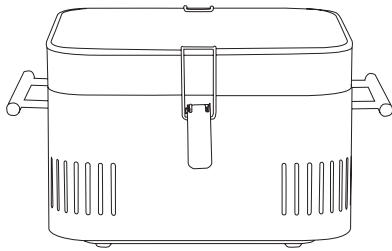
CY18 dividends

Cents per share  
fully franked

8

Total distribution centres

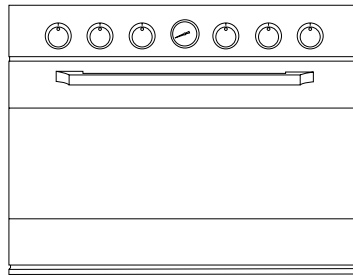
# Brand Blueprint



## Everdure by Heston Blumenthal

Everdure by Heston Blumenthal is a range of barbeques like no other. Working closely with designers and engineers, Heston embarked on a mission to create the perfect modern barbeque. By combining the latest technology and design aesthetics, with ease of use and thoughtful attention to detail, he created a range that will help you go on a journey of discovery.

Whether you love the convenience of cooking on gas, or want to reconnect with the primal beauty of cooking on charcoal – home, or away – Everdure by Heston Blumenthal will help you unleash your creativity and bring out the best in barbequed food.

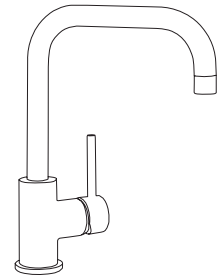


## Neil Perry Kitchen

Imagine Australia's most awarded chef with a clean sheet to design his ultimate home appliances.

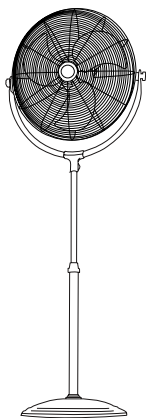
Imagine professional quality, reliability and functional beauty with innovative and precise control.

Imagine the most powerful domestic testing and design to allow domestic cooks at home perform like a professional chef.



## Blanco

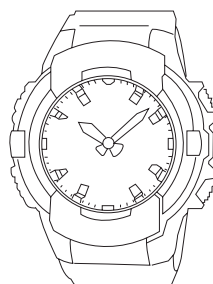
Since 1925 we've had only one goal, and that's to deliver a premium experience by approaching all that we create with impeccable style and intelligence. Our fully integrated kitchen appliance and Sinks/ Taps optimise the very best in European styling and quality craftsmanship. Our job is to ensure each small piece fits perfectly with the next piece and that we design products which our customers visualize for the Blanco brand with a strong focus on functionality and make it as attractive as possible to suit every modern kitchen.



## Omega Altise

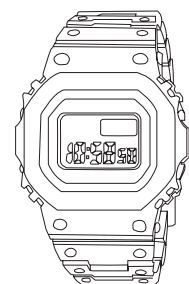
Bringing the ease and convenience of comfortable living into Australian homes for over 25 years, Omega Altise continues to expand, successfully gracing rooms with only the best range of contemporary, sleek and reliable new technologies.

Designed to seamlessly satisfy a range of décors and requirements, these products are tested to the highest standard to ensure efficiency and durability. Assuring comfort and safety where it matters. For comfortable living, think Omega Altise.



## Baby-G

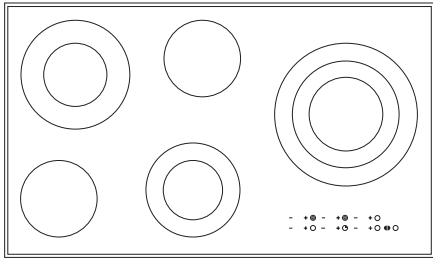
Far from being a case of form over function as many timepieces today are, BABY-G watches are as practical as they are pretty. Born in '94 and inspired by G-Shock's structure and functionality, BABY-G watches are completely shock and water resistant – able to withstand knocks, drops and spills. Recognised by its liberal use of colour and distinctive 90s design, BABY-G is made for the bold, active, tough and creative, BABY-G is the watch for empowered females, who show who they are through what they wear.



## G-Shock

Since hitting the streets in 1983, G-Shock has been synonymous with toughness. Born from a developer's dream of 'creating a watch that never breaks', G-Shock's unique structure was crafted to withstand the 6 elements of torture; shock, gravity, temperature, vibrations, water and electricity.

2018 marks G-Shock's 35th year of Absolute Toughness. G-Shock's reputation for 'the toughest watch of all time' can be attributed to 'Father of G-Shock' Mr Ibe and his pursuit to constantly evolve and fuse new technology and features without changing the integrity of the watch people have come to know and trust.



### Omega

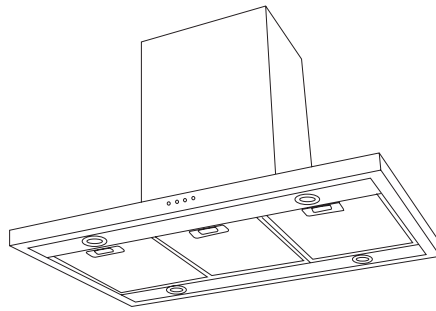
At Omega, we understand that cooking, cleaning and washing may not be your favourite things in the world. That's why we created a range of no-nonsense, reliable products that always get the job done for you. With the features you need and nothing you don't. What's more, they're made to fit perfectly into your home life and your wallet. Each product in the extensive Omega range – from oven, cooktop and rangehood to dishwasher, washing machine and dryer – is testament to company's innate sense of balance in the combination of style with function, longevity and extreme value for money.



### EDIFICE

A sporty and high performance chronograph, Edifice provides a dynamic and intelligent timepiece for men who value classically designed pieces and innovation. Cutting edge smartphone technology and Japanese craftsmanship is fused together to create a timepiece of precision.

Descendant from G-Shock's renown internal casing structure and functionality, EDIFICE is a timepiece that maintains the lead in challenging times, unchained from restraints. A timepiece that interact more freely so that time knows no limits.

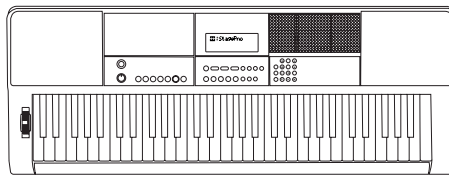


### Robinhood

Robinhood is a leading Australasian brand of kitchen and laundry products. Our product range includes rangehoods, and ducting solutions; laundry tubs and ironing centres; waste disposers and related accessories. The Robinhood brands you will recognise include: Supertub®, Scrapeater®, Uniduct®, Ironing Centre® and Alto®

Robinhood products are sourced globally from leading manufactures, and are good quality products with modern technology and award winning designs. Most Robinhood products come in full coloured packaging to connect with consumers and the detail describes what the product is in a clever and unexpected way.

Behind every Robinhood product is a warranty of one to five years. We provide full customer support to ensure ongoing consumer satisfaction.

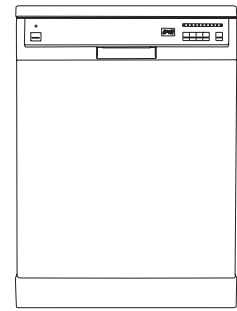


### Casio EMI

Decades of worldclass research and development has placed Casio at the pinnacle of electronic digital musical instrument manufacture, creating a wide range of innovative products for all musicians.

Casio dominates the digital piano and portable keyboard markets in Australia, with innovative products such as the Grand Hybrid Piano range, a collaborative effort between Casio and European premium acoustic grand piano manufacturer, C.Bechstein.

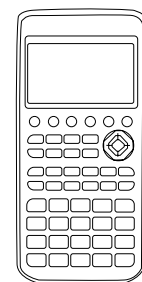
Marketing initiatives reach music educators, home hobbyists and professional musicians alike, and ensure Casio EMI is a market-leading brand in electronic musical instruments.



### Everdure Kitchens

At Everdure, we've been cooking up great ideas since 1935. Proudly Australian owned, the range of Everdure Cooking Appliances continues our tradition of innovative products: combining clever technology and functionality with stylish design – all at surprisingly affordable prices. Delivering the look and performance you want without the price tag you'd expect, quality is guaranteed with 36 months warranty offered on the Everdure Kitchen Appliance range.

Whether you're looking for a new replacement for a current appliance or a complete kitchen update, Everdure has all the right ingredients for you. Our easy-installation products include complete packages, comprised of fully featured ovens, as well as gas or electric cooktops, with powerful rangehoods.



### Casio Calculators

Casio is a leading manufacturer of electronic calculators and office products worldwide. Casio produces a wide selection of products ranging from school calculators, desktop calculators, printer calculators, and label printers. Casio is the leading brand across many of these categories. Shiro is a proud partner having been the sole distributor of Casio products since 1983 in Australia (35 years).



# Chairman's Report



**Throughout the difficult trading conditions, Shriro has maintained a strong balance sheet, with low Net Debt, working capital tightly controlled and Shareholder's Funds in excess of \$50 million.**

I regret to report that 2018 was a particularly disappointing year for the Company. Net Profit after Tax declined 47% to \$7.7 million, in line with the market guidance provided in October 2018. Group Sales Revenue, at \$181 million was down 3.8% on the previous year.

Most of the profit decline was attributed to the Australian Kitchen Appliance business which operated in a very difficult market for most of the year. This was particularly in the second half when it proved especially difficult to maintain gross margin levels, whilst holding sales revenue.

The Australian Consumer Products segment performed more respectably with Timepiece doing well although there were some sales declines in the seasonal heating and cooling products. The 'Everdure by Heston Blumenthal' range of barbeques, which is spearheading Shriro's export drive, continues to grow encouragingly. The expected strong sales into North America late in 2018 were however, delayed due to the US/China "tariff war" and to date this remains unresolved.

A cost reduction programme was commenced in the second half but with the difficult market environment and with some product range weaknesses before new models were available, profit recovery was slow. Management's cost reduction and efficiency improvement programme is continuing and as well, targeted marketing initiatives and a continued focus on innovation to differentiate our products, are areas of key focus to address the Company's situation.

Throughout the difficult trading conditions, Shriro has maintained a strong balance sheet, with low Net Debt, working capital tightly controlled and Shareholder's Funds in excess of \$50 million.

## Dividends

On 26 February 2019 the Directors declared a fully franked final dividend of 3.0 cents per share, which was paid on the 5th of April 2019. Combined with the interim dividend of 4 cents per share, which was also fully franked, the total dividend for 2018 of 7 cents per share, represents a payout ratio of approximately 86.5%. The higher payout ratio reflects the poorer year but, importantly, the Company maintains financial resources well sufficient to implement planned initiatives in the current year.

## The Board

The Board currently comprises two independent non-executive directors, a non-executive director representing our major shareholder and the Managing Director. As part of the Company's succession planning programme and to ensure a broad range of skills is available to the Company, it is planned to seek at least one additional independent non-executive director during 2019.

The 2018 year has been a challenging year for the Company and its people, and the Directors take this opportunity to thank all employees for their efforts and commitment. Tim Hargreave's first year as CEO has not been an easy one but is providing an opportunity to carefully plan the strategy and structure for the period ahead. I thank Tim for his efforts during this first year as CEO. On behalf of my fellow Directors, I also thank all shareholders for their continued support.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'John Ingram', written over a light blue horizontal line.

John Ingram  
Non-Executive Chairman





## **This is transforming Shriro into a more efficient business with a lower cost base.**

My first year as CEO could be best characterised as a year in which necessary structural and operational changes were made. This is transforming Shriro into a more efficient business with a lower cost base.

In a year of subdued conditions in many of Shriro's markets, overall sales Revenue decline was held to 3.8% due to Consumer Products sales growth offsetting the lower Appliances sales, but Net Profit after Tax fell to \$7.7 million. The underperformance of Shriro's Kitchen Appliance business was the major reason for this profit decline. Much of the pain arose from lower gross margins due to price competition and a lack of competitiveness in our supply chain. Volatile consumer confidence, declining residential construction, particularly in high rise development, little growth in the renovation market and the reduced wealth effect from downward pressure on house prices are all thought to be contributing factors to the subdued market.

To address this, a programme of cost reductions has been implemented. In addition, a new strengthened and experienced management team has been appointed to focus on delivering improved results in this product category into the future.

The Consumer Products segment performed strongly for Shriro, as its Timepiece division had a record Australian sales year in 2018. Other products within this segment generally performed well although the seasonal heating and cooling products sector had a somewhat poorer year that was mostly weather related. The 'Everdure by Heston Blumenthal' range of charcoal and gas barbeques continued to grow sales into export markets, which is a core part of the strategy for these products. However sales into the US market were below expectation due to the US/China tariff upheaval. To ensure a speedy recovery when the tariff situation is resolved, Shriro has established its own subsidiary in the USA and invested in some stock holding. Given the significant interest in these products shown by major retailers in USA and the introduction of further innovative products into the range, an excellent future for 'Everdure by Heston Blumenthal' barbeques in North America is anticipated. Due to the planned growth in export markets for this range and other Shriro products, an Export Sales Manager has recently been appointed to focus on and drive this part of the Company's sales strategy.

### **Balance Sheet and Cash Flows**

Cash flows for Shriro in the second half of CY18 were strong, assisted by correcting the stock position in Kitchen Appliances, freeing up cash.

This focus on working capital management has been a major factor in the Company keeping its low debt position during the year, despite paying dividends totalling \$10.5 million. Inventories, for example, were reduced 11% in Australia from the level in December 2017. The Company's gearing remains low, with Net Debt of \$6.0 million at 31 December 2018 resulting in a very low Net Debt to EBITDA multiple of only 0.4 times. Measured as Net Debt to Net Debt plus Equity, gearing was a conservative 10%, considered a very secure position.

### **Strategy and Outlook**

The 'Everdure by Heston Blumenthal' BBQ range has now received a total of four Red Dot Awards, including the coveted Red Dot: Best of the Best. This award-winning innovation and design remains at the forefront of the company's commitment to new product development, accelerating our growth into international markets.

Although headwinds remain in the Kitchen Appliances market, the reorganisation and new management structure has been implemented to provide us with a stronger foundation from which to improve earnings in challenging market conditions.

The impact of elections in the current period are also difficult to forecast but tend to result in consumers deferring purchases. On the other hand, the Consumer Products segment is expected to have a better year, particularly if the US/China tariff situation is successfully resolved reasonably quickly. The bias in the Company's sales revenue towards the second half of the year always presents an added uncertainty.

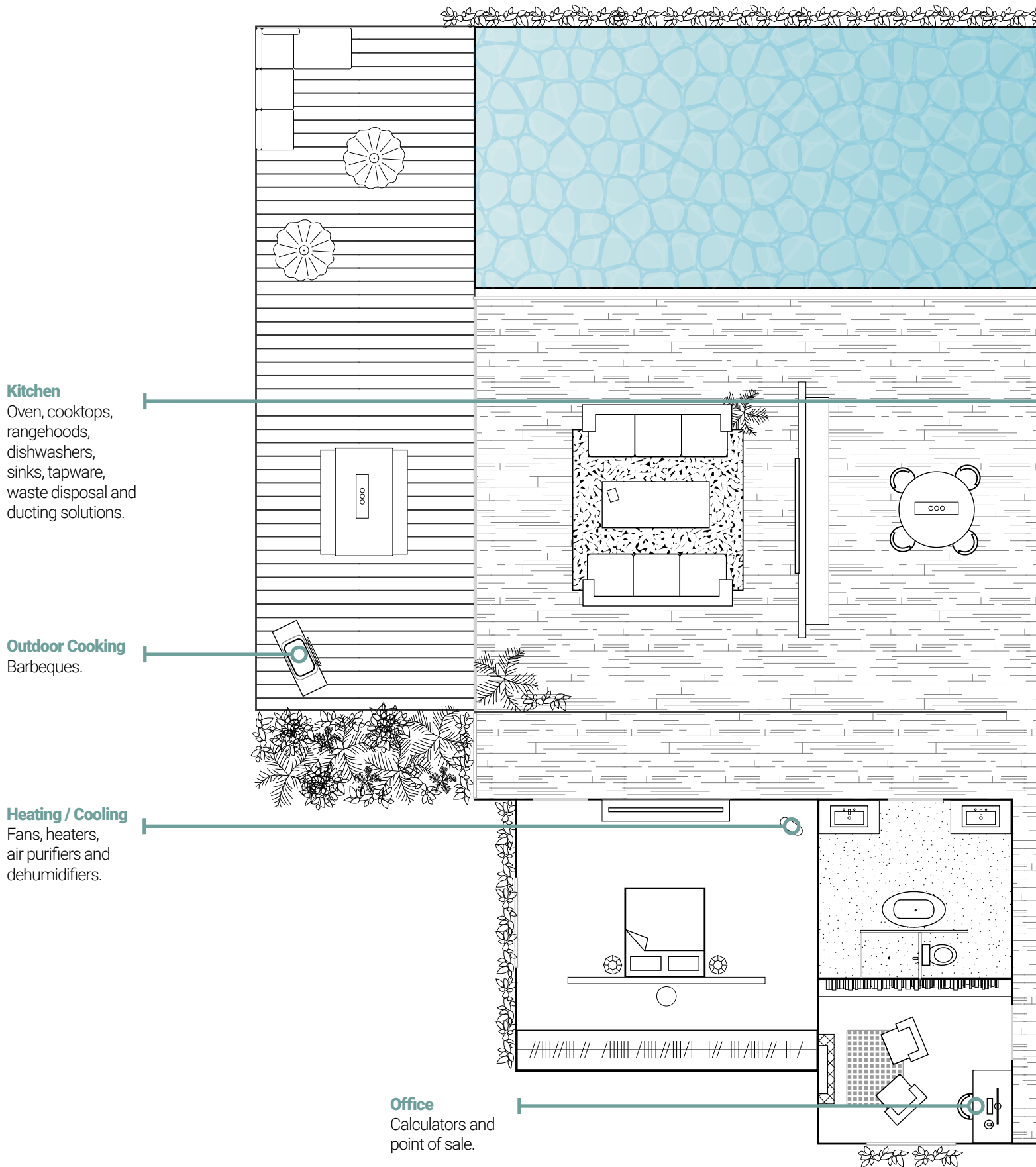
On a personal note, I would like to thank all staff for their commitment, passion and dedication to their job & the Board for their ongoing support and counsel.

Yours sincerely,

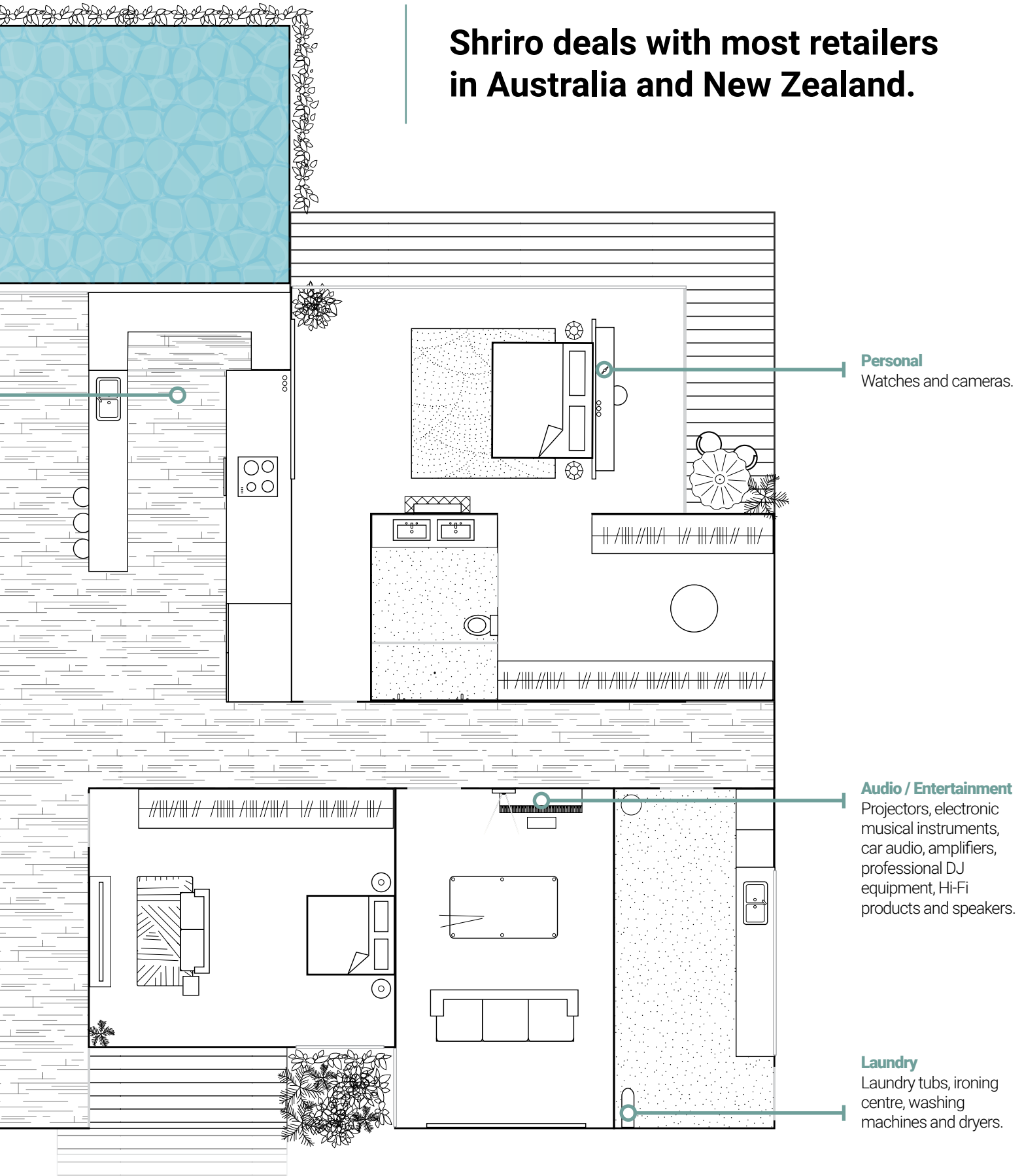
A handwritten signature in black ink, appearing to read 'T. Hargreaves'. The signature is fluid and cursive, with a long horizontal line extending from the end.

Tim Hargreaves  
Chief Executive Officer

# Business at a Glance



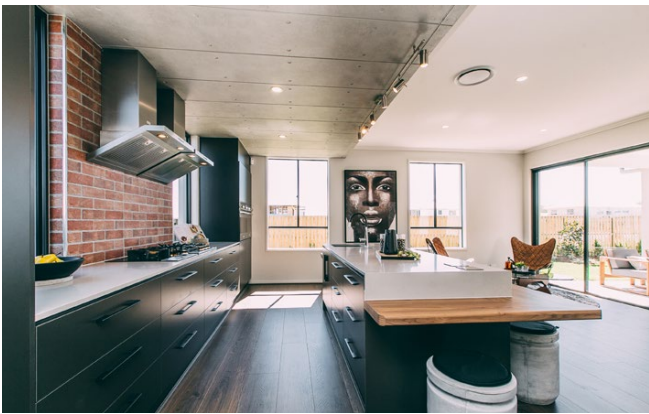
## Shriro deals with most retailers in Australia and New Zealand.





# Kitchen Appliances





- Carl Pauling, NZ CEO, to oversee appliances
- Brad Street to run Shiro Commercial
- 2 showroom closures to reduce costs
- Focus staff on channel, above brand
- Omega brand to be refreshed





# Consumer Products





- Record watch sales in Australia
- New seasonal products to launch
- Shriro runs Auckland airport's G-Shock store
- BBQ exports continue to grow





# Board of Directors



Non-Executive Chairman

- Director since 14 April 2015.
- Currently serves as Chairman of ASX listed Nick Scali Limited.
- Previously John was a Non-Executive Director of United Group Limited.
- Mr Ingram is an Emeritus Councillor of the Australian Industry Group and a past National President.
- Mr Ingram was previously a Trustee Director of Australian Super.



Managing Director

- Director since 14 February 2018.
- Tim Hargreaves joined Shriro in 1990 as the Segmental Manager of Casio Australia. After eight years he briefly left the Group to join Canon Australasia as Head of Retail operation before re-joining Shriro as the General Manager in June 2001 overseeing all Casio segments (Office Products, Timepiece, Electronic Musical Instruments, Data Projectors, Electronic Cash Registers and Digital Cameras).
- Tim was appointed CEO effective 1 January 2018 and Managing Director effective 14 February 2018.



Non-Executive Director

- Director since 14 April 2015.
- Vasco has been a director of Shriro since 30 December 1997 and has over 30 years' experience in various industries.
- Vasco is the Group Chief Executive Officer of Shriro Pacific Ltd, an international investment group with distribution, manufacturing and retail businesses in Asia Pacific, North America and Europe.
- Vasco is a member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants.



Non-Executive Director

- Director since 14 April 2015.
- Greg has extensive experience in a number of manufacturing and distribution industries.
- He is presently an independent Non-Executive Director and Chairman of the Audit Committee of Nick Scali Limited and is Chairman of ASX listed Big River Industries Limited.
- Greg holds a Bachelor of Commerce Degree from the University of New South Wales and an advanced management qualification from the University of Pittsburgh.
- Greg was previously an independent Non-Executive Director and Chairman of the audit and risk committee of Bradken Limited.



Chief Financial Officer & Company Secretary

- Shane Booth joined Shriro in March 2010.
- Prior to joining Shriro, Shane was a Senior Executive of Allomak Limited for two years and Senior Executive of Objective Corporation Limited for three years. In these roles, Shane undertook restructuring activities and drove efficiencies.
- Shane prior to this worked at PKF Australia in their corporate services segment (Audit).
- Shane is a Chartered Accountant (CA) and holds a Bachelor of Business in Accounting.



# Financial Report

**For the financial year ending 31 December 2018**

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# Appendix 4E

## Results for announcement to market

	2018 \$ million	2017 \$ million	Movement %
Revenue from ordinary activities	181.1	188.3	(3.8%)
EBITDA	14.3	24.7	(42.1%)
NPAT	7.7	14.5	(46.9%)
Profit from ordinary activities before tax	10.0	20.4	(51.0%)
Profit from ordinary activities after tax attributable to members	7.7	14.5	(46.9%)
Basic earnings per share (cents per share)	8.1	15.3	
Diluted earnings per share (cents per share)	8.0	15.0	
	Amount per security	Percentage franked	
Final dividend declared for the financial year ended 31 December 2018	3.0 cents	100%	

	2018 \$	2017 \$
Net tangible assets per share (cents per share)	51.6	54.9
Diluted net tangible assets per share (cents per share)	51.0	53.9

The Directors have declared a final dividend for the financial year of 3.0 cents per share fully franked with an ex-dividend date of the 18th March 2019, record date of the 19th March 2019 and payable on 5th April 2019.

Shriro Holdings Limited recorded an after tax profit of \$7.7 million during the year ended 31 December 2018.

## Corporate Governance Statement

Shriro Holdings Limited aims to follow best practice recommendations as set out by the ASX Corporate Governance Council. Where the company has not followed best practice for any recommendation, further clarification relating to all current corporate governance policies can be found on the company's website at [http://www.shriro.com.au/investor/corporate\\_governance](http://www.shriro.com.au/investor/corporate_governance). All policies and practices remain under ongoing review.



# Directors' Report

The Directors present their report in compliance with the provisions of the Corporations Act 2001 on the consolidated entity (referred to hereafter as the "Group") consisting of Shriro Holdings Limited ("Shriro" or the "Company") and the entities it controlled at the end of, or during, the year ended 31 December 2018.

## DIRECTORS

Directors of Shriro Holdings Limited during and since the year ended 31 December 2018 unless otherwise stated below are:

John Ingram – Chairman

Tim Hargreaves – Executive Director (appointed 14 February 2018)

Mike Westrup – Executive Director (ceased to be a Director 2 January 2018)

Vasco Fung – Non-executive Director

Greg Laurie – Non-executive Director

## COMPANY SECRETARY

Shane Booth is Company Secretary

## PRINCIPAL ACTIVITIES

The Group is a leading kitchen appliances and consumer products marketing and distribution Group operating in Australia and New Zealand.

The Group markets and distributes an extensive range of company-owned brands (including Omega, Neil Perry Kitchen by Omega, Everdure including 'Everdure by Heston Blumenthal', Robinhood and Omega Altise) and third party owned brands (such as Casio, Blanco and Pioneer). Products include calculators, watches, cash registers, musical instruments, audio products, kitchen appliances, sinks & taps, laundry products, consumer electronics, car audio, amplifiers, professional DJ, Hi-Fi/speakers, fashion, lighting, gas heaters and gas barbeques, electric heaters and cooling products.

## REVIEW OF OPERATIONS

A summary of the revenues and results is as follows:-

Results Summary	2018 \$ million	2017 \$ million	Change %
Revenue	181.1	188.3	(3.8%)
Gross Margin	39.4%	42.3%	
Operating Expenses	(57.1)	(55.0)	3.8%
<b>EBITDA</b>	<b>14.3</b>	<b>24.7</b>	<b>(42.1%)</b>
Depreciation and amortisation	(3.7)	(3.8)	(2.6%)
Interest	(0.6)	(0.5)	20.0%
Profit Before Tax	10.0	20.4	(51.0%)
<b>Profit After Tax</b>	<b>7.7</b>	<b>14.5</b>	<b>(46.9%)</b>

## Operating and Financial Review

Net Profit after Tax for the year ended 31 December 2018 was down 46.9% to \$7.7 million. Whilst the Consumer Products division held up well in a difficult environment, the Kitchen appliances division suffered lower sales and tighter gross margins. Total sales Revenue was \$181.1 million, a 3.8% decrease on the prior year.

Gross Margin for the year was 39.4%, which was significantly below the previous year, when it achieved 42.3%. There were strong competitive pressures across the Appliances market but the Company faced particular problems with the Omega product range. Competitive pressures drove down gross margins and a number of Omega cooking products had to be exited to allow for the introduction of improved products. This resulted in lower gross margins as the discontinued stock was sold.

Operating expenses increased on the prior year by 3.8%, with the major increase being promotion expenses associated with the launch of 'Everdure by Heston Blumenthal' barbeques in the United States. Rental costs also increased as the prior year had some one-off savings of \$1.5 million.

The above factors delivered a 42.1% decrease in EBITDA compared with the previous year, to \$14.3 million. This result includes several non-recurring costs which total \$1.5 million, such that Underlying EBITDA for the year was approx. \$15.7 million. These Non-Underlying costs, some of which were non-cash, were:

	2018 \$ '000
Closure of two showrooms	842
Relocation of Compliance & R&D team	146
Re-arrangements at Auckland Airport G-Shock store	127
Write-down of residual inventory	340
<b>Total</b>	<b>1,455</b>

The Company maintained its strong balance sheet and sound cash flows, despite the lower profit and the payment of a total of 11.0 cents per share dividend in the period. Net Debt increased a little, to \$6.0 million, but remains low.

The Directors have declared a fully franked final dividend of 3.0 cents per share, with a record date of 28th February 2018 and payable on 16th March 2018. This dividend, combined with the interim dividend of 4.0 cents per share which was paid in September 2018, results in a total dividend of 7.0 cents per share, fully franked, for the year representing a payout ratio of 86.5 percent.

#### *Consumer Products*

The Consumer Products division had a generally solid year in difficult market conditions, with Revenue growing 1.8% to \$106.8 million. The strong performing categories were watches in Australia, BBQs and, in New Zealand, Pioneer Electronics. The remaining product categories held their market position, with sales similar to the previous year, but did not add growth to the division.

In New Zealand, watch sales were negatively impacted by disruptive changes to the Auckland G-Shock airport store where the retailer was underperforming due to apparent funding constraints and as a result, Shriro will assume the operation of this very successful store. Costs of \$127,000 were incurred in this changeover.

Shriro has developed new products in cooling and gas heating that will be released to the market in 2019. Potentially these products can be fed into the global distribution network Shriro has established.

Total EBITDA from the Consumer Products division was \$13.9 million which was 14.0% below the prior year, due mainly to the investment in the USA BBQ launch.

The BBQ brand 'Everdure by Heston Blumenthal' continued its international expansion. The launch promotion in the USA was comprehensive and very well received. Total advertising and promotion costs for this product range were \$2.6 million, with the majority of this expense focused on the US market, where the investment was expected to create material sales orders towards the end of the year. However, the uncertainty surrounding the current tariff negotiations between the US and China has led to order delays and lower sales in the last months of 2018. Whilst satisfactory negotiations between the Trump administration and China would lead to firm orders, Shriro is taking action to ensure sales into the USA are not unduly delayed.

Shriro has also taken a number of steps to improve productivity and control within the 'Everdure by Heston Blumenthal' business, including relocating the Australian compliance, R&D and testing team to its head office in Sydney and is looking to appoint a proven executive as this brand's Export Sales Manager, to assist in driving the global expansion.

#### *Kitchen Appliances*

The Kitchen Appliances segment endured a tough year, due to some market decline, competition, currency headwinds and a phasing out of older products. The revenue generated was \$74.3 million, which was 10.9% lower than the prior year. The industry suffered considerable discounting, which put pressure on gross margins.

Blanco retail appliances performed well with 19.0% sales growth, however all other Appliances categories experienced lower sales revenue compared to the prior year. The Omega product range had a particularly poor year with the need to phase out superseded products in a period of intense competition.

The Commercial Sales operation, which markets primarily to developers, faced very tight market conditions as high-rise apartment demand slowed and some projects were deferred.

In total, the Kitchen Appliances segment recorded EBITDA of \$0.4 million for the year, with the main driver of this being the contraction of gross profit from the lower sales. As a result of this disappointing result, the Company has commenced a number of restructuring initiatives.



### Balance sheet and cashflow

Operating cash flows for the year, of \$8.8 million, exceeded net profit after tax by 13.7%. Cash flows were particularly strong in the second half of the year with a strong focus on working capital. During this period the inventory level was corrected to be in line with the lower sales rate. At December 2018 a conservative view on inventory valuation resulted in a non-cash write-down of \$340,000, relating to inventory that was unable to be cleared by that date. Trade debtors continue to be well controlled, with a low level of bad debts in the period.

Net Debt was \$6.0 million as at 31 December 2018, assisted by the focus on working capital. The Company's gearing remains low with Net Debt to EBITDA of only 0.4 times at the end of the year. This strong balance sheet places Shriro in a sound position to take advantage of growth opportunities in the future. Work in this area continues but the Company takes a highly disciplined approach to the evaluation of acquisition opportunities.

### Outlook

The markets in many of the industries in which the Company operates remain volatile, with lower consumer confidence evidenced in some. Uncertainties in global trade conditions are also impacting sales of some products and margin pressure continues in the Kitchen Appliances division. In this environment, and given Shriro's historic seasonality favouring the second half, it is not possible to give clear guidance on likely results for the 2019 year.

The business is continuing its strong product development and innovation strategy and this is specifically focused on superior versions of existing products and range expansion into complementary products.

### Employees

During this financial year, the number of employees ranged between 252 and 267 and was 255 at year end. (2017: 262).

The Directors wish to recognise the contribution made by all employees during the year.

### Earnings per share

The basic and diluted earnings per share are calculated using the weighted average number of shares. This shows the basic earnings per share at 8.1 cents (2017: 15.3 cents) and diluted earnings per share at 8.0 cents (2017: 15.0 cents).

### DIVIDEND

On 16th March 2018, the Group paid the 2017 financial year end dividend of 7.0 cents per share fully franked.

On 14th September 2018, the Group paid an interim dividend for the half year ended 30 June 2018 of 4.0 cents per share fully franked.

On 26th February 2019 the Directors declared a final dividend of 3.0 cents per share fully franked with an ex-dividend date of the 18th March 2019, record date of the 19th March 2019 and payable on 5th April 2019.

### DIRECTORS' ATTENDANCE AT MEETINGS

#### Attendance at Meetings

The following table sets out the number of meetings held during the financial year that the individual was a director and the number of meetings attended.

	Directors Meetings		Audit and Risk Committee Meeting		Remuneration Committee Meetings	
	Held	Attended	Held	Attended	Held	Attended
John Ingram	16	16	4	4	4	4
Tim Hargreaves	16	16	4	4	4	4
Vasco Fung <sup>1</sup>	16	16	4	4	4	4
Greg Laurie	16	16	4	4	4	4

<sup>1</sup> Vasco Fung attended some meetings via teleconference

## BUSINESS STRATEGIES AND RISK

### Strategies

Shriro believes its investment in brands, supply chain and distribution capabilities has positioned the Group to benefit from ongoing growth and increased market share within its product categories.

Shriro aims to continue to grow through:

- continual product development and range extensions
- geographic expansion including:
  - International expansion of the new 'Everdure by Heston Blumenthal' charcoal BBQ range
- continued assessment of value enhancing acquisition opportunities targeting brand ownership, cost rationalisation opportunities and channel diversification.

### Risks

The key risks for the business are:

- change in consumer spending patterns throughout the year;
- deterioration in economic conditions;
- changing tax and tariff rates in the US;
- foreign exchange movements; and
- further reduced housing construction.

## INFORMATION ON DIRECTORS

Information on the Directors who held office during and since the end of the financial year is as follows:

Directors	Qualifications, Experience and Special Responsibilities	Relevant Interest in Shares
<b>John Ingram</b> Member of the Audit, Risk and Compliance Committee Member of the Remuneration and Nomination Committee	Non-Executive Chairman Director since 14 April 2015 Currently serves as Chairman of ASX listed Nick Scali Limited. Previously John was a Non-Executive Director of United Group Limited. Mr Ingram is an Emeritus Councillor of the Australian Industry Group and a past National President. Mr Ingram was previously a Trustee Director of Australian Super.	210,000
<b>Tim Hargreaves</b>	Managing Director Director since 14 February 2018 Tim Hargreaves joined Shriro in 1990 as the Segmental Manager of Casio Australia. After eight years he briefly left the Group to join Canon Australasia as Head of Retail operation before re-joining Shriro as the General Manager in June 2001 overseeing all Casio segments (Office Products, Timepiece, Electronic Musical Instruments, Data Projectors, Electronic Cash Registers and Digital Cameras). Tim was appointed CEO effective 1 January 2018 and Managing Director effective 14 February 2018.	278,312
<b>Vasco Fung</b> Member of the Audit, Risk and Compliance Committee Member of the Remuneration and Nomination Committee	Non-Executive Director Director since 14 April 2015 Vasco has been a director of Shriro since 30 December 1997 and has over 30 years' experience in various industries. Vasco is the Group Chief Executive Officer of Shriro Pacific Ltd, an international investment group with distribution, manufacturing and retail businesses in Asia Pacific, North America and Europe. Vasco is a member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants.	3,321,937
<b>Greg Laurie</b> Chairman of the Audit, Risk and Compliance Committee Chairman of the Remuneration and Nomination Committee	Non-Executive Director Director since 14 April 2015 Greg has extensive experience in a number of manufacturing and distribution industries. He is presently an independent Non-Executive Director and Chairman of the Audit Committee of Nick Scali Limited and is Chairman of ASX listed Big River Industries Limited. Greg holds a Bachelor of Commerce Degree from the University of New South Wales and an advanced management qualification from the University of Pittsburgh. Greg was previously an independent Non-Executive Director and Chairman of the audit and risk committee of Bradken Limited.	20,000

## AUDITED REMUNERATION REPORT

This remuneration report, which forms part of the Directors' report, details the key management personnel remuneration arrangements for the Company, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

### Principles used to determine the nature and amount of remuneration

The objective of the Company's remuneration framework is to ensure reward for performance whilst maintaining competitiveness with the market and appropriateness for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms to market best practice for delivery of reward.

### Remuneration and Nominated Committee

To assist the Board in the remuneration framework objective, a Remuneration and Nomination Committee has been established as a Committee of the Board. The main responsibilities of the Committee, in relation to remuneration, include:

- Reviewing remuneration arrangements for the CEO, CFO and other senior executives.
- Reviewing Non-Executive Director fees.
- Reviewing and making recommendations on the over-arching executive remuneration framework and incentive plans.

Its objective is to ensure that remuneration policies and structures are fair and competitive and aligned with the long term interests of the Company. In doing this, the Remuneration and Nomination Committee seeks advice from independent remuneration consultants.

### Key Management Personnel

The Key Management Personnel of Shriro Holdings Limited are the non-executive Directors of the Company and:

Tim Hargreaves                      Chief Executive Officer and Managing Director, and  
Shane Booth                        Company Secretary, Chief Financial Officer

### Non-Executive Director Remuneration

The non-executive Directors at the date of this Report are:

John Ingram - Chairman  
Vasco Fung  
Greg Laurie

Non-executive Directors are paid an annual fee which is reviewed annually by the Remuneration and Nomination Committee and the Board. The Board uses the advice of independent remuneration consultants, as appropriate, to ensure non-executive director fees are appropriate and in line with the market. Non-executive director fees include, where applicable, compulsory superannuation contributions.

The non-executive Directors do not participate in the Company's Long Term Incentive Plan.

Total aggregate remuneration for all non-executive Directors, in accordance with the Prospectus dated 27 May 2015, is not to exceed \$600,000. Non-executive director's base fees are presently \$90,000 per annum. The Chairman's fee is presently \$140,000 per annum. Committee fees are:

Chair of Audit, Risk and Compliance Committee	\$10,000 p.a.
Chair of Remuneration and Nomination Committee	\$ 5,000 p.a.
Member of Audit, Risk and Compliance Committee	\$ 5,000 p.a.
Member of Remuneration and Nomination Committee	\$ 3,000 p.a.

The Chairman does not receive Committee fees.

### Executive Remuneration

The remuneration of the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) comprise base pay, at-risk short term bonus (STI) and participation in the Company's Long Term Incentive Plan (LTIP). Details of each executive's remuneration is set out below.

#### Chief Executive Officer (CEO) and Chief Financial Officer (CFO)

The CEO and CFO are remunerated on a salary package basis which is a component of a formal employment contract. The salary package is considered to be appropriate for the experience and expertise needed for the position and is comparable to other similar sized companies and business units of larger companies. The salary package contains a fixed component and a short term incentive (STI) component. The STI is determined by the Board annually, based on performance against a range of targets. The CEO and CFO are also participants in the Company's long term incentive plan (LTIP).

### Short Term Incentive

A short term incentive (STI) forms a component of the remuneration of executive Directors and key management personnel in addition to their base remuneration. The STI for 2018 was structured on the following basis:

In 2018 Tim Hargreaves is entitled to an STI award equivalent to 60% of his fixed remuneration (\$360,000) for target performance or up to 120% of fixed remuneration (\$720,000) for stretch performance, measured against the CY2018 financial year's budgeted profit after tax. Shane Booth is entitled to an STI award of up to \$156,000 for target performance or \$312,000 for stretch performance, measured against the CY2018 financial year's budgeted profit after tax.

If the Group's profit after tax is at least 95% of the target profit after tax, Tim Hargreaves will be entitled to a cash STI reward equivalent to 50% of the target STI (\$180,000) and Shane Booth will be entitled to an STI award equivalent to 50% of the target STI (\$78,000).

STI targets are expected to be set by the Board for the 2019 year for CEO Tim Hargreaves and CFO Shane Booth. STI awards are expected to be paid in cash following the Board's approval of the Company's financial statements for the relevant year.

### Long Term Incentive

A Long Term Incentive Plan (LTIP) has been implemented in accordance with Shriro's Employee Share Scheme Rules. The LTIP allows participants to be issued with Performance Rights (Rights) which have associated performance hurdles that are tested at the end of three years from the date of issue to determine vesting. Subsequent to vesting, each Right can be exercised and converted to an equivalent number of shares of the Company, or cash at the Board's discretion.

Tim Hargreaves has been issued with 150,000 Rights in respect of the 2018 year with an effective date of 1 January 2018 (2017: 44,427; 2016: 66,022). Testing for achievement of the performance hurdle will occur following Board approval of the Company's financial statements three years after the Rights effective issue date.

Shane Booth has been issued with 73,125 Rights in respect of the 2018 year (2017: 87,698; 2016: 130,319). Testing for achievement of the performance hurdle will occur following Board approval of the Company's financial statements three years after the Rights effective issue date. It is expected that Shane Booth will be invited, at the Director's discretion, to apply for Rights in respect of the 2019 financial year.

The performance hurdle relating to the Rights issued to both Tim Hargreaves and Shane Booth is for the compound annual growth rate (CAGR) of the Company's earnings per share (EPS) to be no less than 5% for the three years for 50% of the Rights to vest (threshold performance) and 10% or higher for 100% of Rights to vest (target performance). EPS performance between 5% and 10% will result in a pro rata proportion of Rights to vest between 50% and 100%.

### Key Terms of Employment Contracts

#### CEO

The Company entered into a new executive service agreement with Tim Hargreaves as Managing Director and CEO effective 1 January 2018. The remuneration component of the new agreement is considered to be appropriate and in line with relevant industry comparables. For the 2018 year, the short term variable component (STI) can range between 0% and 120% of the fixed component, based on performance measured against a profit after tax target, set annually by the Directors. The long term variable component (LTIP) can range between 0% and 40% of the fixed component based on performance measured against an EPS target over a three year period set by the Directors.

Term:	No fixed term.
Annual Salary:	Total fixed remuneration of \$600,000, subject to annual adjustment.
Notice Period:	Twelve months' notice by either party.

#### CFO

The Company entered into a new executive service agreement with Shane Booth as Company Secretary and CFO effective 23 June 2015. The remuneration component of the new agreement is considered to be appropriate and in line with relevant industry comparables. For the 2018 year, the short term variable component (STI) can range between 0% and 80% of the fixed component, based on performance measured against a profit after tax target. Based on the initial issue of Rights, the long term variable component (LTIP) can range between 0% and 30% of the fixed component based on the achievement of a performance hurdle that is measured after three years, as determined by the Board and included in any invitation to apply for participation in the LTIP.

Term:	No fixed term
Annual Salary:	Total fixed remuneration of \$390,000, subject to annual adjustment
Notice Period:	Six months' notice by either party

## Relationship between Remuneration Policy and Group Performance

The remuneration of executive officers includes an annual short term incentive (STI). The total STI paid in a year is discretionary, and is closely related to and determined mainly by the current profit levels of the Group but can also include a component of non-financial targets.

Executive officers remuneration is further aligned with the long term Group performance via the long term incentive plan (LTIP) and the current shareholdings certain executives retain in the Group.

The tables below set out summary information about the Group's earnings for 31 December 2018.

	31 December 2018 \$ '000	31 December 2017 \$'000
Revenue	181,105	188,327
Net profit before tax	10,011	20,370
Net profit after tax	7,698	14,500

	31 December 2018 cents	31 December 2017 cents
Share price at start of year	160	122
Share price at end of year	55	160
Basic earnings per share	8.1	15.3
Diluted earnings per share	8.0	15.0

## Particulars of Key Management Personnel interests during the year ended 31 December 2018

Fully paid ordinary shares of Shriro Holdings Limited

	31 December 2017 Number	Received on exercise of rights during 2018 Number	Net other changes during 2018 Number	31 December 2018 Number
<b>Non-executive Directors</b>				
John Ingram	160,000	-	50,000	210,000
Vasco Fung	3,321,937	-	-	3,321,937
Greg Laurie	20,000	-	-	20,000
<b>TOTAL</b>	<b>3,501,937</b>	<b>-</b>	<b>50,000</b>	<b>3,551,937</b>
<b>Executive Officers</b>				
Tim Hargreaves	278,312	-	-	278,312
Shane Booth <sup>1</sup>	2,215,625	87,500	-	2,303,125
<b>TOTAL</b>	<b>2,493,937</b>	<b>87,500</b>	<b>-</b>	<b>2,581,437</b>

<sup>1</sup> Shane Booth's immediate family purchased his shares.

## Remuneration of Executive Officers and Key Management Personnel

2018	Short-term Benefits			Post-Employment Benefits	Long-term Benefits		Total	Percentage of remuneration related to performance
	Cash Fee/Salary	Cash bonus	Termination Benefits	Super-annuation	Long service leave	Share rights <sup>1</sup>		
	\$	\$	\$	\$	\$	\$	\$	%
<b>Non-executive Directors</b>								
John Ingram	127,854	-	-	12,146	-	-	140,000	-
Vasco Fung	98,000	-	-	-	-	-	98,000	-
Greg Laurie	95,890	-	-	9,110	-	-	105,000	-
<b>TOTAL</b>	<b>321,744</b>	<b>-</b>	<b>-</b>	<b>21,256</b>	<b>-</b>	<b>-</b>	<b>343,000</b>	<b>-</b>
<b>Executive Officers</b>								
Tim Hargreaves	575,000	-	-	25,000	64,221	44,554	708,775	6.3%
Shane Booth	369,709	-	-	20,291	22,010	32,577	444,587	7.3%
<b>TOTAL</b>	<b>944,709</b>	<b>-</b>	<b>-</b>	<b>45,291</b>	<b>86,231</b>	<b>77,131</b>	<b>1,153,362</b>	<b>6.7%</b>

<sup>1</sup> Performance rights as an LTIP award in respect of the 2018 financial year is recognised in accordance with AASB 2. These rights will vest subject to the satisfaction of performance conditions

2017	Short-term Benefits			Post-Employment Benefits	Long-term Benefits		Total	Percentage of remuneration related to performance
	Cash Fee/Salary	Cash bonus	Termination Benefits	Super-annuation	Long service leave	Share rights <sup>2</sup>		
	\$	\$	\$	\$	\$	\$	\$	%
<b>Non-executive Directors</b>								
John Ingram	127,854	-	-	12,146	-	-	140,000	-
Vasco Fung	98,000	-	-	-	-	-	98,000	-
Greg Laurie	95,890	-	-	9,110	-	-	105,000	-
<b>TOTAL</b>	<b>321,744</b>	<b>-</b>	<b>-</b>	<b>21,256</b>	<b>-</b>	<b>-</b>	<b>343,000</b>	<b>-</b>
<b>Executive Officers</b>								
Mike Westrup <sup>1</sup>	631,350	558,952	49,927	35,000	10,442	259,536	1,545,207	53.0%
Shane Booth	338,967	200,647	-	19,832	4,327	54,612	618,385	41.3%
<b>TOTAL</b>	<b>970,317</b>	<b>759,599</b>	<b>49,927</b>	<b>54,832</b>	<b>14,769</b>	<b>314,148</b>	<b>2,163,592</b>	<b>49.6%</b>

<sup>1</sup> Mike Westrup retired as Managing Director on 31 December 2017. A total amount of \$208,103 was paid in relation to long service leave which had accrued over Mike's 27 years of employment. The Board has used their discretion to settle Mike's LTI as cash in lieu of shares during February 2018.

<sup>2</sup> Performance rights as an LTIP award in respect of the 2017 financial year is recognised in accordance with AASB 2. These rights will vest subject to the satisfaction of performance conditions

No director or senior management person appointed during the year received a payment as part of his remuneration for agreeing to hold the position.

Non-executive Directors have no further entitlement to cash bonus or non-monetary benefits.

## Bonuses and share-based payments granted as compensation for the current financial year

### Cash Bonuses

Both Tim Hargreaves and Shane Booth achieved 0% of their 2018 structured short term incentives, as a result, no bonus will be paid to them.

### Employee Long Term Incentive plan

The Company established the employee long term incentive plan (LTIP) to assist in the motivation, retention and reward of senior management. The Plan is designed to align the interests of employees and senior management with the interests of Shareholders by providing an opportunity for employees to receive an equity interest in the Company. From time to time the Board will approve invitations to certain executives and employees to participate in the LTIP on conditions and performance hurdles determined by the Board.

The Plan Rules provide flexibility for the Company to grant performance rights, options and/or restricted shares, subject to the terms of individual offers.

Performance rights have been granted to the CEO, CFO and other members of senior management of the Company in accordance with the rules of the employee long term incentive plan. It is expected that an invitation to apply for performance rights in respect of the 2019 year will be approved by the Board.

Tim Hargreaves was granted 150,000 performance rights and Shane Booth was granted 73,125 performance rights (2017: 87,698) under the LTIP during the financial year ended 31 December 2018.

No non-executive director received any shares in the current or previous years and no non-executive director can participate in the LTIP.

Shriro Holdings Limited has not issued any options.

The key terms of the awards under the employee long term incentive plan are summarised in the table below:

<b>Performance conditions, performance period and vesting</b>	<p>Performance rights will vest subject to the satisfaction of performance conditions.</p> <p>The performance period for LTIP awards will generally be 3 years. The grants have a performance period ending on 31 December three years subsequent to the issue date.</p> <p>The grants of performance rights are subject to a performance condition (hurdle) based on the achievement of a target of 10% compound annual growth rate (CAGR) of EPS over three years from the effective date of the performance review.</p> <p>The percentage of performance rights that vest, if any, will be determined by reference to the following vesting schedule, subject to any adjustments for abnormal or unusual profit items considered appropriate by the Board:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Target CAGR of the Company's EPS over the three year period</th> <th style="text-align: left;">% of performance rights that vest</th> </tr> </thead> <tbody> <tr> <td>Less than threshold performance (less than 5%)</td> <td>Nil</td> </tr> <tr> <td>Threshold performance (5%)</td> <td>50%</td> </tr> <tr> <td>Between threshold and target performance (5%-10%)</td> <td>50-100% on a straight line pro rata</td> </tr> <tr> <td>Target performance (10% or above)</td> <td>100%</td> </tr> </tbody> </table> <p>Any performance rights that remain unvested at the end of the performance period will lapse immediately.</p>	Target CAGR of the Company's EPS over the three year period	% of performance rights that vest	Less than threshold performance (less than 5%)	Nil	Threshold performance (5%)	50%	Between threshold and target performance (5%-10%)	50-100% on a straight line pro rata	Target performance (10% or above)	100%
Target CAGR of the Company's EPS over the three year period	% of performance rights that vest										
Less than threshold performance (less than 5%)	Nil										
Threshold performance (5%)	50%										
Between threshold and target performance (5%-10%)	50-100% on a straight line pro rata										
Target performance (10% or above)	100%										
<b>Rights associated with performance rights</b>	<p>The performance rights do not carry dividends or voting rights prior to vesting.</p>										
<b>Restrictions on dealing</b>	<p>The participant must not sell, transfer, encumber, hedge or otherwise deal with performance rights.</p> <p>The participant will be free to deal with any Shares allocated on vesting of the performance rights, subject to the requirements of the Company's Policy for Dealing in Securities.</p>										
<b>Cessation of employment</b>	<p>If the participant's employment is terminated for cause or the participant resigns, unless the Board determines otherwise, any unvested performance rights will automatically lapse.</p> <p>Where the participant ceases employment in any other circumstances, unless the Board determines otherwise:</p> <ul style="list-style-type: none"> <li>• a pro-rata portion of the performance rights (calculated by reference to the portion of the performance period that has elapsed up to the date of cessation) will remain on foot and will vest or lapse in due course, as though the participant had not ceased employment; and</li> <li>• the remaining portion of the performance rights will automatically lapse.</li> </ul>										



Name	Number Granted	Financial Year	Commencement date of performance measurement period	Grant date	Percentage of grant Vested %	Percentage of grant forfeited %	Future financial years that Grant will be payable	Grant date fair value \$
Shane Booth	130,319	2016	01/01/2016	26/05/2016	Nil	Nil	2019	89,768
Shane Booth	87,698	2017	01/01/2017	10/04/2017	Nil	Nil	2020	86,506
Tim Hargreaves	150,000	2018	01/01/2018	19/06/2018	Nil	Nil	2021	223,500
Shane Booth	73,125	2018	01/01/2018	19/06/2018	Nil	Nil	2021	108,956
							Total	508,730

### CHANGE IN THE STATE OF AFFAIRS

There were no other significant changes in the state of affairs of the Group during the financial year.

### SUBSEQUENT EVENTS

Subsequent to the year ended 31 December 2018, the Group's banking facilities have been renegotiated resulting in a \$5 million reduction to the trade finance facility which will result in additional cost saving during 2019. There were no other material changes to the terms and conditions.

There has not been any other matter or circumstance, not already disclosed, occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

### FUTURE DEVELOPMENTS

Disclosure of other information regarding likely developments in the operations of the Group in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Group. Accordingly, this information has not been disclosed in this report.

### INDEMNIFICATION OF OFFICERS AND AUDITORS

During the financial year, the Group paid a premium in respect of a contract insuring Directors of the Group, the Group secretary, and all executive officers of the Group and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Group has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor.

### NON-AUDIT SERVICES

Details of amounts paid or payable to the auditor for non-audit services in the prior year are outlined in note 4 to the financial statements.

The directors are satisfied that the provision of non-audit services by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 4 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit Committee, for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 'Code of Ethics for Professional Accountants' issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

### AUDITOR'S INDEPENDENCE DECLARATION

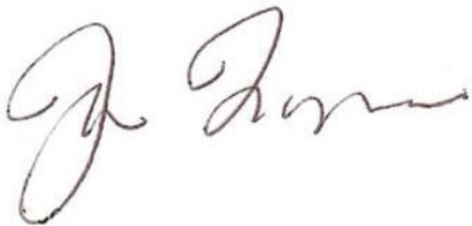
The auditor's independence declaration is included on page 32 of the annual report.

### ROUNDING OFF OF AMOUNTS

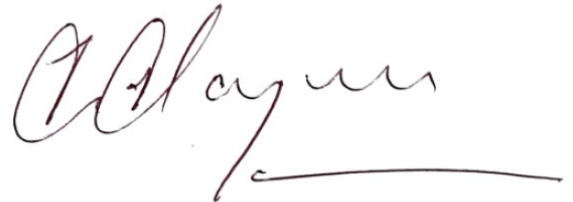
The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

This Directors' report is signed in accordance with a resolution of Directors made pursuant to s298(2) of the Corporations Act 2001.

On behalf of the Directors



John Ingram  
Director  
Sydney, 26th of February 2019



Tim Hargreaves  
Director  
Sydney, 26th of February 2019

The Board of Directors  
Shriro Holdings Limited  
104 Vanessa Street  
KINGSGROVE, NSW 2208

26 February 2019

Dear Board Members

### **Shriro Holdings Limited**

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Shriro Holdings Limited.

As lead audit partner for the audit of the financial statements of Shriro Holdings Limited for the year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



**X Delaney**  
Partner  
Chartered Accountants

## Independent Auditor's Report to the members of Shriro Holdings Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Shriro Holdings Limited (the "Company") and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p><b>Provision for rebates</b></p> <p>As at 31 December 2018, the total value of the Group's provision for rebates is \$7.2 million as disclosed in Notes 1(o), 1(u) and 6.</p> <p>Shriro has rebate agreements with certain customers in line with industry practice. The provision for volume and stretch rebates has a direct impact on revenue recognition.</p> <p>Accounting for these rebates is complex, requiring an understanding of the contractual arrangements, and requiring complete and accurate source data to which the arrangements apply, including consideration of the timing of recognition and the presentation thereof.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Holding discussions with management and other company personnel to understand the rebate structures in place and the manner in which the system processes and accounts for the rebates;</li> <li>• Understanding and testing key controls over the recording of rebates;</li> <li>• Challenging the appropriateness of management's rebate policy to assess if they are in accordance with the relevant accounting standards;</li> <li>• Comparing the rates relevant to volume and stretch rebates within the computations to those included in sales contracts and agreements with third parties (retail and wholesale customers);</li> <li>• Reviewed a sample of rebate invoices received from customers and credit notes issued during the year in order to assess the accuracy of management's estimate for rebates;</li> <li>• Recalculating on a sample basis the rebate provision to test the accuracy of the formula by reference to actual and forecast sales volumes; and</li> <li>• Performing a retrospective review of the balance to assess the historical accuracy of management's estimation.</li> </ul> <p>We also assessed the appropriateness of the disclosures in Notes 1(o), 1(u) and 6 to the financial statements.</p>

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p><b>Provision for warranties</b></p> <p>As at 31 December 2018 the provision for warranties is \$2.9 million as disclosed in Notes 1(t), 1(u) and 12.</p> <p>Significant judgement is involved in determining the appropriate level for the warranty provision. This is estimated by management using a cost accrual approach based on historical actual payment experience, historical relationship to gross sales, estimated time to failure and a prediction period.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Understanding and testing key controls over the recording of warranties;</li> <li>• Assessing whether the warranty provision was consistent with the prior year, and if there were any changes to statutory and/or contractual obligations;</li> <li>• Testing on a sample basis the inputs in the formula/model used to calculate the warranty provision to assess the accuracy of the computation;</li> <li>• Challenging management’s policy to assess if they are in accordance with the relevant accounting standards and statutory and/or contractual obligations;</li> <li>• Developing an independent expectation of the provision utilising historic warranty claims settled as a proportion of related sales;</li> <li>• Performing a sensitivity analysis by varying key inputs and assumptions within the formula; and</li> <li>• Performing a retrospective review of the balance to assess the historical accuracy of management’s estimation of the warranty provision.</li> </ul> <p>We also assessed the appropriateness of the disclosures in Notes 1(t), 1(u) and 12 to the financial statements.</p>

## Other Information

The directors are responsible for the other information. The other information comprises the Directors’ Report, Corporate Governance Statement, Appendix 4E and the Additional ASX Information which we obtained prior to the date of this auditor’s report, and also includes the following information which will be included in the Group’s annual report (but does not include the financial report and our auditor’s report thereon): Chairman’s Report, CEO’s Report, Business at a Glance, Business Review – Kitchen appliances and Business Review – Consumer products which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon.



In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Chairman's Report, CEO's Report, Business at a Glance, Business Review – Kitchen appliances and Business Review – Consumer products, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action.

## **Responsibilities of the Directors for the Financial Report**

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

## **Auditor's Responsibilities for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



## Deloitte.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report.
- We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on the Remuneration Report

#### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 25 to 30 of the Directors' Report for the year ended 31 December 2018.

In our opinion, the Remuneration Report of Shriro Holdings Limited, for the year ended 31 December 2018, complies with section 300A of the Corporations Act 2001.

#### *Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

*Deloitte Touche Tohmatsu*

DELOITTE TOUCHE TOHMATSU

*Delaney*

X Delaney  
Partner  
Chartered Accountants  
Parramatta, 26 February 2019

# Directors' Declaration

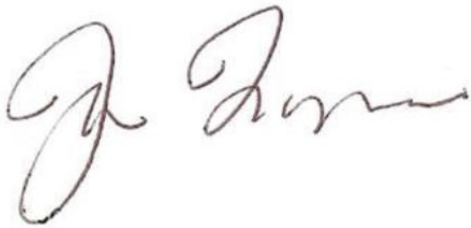
The Directors declare that:-

- (a) in the Directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- (b) in the Directors' opinion the attached financial statements are in compliance with International Financial Reporting Standard, as stated in note 1 to the financial statements;
- (c) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the company, and
- (d) the Directors have been given the declarations required by s.295A of the Corporations Act 2001.

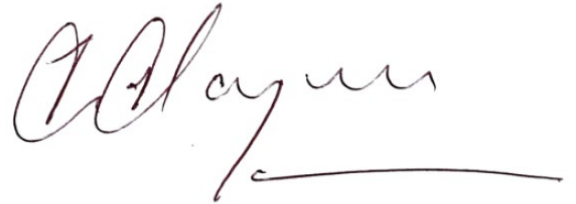
At the date of this declaration, the company is within the class of companies affected by ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee. In the Directors' opinion, there are reasonable grounds to believe that the company and the companies to which the ASIC Class Order applies, as detailed in note 24 to the financial statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

Signed in accordance with a resolution of the Directors made pursuant to s295(5) of the Corporations Act 2001.

On behalf of the Directors



John Ingram  
Director  
Sydney, 26th of February 2019



Tim Hargreaves  
Director  
Sydney, 26th of February 2019

# Consolidated Statement of Profit or Loss

FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2018

	Note	2018 \$'000	2017 \$'000
Revenue from ordinary activities	2	181,105	188,327
Raw materials and consumables used		(109,702)	(108,572)
Employee benefits expense		(24,692)	(25,965)
Advertising and promotion expenses		(6,831)	(5,290)
Freight and delivery expenses		(6,930)	(7,304)
Depreciation and amortisation expenses	3	(3,697)	(3,760)
Rental costs		(7,309)	(5,065)
Finance costs	3	(766)	(800)
Other expenses		(11,167)	(11,201)
<b>Profit before tax</b>		<b>10,011</b>	<b>20,370</b>
Income tax expense	5	(2,313)	(5,870)
<b>Profit for the year</b>		<b>7,698</b>	<b>14,500</b>
<b>Earnings per share</b>			
Basic (cents per share)	16	8.1	15.3
Diluted (cents per share)	16	8.0	15.0

The consolidated statement of profit or loss should be read in conjunction with the Notes to the financial statements.

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2018

	Note	2018 \$'000	2017 \$'000
<b>Profit for the year</b>		<b>7,698</b>	<b>14,500</b>
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net change in the fair value of cash flow hedges taken to equity		321	243
Exchange differences on translation of foreign operations		699	(767)
Other comprehensive income for the year, net of tax		1,020	(524)
<b>Total comprehensive income for the year attributable to the owners of Shriro Holdings Limited</b>		<b>8,718</b>	<b>13,976</b>

The consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the Notes to the financial statements.

# Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2018

	Note	2018 \$'000	2017 \$'000
<b>Current assets</b>			
Cash and cash equivalents	20	1,372	3,450
Trade and other receivables	6	32,924	36,333
Inventories	7	38,869	42,151
Other assets	8	926	1,028
Current tax receivable		2,023	-
Derivative receivable		859	578
<b>Total current assets</b>		<b>76,973</b>	<b>83,540</b>
<b>Non-current assets</b>			
Property, plant and equipment	9	7,691	9,677
Deferred tax assets	5	4,900	5,019
<b>Total non-current assets</b>		<b>12,591</b>	<b>14,696</b>
<b>Total assets</b>		<b>89,564</b>	<b>98,236</b>
<b>Current liabilities</b>			
Trade and other payables	10	17,120	23,159
Borrowings	11	1,344	4,466
Current tax liabilities		-	1,746
Provisions	12	5,520	6,513
Derivative payable		524	419
<b>Total current liabilities</b>		<b>24,508</b>	<b>36,303</b>
<b>Non-current liabilities</b>			
Borrowings	11	6,000	1,000
Provisions	12	5,053	3,760
<b>Total non-current liabilities</b>		<b>11,053</b>	<b>4,760</b>
<b>Total liabilities</b>		<b>35,561</b>	<b>41,063</b>
<b>Net assets</b>		<b>54,003</b>	<b>57,173</b>
<b>Equity</b>			
Issued capital	13	94,617	94,541
Reserves	14	(76,775)	(76,291)
Retained earnings	15	36,161	38,923
<b>Total equity</b>		<b>54,003</b>	<b>57,173</b>

The consolidated statement of financial position should be read in conjunction with the Notes to the financial statements.

# Consolidated Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2018

	Issue Capital \$'000	Group Reorganisation Reserve \$'000	Cash Flow Hedging Reserve \$'000	Foreign Currency Translation Reserve \$'000	Equity Settled Benefits Reserve \$'000	Retained Earnings \$'000	Total
<b>Balance at 31 December 2016</b>	94,541	(78,585)	(156)	1,973	619	34,873	53,265
Profit for the year	-	-	-	-	-	14,500	14,500
Other comprehensive income for the year	-	-	243	(767)	-	-	(524)
Total comprehensive income	-	-	243	(767)	-	14,500	13,976
Share-based payments expense (net of tax)	-	-	-	-	382	-	382
Dividends paid	-	-	-	-	-	(10,450)	(10,450)
<b>Balance at 31 December 2017</b>	<b>94,541</b>	<b>(78,585)</b>	<b>87</b>	<b>1,206</b>	<b>1,001</b>	<b>38,923</b>	<b>57,173</b>
Profit for the year	-	-	-	-	-	7,698	7,698
Other comprehensive income for the year	-	-	321	699	-	-	1,020
Total comprehensive income	-	-	321	699	-	7,698	8,718
Dividends paid	-	-	-	-	-	(10,460)	(10,460)
Share Issue	76	-	-	-	-	-	76
Share-based payments reserve (net of tax)	-	-	-	-	(1,504)	-	(1,504)
<b>Balance at 31 December 2018</b>	<b>94,617</b>	<b>(78,585)</b>	<b>408</b>	<b>1,905</b>	<b>(503)</b>	<b>36,161</b>	<b>54,003</b>

The consolidated statement of changes in equity should be read in conjunction with the Notes to the financial statements.

# Consolidated Statement of Cash Flows

AS AT 31 DECEMBER 2018

	Note	2018 \$'000	2017 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		202,624	205,760
Payments to suppliers and employees		(187,183)	(182,058)
Finance costs paid		(728)	(771)
Income taxes paid		(5,962)	(5,732)
<b>Net cash provided by operating activities</b>	20.2	<b>8,751</b>	<b>17,199</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		85	177
Payment for property, plant and equipment		(2,429)	(3,625)
<b>Net cash used in investing activities</b>		<b>(2,344)</b>	<b>(3,448)</b>
<b>Cash flows from financing activities</b>			
Proceeds from / (repayment of) borrowings		1,878	(69)
Dividends paid		(10,460)	(10,450)
<b>Net cash used in financing activities</b>		<b>(8,582)</b>	<b>(10,519)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(2,175)</b>	<b>3,232</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>		<b>3,450</b>	<b>15</b>
Effects of exchange rate changes on cash		97	203
<b>Cash and cash equivalents at the end of the financial year</b>	20.1	<b>1,372</b>	<b>3,450</b>

The consolidated statement of cash flows should be read in conjunction with the Notes to the financial statements.

# Notes to the Financial Statements

## 1. STATEMENT OF ACCOUNTING POLICIES

The following is a summary of the significant accounting policies adopted by the Group in the preparation of the financial report for the year ended 31 December 2018. The accounting policies have been consistently applied unless otherwise stated.

### (a) Statement of Compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law. The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity. Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the company and the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the Directors on 26 February 2019.

### (b) Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for the measurement of certain financial instruments at fair value. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2 'Share-based Payment', leasing transactions that are within the scope of AASB 117 'Leases', and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 2 'Share-based Payment' or value in use in AASB 136 'Impairment of assets'.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated



(c) Adoption of new standards

In the current period, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for annual reporting periods commencing on or after 1 January 2018.

*AASB 15 'Revenue from Contracts with Customers'*

The Group has adopted AASB 15 'Revenue from Contracts with Customers' and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15' from 1 January 2018. AASB 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. AASB 15 has replaced past revenue recognition guidance including AASB 18 Revenue, AASB 11 Construction Contracts and the related Interpretations.

The core principle of AASB 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under AASB 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

The Group recognises revenue from the sale of Kitchen Appliances and Consumer Products as disclosed in notes 2 and 18.

The directors of the Company have assessed that the only performance obligation is from the sale of the products and accordingly, revenue will be recognised for this performance obligation at the point in time when control over the corresponding goods is transferred to the customer. This is similar to the current identification of separate revenue components under AASB 18.

The Group has implemented the full retrospective method of transition to AASB 15, however has resulted in no material impact on comparative figures. As such, comparatives have not been restated.

Apart from providing updated disclosures on the Group's revenue transactions, the application of AASB 15 has not had a significant impact on the financial position and/or financial performance of the Group.

*AASB 9 'Financial Instruments'*

The group has adopted AASB 9 'Financial Instruments' from 1 January 2018. AASB 9 implements lighter hedging requirements and presents a less restrictive Standard for establishing an effective hedge, further supporting the Group's current approach to hedge accounting. The new Standard has removed the strict recognition criteria imposed for an effective hedge under AASB 139 and has had no significant impact on the financial position and/or financial performance of the Group.

Under the new standard, impairment losses are recognised using the expected credit loss (ECL) model. This involves a three-stage approach in which financial assets move through the three stages as their credit quality changes however a simplified approach is permitted for financial assets that don't have a significant financing component (eg. trade receivables) and for lease receivables. The group has applied the simplified approach; refer to Note 6 for the impact of adoption of AASB 9 on the Group.

(d) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

(e) Tax consolidation

The company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 23 June 2015 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Shriro Holdings Limited. The members of the tax-consolidated group are Shriro Australia Pty Limited and Shriro Pty Limited. This resulted in the closure of the previous multiple entry consolidated group which consisted of Shriro Pty Limited and Shriro Chaplin Drive Lane Cove Pty Ltd.

Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax.

Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated group are recognised by the company (as head entity in the tax-consolidated group).

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax sharing agreement with the head entity. Under the terms of the tax funding arrangement, the company and each of the entities in the tax-consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity.

Under the terms of the tax funding arrangement, amounts are recognised as payable to or receivable by the company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement.

The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or if an entity should leave the tax consolidated group. The effect of the tax sharing agreement is that each member's liability for tax payable by the tax-consolidated group is limited to the amount payable to the head entity under the tax funding arrangement.

(f) Income Tax

Current Tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit before tax as reported in the consolidated statement of profit and loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using rates that have been enacted by the end of the reporting period.

Deferred Tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(g) Foreign currencies

For the purpose of the financial statements, the results and financial position of the Group are expressed in Australian dollars, which is the functional currency of the company and the presentation currency for the consolidated financial statements.

In preparing the financial statements, transactions in currencies other than the Group's functional currency (foreign currencies) are recognised at the rates prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see 1(s) below for hedging accounting policies); and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Company's foreign operations are translated into Australian dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average monthly exchange rates during the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

(h) Borrowing Costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

(i) Inventories

Inventory on hand is valued at the lower of cost and net realisable value using the weighted average cost method and includes all costs associated with its acquisition. Inventory in transit is valued at the lower of cost and net realisable value.

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

(j) Plant and Equipment

Each class of plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment are measured at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributed to the acquisition.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from those assets. Refer note 1(k) for impairment of assets.

Depreciation

The depreciable amount of plant and equipment is depreciated on a straight line basis over their estimated useful lives to the Group commencing from the time the asset is held ready for use.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The following average rates of depreciation are used in calculating the depreciation charge:

Furniture and Fittings	10 years
Motor Vehicles	5 years
Plant and Equipment	8 years
Display assets	3 years
Office Equipment	6 years
Leasehold improvements	8 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(k) Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(l) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash balances. Bank overdrafts and debtor facilities are considered to be financing activities as they are used interchangeably to fund the operations, and are not repayable on demand.

(m) Financial instruments

Financial assets and financial liabilities are recognised when a Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

### Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity instruments, including listed or unlisted shares, objective evidence of impairment includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered. A significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment for unlisted shares classified as available-for-sale.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, age of receivables as well as observable changes in national or local economic conditions that correlate with default on receivables. The group applies the simplified approach to providing for expected credit losses from initial recognition of the trade receivable as per AASB 9.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period. For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

### Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial. Trade receivables are regularly reviewed and the group applies the simplified approach to providing for expected credit losses as per AASB 9.

### Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

### Financial Liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.



(n) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date. The discount rate adopted at 31 December 2018 is the High Quality Corporate Bond Rate.

Share based payments transactions of the Company

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Fair value is measured by use of a binomial model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest with a corresponding increase in equity.

(o) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

The only performance obligation of the group is from the sale of the products and accordingly, revenue will be recognised for this performance obligation at the point in time when control over the corresponding goods is transferred to the customer.

Rebates

Revenue from the sale of goods is recorded after deducting any variable consideration for future rebates payable in relation to each sale. Rebates are accrued at a customer and product group level and are settled with customers in line with applicable trading terms. A rebate accrual is maintained for rebates not yet paid to customers, and forms part of the trade and other receivables balance. Based on historical data and analysis the accrual is reviewed at the end of each reporting period.

Interest income

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

(p) Earnings per share

Basic and diluted earnings per share is calculated on profit after taxation attributable to members of Shriro Holdings Limited and the weighted average number of shares on issue during the year. Refer to note 16 for the calculation of the weighted average number of ordinary shares used in calculating basic and diluted earnings per share.

(q) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The company as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

In the event that lease incentives are provided in order to enter into operating leases, such incentives are recognised as an asset. The aggregate benefit of incentives is recognised as a reduction of rental income on a straight-line basis.

#### The company as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

#### (r) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST components of investing and financing activities, which are disclosed as operating cash flows.

#### (s) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risk, including forward foreign exchange contracts.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derivatives are classified as a non-current asset or a non-current liability if the remaining maturity of the hedge relationship is more than 12 months after the reporting period and as a current asset or a current liability if the remaining maturity of the hedge relationship is less than 12 months after the reporting period.

#### Hedge accounting

Hedges of foreign exchange risk on firm commitments are designated as cash flow hedges. At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

#### Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as part of other expenses or other income.

Amounts recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss in the same line of the income statement as the recognised hedge item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss deferred in equity remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. However, if all or a portion of a loss recognised directly in equity is not expected to be recovered in one or more future periods, the amount that is not expected to be recovered is recognised immediately in the profit and loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

(t) Provision for Warranty Claims

The Group sells goods or services to a client and provides a formal warranty or guarantee that any defects will be repaired or rectified and provides assurance that the product complies with agreed-upon specifications. A provision is recorded for the related liability to an amount of the expected costs to be incurred for repair and rectification.

If the Group has not granted a formal warranty or guarantee to the customer, but by an established pattern of past practice, published policies or specific statements, the Group has created a valid expectation by its customers that it will settle its responsibilities resulting from selling the goods or providing the services, a provision is recorded for this constructive obligation.

The Group provides warranties ranging from one to five years, with the majority being less than two years.

(u) Critical accounting estimates and judgments

In the preparation of the financial report management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The 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 if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the preparation of the financial report that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

Provision for obsolescence

The provision for obsolescence of inventories assessment requires a degree of estimation and judgment. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Warranty provision

In determining the level of provision required for warranties, the Group has made judgments in respect of the products, the number of customers who will actually use the warranty and how often, and the costs of fulfilling the conditions of the warranty. The provision is based on estimates made from historical warranty data associated with similar products and services.

Rebates provision

The provision for rebates requires a degree of estimation and judgment in relation to whether the customer will achieve the hurdles required to earn a rebate. The level of the provision is assessed by taking into account past rebates payment history and contractual arrangements.

(v) Application of new and revised accounting standards

Changes in accounting policies and disclosures

In the current period, the Group has applied a number of new and revised AASBs issued by the Australian Accounting Standards Board (AASB). These are:

AASB 9 'Financial Instruments', and the relevant amending standards AASB 2016-2 'Amendments to Australian Accounting Standards – Disclosure initiative: Amendments to AASB 107'

AASB 15 'Revenue from Contracts with Customers'

The application of these new and revised standards has had no material effect on the Group's consolidated financial statements.

Standards and interpretations in issue not yet adopted

At the date of authorisation of these financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

AASB 16 'Leases'

A project to implement this standard is underway and while work is ongoing, the new standard will result in the recognition of almost all leases on the balance sheet by recognising a lease liability reflecting the future lease payments and a 'right-of-use asset' for all relevant operating leases.

Upon initial adoption of the new standard there is the option of applying the modified retrospective approach or a full retrospective approach. The group has opted for the full retrospective approach.

Under the full retrospective approach, the treatment is as if AASB 16 was in place at the inception of all leases. This approach will require a restatement of the 2018 accounts during FY2019.

The group has performed an assessment of AASB 16 had the standard been adopted as at 1 January 2018. The initial estimated impact of AASB 16 on the Balance Sheet as at 31 December 2018 is a decrease to net assets of between \$1.5M and \$2.5M. The initial estimated impact of AASB 16 on profit from ordinary activities as at 31 December 2018 is an increase to EBITDA of between \$4.5M and \$5.5M and an increase to NPAT of between \$0.0M and \$1.0M.

These estimates may be materially different to the actual impact upon initial adoption of AASB 16 on 1 January 2019 due to changes of the Groups lease portfolio, adoptions of new accounting policies or changes to material judgement areas such as discount rates and estimated lease-term for leases with renewal options.

Standard / Interpretation	Effective for Annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
• AASB 16 'Leases'	1 January 2019	31 December 2019

**2. REVENUE**

	2018 \$'000	2017 \$'000
<b>Revenue from continuing operations consisted of the following items:</b>		
Sales revenue	179,930	186,930
Advertising and marketing contributions	1,175	1,397
	<b>181,105</b>	<b>188,327</b>

**3. PROFIT FOR THE YEAR**

	2018 \$'000	2017 \$'000
<b>Profit before tax has been arrived at after charging the following expenses:</b>		
Depreciation of property, plant, equipment	3,697	3,760
(Decrease) / increase in inventory obsolescence provision	144	(306)
Increase / (decrease) in warranty provision provided	(114)	240
Employee benefits expense:		
- LTIP share based payments	41	382
- Termination benefits	391	81
- Other employee benefits	24,260	25,502
Bad and doubtful debts write back	(1)	(3)
Operating lease expense	5,994	5,052
<b>Finance costs</b>		
Interest on bank overdrafts and loans	584	555
Bank charges	182	245

#### 4. REMUNERATION OF AUDITOR

	2018 \$'000	2017 \$'000
Audit and review	190	190
Other services	28	-

The auditor of Shriro Holdings Limited is Deloitte Touche Tohmatsu

#### 5. INCOME TAX

##### Income taxes relating to continuing operations

	2018 \$'000	2017 \$'000
<b>5.1 Income tax recognised in profit or loss</b>		
<b>Current tax</b>		
In respect of the current year	2,315	5,946
In respect of prior years	(147)	(190)
	2,168	5,756
<b>Deferred tax</b>		
In respect of the current year	(46)	(225)
In respect of prior years	191	339
Tax losses not brought to account	-	-
<b>Total tax expense</b>	145	114
<b>Total income tax expense recognised in the current year relating to continuing operations</b>	2,313	5,870

Total income tax expense for the year can be reconciled to the accounting profit as follows:

	2018 \$'000	2017 \$'000
<b>Profit before tax from continuing operations</b>	<b>10,011</b>	<b>20,370</b>
Income tax expense calculated at 30% (2017:30%)	3,003	6,111
Effect of expenses that are not deductible in determining taxable profit	244	341
Effect of share based payments	(441)	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	(72)	(106)
Other	(274)	(286)
<b>Total tax expense</b>	2,460	6,060
Adjustments recognised in the current year in relation to the current tax of prior years	(147)	(190)
<b>Income tax attributable to profit</b>	2,313	5,870



The deferred tax expense above is itemised as follows:

<b>5.2 Deferred Tax Balances</b>	Opening Balance \$'000	Recognised in total comprehensive income \$'000	Closing balance \$'000
<b>2018</b>			
<b>Deferred tax assets</b>			
Property, plant and equipment	30	(36)	(6)
Leases	(5)	(4)	(9)
Superannuation payable	64	(19)	45
Provisions	4,874	(59)	4,815
Credit loss allowance	54	1	55
Deferred revenue	2	(2)	-
<b>Net deferred tax asset</b>	<b>5,019</b>	<b>(119)</b>	<b>4,900</b>
<b>2017</b>			
<b>Deferred tax assets</b>			
Property, plant and equipment	(20)	50	30
Leases	(15)	10	(5)
Superannuation payable	57	7	64
Provisions	5,098	(224)	4,874
Credit loss allowance	56	(2)	54
Deferred revenue	-	2	2
<b>Net deferred tax asset</b>	<b>5,176</b>	<b>(157)</b>	<b>5,019</b>

The Deferred tax asset has been accounted for as it is probable that sufficient taxable profits will be available against which deductible temporary differences can be utilised.

## 6. TRADE AND OTHER RECEIVABLES

	2018 \$'000	2017 \$'000
Trade receivables (net of discounts and rebates)	32,920	36,175
Credit loss allowance	(197)	(195)
	32,723	35,980
Other debtors	201	353
<b>Trade receivables</b>	<b>32,924</b>	<b>36,333</b>

### Age of receivables that are past due but not impaired

	2018	2017
60-90 days	103	181
90-120 days	84	44
<b>Total</b>	<b>187</b>	<b>225</b>

The average credit period on sales of goods is 45 days. No interest is charged on trade receivables. With the implementation of the new standard AASB 9, impairment losses should be recognised using the expected credit loss (ECL) model. This involves a three-stage approach in which financial assets move through the three stages as their credit quality changes however a simplified approach is permitted for financial assets that don't have a significant financing component, such as trade receivables. The group has applied the simplified approach which requires expected lifetime losses to be recognised from initial recognition of the receivables. The calculation of impairment losses under this approach impacts the allowance for doubtful debts, now termed the credit loss allowance.

A provision matrix is determined based on historic credit losses, adjusted for any material expected changes to the future credit risk. On this basis the credit loss allowance as at 31 December 2018 was determined as follows:

	Receivables \$'000	Allowance based on historic credit losses	Adjustment for expected changes in credit risk	Credit loss allowance \$'000
Current	6,341	0.1%	0.1%	9
Sum of 0 - 30 days	12,387	0.1%	0.1%	21
Sum of 31 - 60 days	13,036	0.2%	0.1%	46
Sum of 61 - 90 days	1,068	3.8%	2.7%	70
Sum of 90+	88	34.2%	24.2%	51
<b>Total receivables</b>	<b>32,920</b>			<b>197</b>

The Group holds an active credit insurance policy which, as at the reporting date, provided coverage for 90% of debtors, including all debtors with a balance owing equal to or greater than \$40,000. The maximum exposure under this policy is 10% of the irrecoverable amount.

#### Movement in the credit loss allowance

	2018 \$'000	2017 \$'000
Balance at beginning of the year	(195)	(198)
Impairment loss recognised	(4)	(7)
Amounts w/o during year as uncollectable	4	9
Amounts recovered during the year	-	(3)
Other debtors	(2)	4
<b>Balance at the end of the year</b>	<b>(197)</b>	<b>(195)</b>

#### 7. INVENTORIES

Finished goods	31,031	33,299
Stock in transit	9,779	10,649
Allowance for inventory obsolescence	(1,941)	(1,797)
<b>Balance at the end of the year</b>	<b>38,869</b>	<b>42,151</b>

The cost of inventories recognised as an expense during the year in respect of continuing operations was \$109,702,000 (2017: \$108,572,000)

#### 8. OTHER ASSETS

Prepayments	926	1,028
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#### 9. PLANT AND EQUIPMENT

Leasehold improvements	1,411	2,559
Plant and equipment	1,861	2,032
Fixtures and fittings	267	329
Office equipment	837	1,098
Motor vehicles	787	633
Display Assets	1,909	2,607
<b>Total capitalised plant and equipment</b>	<b>7,072</b>	<b>9,258</b>
Capital work in progress	619	419
<b>Total Plant and Equipment</b>	<b>7,691</b>	<b>9,677</b>

Cost	Leasehold improvements \$'000	Plant and equipment \$'000	Fixtures and fittings \$'000	Office equipment \$'000	Motor vehicles \$'000	Display assets \$'000	Total \$'000
Balance at 31 December 2017	5,249	4,993	941	5,430	1,676	9,876	28,165
Additions	-	372	9	271	432	1,102	2,186
Disposals	(1,247)	(1,038)	(349)	(1,001)	(326)	(1,357)	(5,318)
FX Translation gain	18	54	26	41	39	51	229
<b>Balance at 31 December 2018</b>	<b>4,020</b>	<b>4,381</b>	<b>627</b>	<b>4,741</b>	<b>1,821</b>	<b>9,672</b>	<b>25,262</b>

Accumulated depreciation and impairment	Leasehold improvements \$'000	Plant and equipment \$'000	Fixtures and fittings \$'000	Office equipment \$'000	Motor vehicles \$'000	Display assets \$'000	Total \$'000
Balance at 31 December 2017	(2,690)	(2,961)	(612)	(4,332)	(1,043)	(7,269)	(18,907)
Additions	(717)	(507)	(52)	(467)	(266)	(1,688)	(3,697)
Disposals	811	997	326	932	307	1,229	4,602
FX Translation gain	(13)	(49)	(22)	(37)	(32)	(35)	(188)
<b>Balance at 31 December 2017</b>	<b>(2,609)</b>	<b>(2,520)</b>	<b>(360)</b>	<b>(3,904)</b>	<b>(1,034)</b>	<b>(7,763)</b>	<b>(18,190)</b>

The following average useful lives are used in the calculation of depreciation.

Leasehold improvements	8 years
Plant and equipment	8 years
Fixtures and fittings	10 years
Office equipment	6 years
Motor vehicles	5 years
Display assets	3 years

#### Assets pledged as security

As detailed in note 11, all property, plant and equipment, along with all other assets of the Group, have been pledged to secure the borrowings of the Group with ANZ. The Group is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

## 10. TRADE AND OTHER RECEIVABLES

	2018 \$'000	2017 \$'000
<b>Current</b>		
Trade payables	9,863	17,248
GST Payable	990	1,436
Employee related payables	469	1,685
Sundry creditors	5,798	2,790
	<b>17,120</b>	<b>23,159</b>

The majority of trade payables relate to purchases of inventory from Asia and Europe. The average credit period on purchases from Asia is 45 days. The average credit period for purchases from Europe is 90 days. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

## 11. BORROWINGS

Secured – at amortised cost	2018 \$'000	2017 \$'000
Overdraft facility (i)	1,344	4,466
Trade finance facility (i)	6,000	1,000
	7,344	5,466
Current	1,344	4,466
Non-current	6,000	1,000
	7,344	5,466

### 11.1 Facility

During the financial year the Group had the following banking facilities.

- (i) The Group has a trade finance facility available to meet working capital requirements. To account for seasonality in working capital requirements, on the 1st September each year, the facility limit for the combination of the overdraft facility and trade finance facility increases to \$26,000,000 and reduces back to \$21,000,000 between 1 January and 31 August each year.
- (ii) The Group has a non-cash guarantees facility of \$11,000,000. Under the terms of this facility, financial institutions provide guarantees to the Group's suppliers and property owners in the form of Letters of Credit and Bank Guarantees. These Letters of Credit and Bank Guarantees act like insurance and provide assurance to suppliers and property owners that payment up to the amount of the guarantees will be made if certain documentary conditions are met. The Group has no obligation to make any payments under this non-cash facility.

The Group's facilities are denominated in Australian dollars and variable interest rates apply.

The facilities have financial covenants relating to fixed charge cover ratio, borrowing base cover ratio and financial indebtedness to EBITDA ratio.

	2018 \$'000	2017 \$'000
<b>Borrowing facility</b>		
Overdraft facility (i)	15,000	15,000
Trade finance facility (i)	11,000	11,000
Total borrowing facility	26,000	26,000
<b>Non-cash guarantees facility (ii)</b>	11,000	11,000
Total Group facility	37,000	37,000
<b>Usage of borrowing facility</b>		
Drawn – cash	7,344	5,466
Less cash and bank balances	(1,372)	(3,450)
Undrawn limit available for use	20,028	23,984
Total borrowing facility	26,000	26,000
<b>Utilisation of non-cash guarantees facility</b>		
Utilised – non-cash	7,663	7,335
Unutilised limit available for use	3,337	3,665
Total non-cash guarantees facility	11,000	11,000
Total Group facility	37,000	37,000

## 12. PROVISIONS

	2018 \$'000	2017 \$'000
Employee benefits (i)	4,021	3,934
Other provisions (see below)	6,552	6,339
	10,573	10,273
Current	5,520	6,513
Non-current	5,053	3,760
	10,573	10,273

## OTHER PROVISIONS

Other Provisions	Provision for warranty (ii) \$'000	Lease incentives & make good (iii) & (iv) \$'000	Total \$'000
Balance as at 1 January 2018	2,994	3,345	6,339
Additional provisions recognised	(114)	327	213
	2,880	3,672	6,552

- (i) The provision for employee benefits represents annual leave and long service leave entitlements accrued. The discount rate adopted at 31 December 2018 is the High Quality Corporate Bond Rate, previously a risk free bond rate, and the change represents a change in accounting estimates. The impact is not significant.
- (ii) The provision for warranty claims represents the present value of the Directors' best estimate of the future sacrifice of economic benefits that will be required under the Group's warranty program as outlined in note 1(t). The estimate has been made on the basis of historical warranty trends and other events affecting product quality discounted to present value with the exclusion of net margin on spares sold.
- (iii) The lease incentives provision arises when incentives are received from landlords as part of the Group's operating leases. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.
- (iv) The provision for make-good represents management's best estimate of future cash outlays required to refit leased premises in line with the requirements of each operating lease agreement.

## 13. ISSUED CAPITAL

	2018 \$'000	2017 \$'000
95,087,500 fully paid ordinary shares (2017: 95,000,000)	94,617	94,541

Date	Details	Values of Shares \$'000	Number of Shares
1 January 2018	Opening balance	94,541	95,000,000
7 February 2018	Issue of shares	76	87,500
31 December 2018	Closing Balance	94,617	95,087,500



## 14. RESERVES

	2018 \$'000	2017 \$'000
Cash flow hedging reserve	408	87
Foreign currency translation reserve	1,905	1,206
Equity settled employee benefits reserve	(503)	1,001
Group reorganisation reserve	(78,585)	(78,585)
<b>Balance at end of financial year</b>	<b>(76,775)</b>	<b>(76,291)</b>

<b>14.1 Cash flow hedging reserve</b>	2018 \$'000	2017 \$'000
Balance at the beginning of the financial year	87	(156)
Forward exchange contracts	321	243
<b>Balance at end of financial year</b>	<b>408</b>	<b>87</b>

The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognised and accumulated under the heading of cash flow hedging reserve will be reclassified to profit or loss only when the hedged transaction affects the profit or loss, or is included as a basis adjustment to the nonfinancial hedged item, consistent with the relevant accounting policy.

<b>14.2 Foreign currency translation reserve</b>	2018 \$'000	2017 \$'000
Balance at the beginning of the financial year	1,206	1,973
Exchange differences arising on translating the foreign operation	699	(767)
<b>Balance at end of financial year</b>	<b>1,905</b>	<b>1,206</b>

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Australian dollars) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve (in respect of translating both the net assets of foreign operations and hedges of foreign operations) are reclassified to profit or loss on the disposal of the foreign operation.

<b>14.3 Equity settled employee benefits reserve</b>	2018 \$'000	2017 \$'000
Balance at the beginning of the financial year	1,001	619
Arising on share-based payments	(1,504)	382
<b>Balance at end of financial year</b>	<b>(503)</b>	<b>1,001</b>

<b>14.4 Group reorganisation reserve</b>	2018 \$'000	2017 \$'000
Balance at beginning of financial year	(78,585)	(78,585)
<b>Balance at end of financial year</b>	<b>(78,585)</b>	<b>(78,585)</b>

## 15. RETAINED EARNINGS

	2018 \$'000	2017 \$'000
Balance at beginning of financial year	38,923	34,873
Profit for the year	7,698	14,500
Dividends paid	(10,460)	(10,450)
Balance at end of financial year	36,161	38,923

## 16. EARNINGS PER SHARE

	2018 Cents per share	2017 Cents per share
Basic earnings per share	8.1	15.3
Diluted earnings per share	8.0	15.0

## Reconciliation of earnings used in calculating earnings per share

	2018 \$'000	2017 \$'000
Net profit	7,698	14,500

## Reconciliation of shares used in calculating earnings per share

	2018 No.	2017 No.
Opening balance of shares for the financial year	95,000,000	95,000,000
Issue of shares	87,500	-
Closing balance of shares for the financial year	95,087,500	95,000,000
Weighted average number of ordinary shares used in the calculation of basic earnings per share	95,078,630	95,000,000

*Shares deemed to be issued for no consideration in respect of:*

	2017 No.	2016 No.
Employee performance rights	1,090,389	1,709,621
Closing number of shares deemed to be issued for the financial year	96,177,889	96,709,621
Number of ordinary shares used in the calculation of diluted earnings per share	96,271,588	96,709,621

## 17. DIVIDENDS

On 26th February 2019 the Directors declared a final dividend of 3.0 cents per share fully franked with an ex-dividend date of the 18th March 2019, record date of the 19th March 2019 and payable on 5th April 2019.

	2018 \$'000	2017 \$'000
Franking account balance	3,232	6,973 <sup>1</sup>

<sup>1</sup>The exempting credit balance results from credits earned from tax paid prior to Shriro's change of ownership at the IPO, at which time Shriro became a "former exempting entity", and this exempting credit balance is quarantined in accordance with Division 208 of the Income Tax assessment act 1997 (ITAA1997).

Post IPO, Shriro is able to declare distributions to all its shareholders which include both or either "franking credits" or "exempting credits". All distributions to shareholders must be fair and reasonable to Shriro's shareholders as a whole and continue to adhere to the franking credit benchmark rules (for distributions of franking credits) and the exempting credit benchmark rules (for distributions of exempting credits).

All shareholders are entitled to receive exempting credits as long as all shareholders receive the same, however it is only "eligible continuing substantial members" (as defined at section 208-155(2)-(7)) of the ITAA 1997) who receive a tax benefit by way of an exemption from withholding tax. In the case of Shriro, the only eligible continuing substantial member is Shriro Pacific Limited.

There is no legislative requirement for a former exempting entity to attach franking credits to a distribution in preference to an exempting credit. However, it is general Australian Taxation Office (ATO) supported practice to make distributions in this sequence, as franking credits benefit all shareholder profiles.

As such, to comply with the supported ATO practice, Shriro will endeavour to distribute franking credits in preference to exempting credits (including with respect to any distributions that are paid to Shriro Pacific Limited in the future).

In order to ensure the ATO practice referred to above has been applied, Shriro and its tax advisors have reviewed the franking credit balance and exempting credit balance and the Company has subsequently reclassified an amount of \$2,657,550 from its franking credit balance to its exempting credit balance, as at 31 December 2017, such that the franking credit balance as at that date is \$6,972,947.

The declaration of a dividend and any attached franking credits is at the discretion of the Board of Directors and not any shareholder. Potential access to exempting credits does not change the voting or dividend rights attached to the Shriro shares or impact access to capital on a winding-up. On this basis, all Shriro shares currently on issue continue to rank pari passu. Shriro expects that it will have sufficient franking credits to declare fully franked dividends for the foreseeable future.

**18. SEGMENT INFORMATION**

Operating segments are reported in a manner which is consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision makers have been identified as the Board of Directors for the Group.

The internal reports reviewed by the Board, which are used to make strategic decisions, are separated into the Group's key market segments Kitchen Appliances and Consumer Products:

- Kitchen Appliances – ovens, cooktops, rangehoods, dishwashers, sinks, taps, ironing systems, laundry tubs, waste disposal and ducting solutions.
- Consumer Products – watches, calculators, electronic musical instruments, projectors, point of sale terminals, cameras, barbecues, heaters, fans, air purifiers/ dehumidifiers, fashion, car audio, professional DJ, amplifiers and Hi Fi products and speakers.

The information regarding these segments is presented below. The accounting policies of the reportable segments are the same as Group's accounting policies.

	Kitchen Appliances \$'000	Consumer Products \$'000	Total \$'000
<b>Full year ended 31 December 2018</b>			
Revenue from external customers	74,232	105,698	179,930
Other revenue / income	66	1,109	1,175
Total revenue from ordinary activities	74,298	106,807	181,105
Earnings before Interest, Tax, Depreciation and Amortisation	380	13,912	14,292
Depreciation and amortisation expense			(3,697)
Segments result			10,595
Interest expense			(584)
Segment profit before income tax			10,011
Income tax expense			(2,313)
Net profit after income tax			7,698

	Kitchen Appliances \$'000	Consumer Products \$'000	Total \$'000
<b>Full year ended 31 December 2017</b>			
Revenue from external customers	83,309	103,621	186,930
Other revenue / income	57	1,340	1,397
Total revenue from ordinary activities	83,366	104,961	188,327
Earnings before Interest, Tax, Depreciation and Amortisation	8,517	16,168	24,685
Depreciation and amortisation expense			(3,760)
Segments result			20,925
Interest expense			(555)
Segment profit before income tax			20,370
Income tax expense			(5,870)
Net profit after income tax			14,500

The Group's assets are not split by reportable operating segment as the chief operating decision maker does not utilise this information for the purposes of resource allocation and assessment of segment performance.

### 18.1 Geographical information

The Group operates in two principal geographical areas – Australia (country of domicile), and New Zealand. The Group's revenue from continuing operations from external customers by location of operations are detailed below.

<i>Revenue from external customers</i>	2018 \$'000	2017 \$'000
Australia	136,773	146,465
New Zealand	39,207	38,913
Other	5,125	2,949
	181,105	188,327

### 18.2 Information about major customers

Included in kitchen appliances revenue from ordinary activities are revenues of approximately \$24 million (2017: \$26 million) which arose from sales to the Group's largest customer. No other single customer contributed 10% or more to the Group's revenue for both 2018 and 2017.

## 19. OPERATING LEASE AGREEMENTS

### 19.1 The Group as lessee

Operating leases relate to the leasing of premises with lease terms of between 1 and 10 years. The Group does not have an option to purchase the leased land or buildings at the expiry of the lease periods.

### 19.2 Payments recognised as an expense

	2018 \$'000	2017 \$'000
Lease and sub-lease payments recognised as an expense	5,994	5,052

### 19.3 Non-cancellable operating lease commitments

	2018 \$'000	2017 \$'000
Not later than 1 year	5,019	4,984
Later than 1 year and not later than 5 years	15,032	18,186
Later than 5 years	1,579	3,842
	21,630	27,012

### 19.4 Liabilities recognised in respect of non-cancellable leases

<i>Make good provisions</i>	2018 \$'000	2017 \$'000
Current	-	-
Non-current	(3,672)	(3,345)
	(3,672)	(3,345)

### Operating lease commitments

The Group is not party to any finance lease liabilities. As at 31 December 2018 there were no other material liabilities.



**20. NOTES TO THE STATEMENT OF CASH FLOWS****20.1 Cash and cash equivalents**

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash balances. Bank overdrafts are considered to be financing activities as they are used interchangeably to fund the operations, and are not repayable on demand.

Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

	2018 \$'000	2017 \$'000
Cash and bank balances	1,372	3,450

**20.2 Reconciliation of profit for the year to net cash flows from operating activities**

	2018 \$'000	2017 \$'000
Profit for the year	7,698	14,500
<b>Add non-cash and non-operating cash items</b>		
Depreciation and amortisation	3,697	3,760
Net loss on sale of assets	631	-
LTIP rights	41	382
<b>Changes in assets and liabilities:</b>		
(Decrease)/ increase in trade payables & other payables	(6,583)	1,699
Increase in provisions	300	708
Decrease/ (increase) in inventory	3,282	(2,497)
Decrease/ (increase) in trade receivables	3,409	(1,400)
Increase in other current assets	(74)	(92)
(Decrease)/ increase in tax assets/liabilities	(3,650)	139
<b>Net cash provided by operating activities</b>	<b>8,751</b>	<b>17,199</b>

**21. FINANCIAL INSTRUMENTS**

The Group has four significant categories of financial instruments which are described below together with the policies in note 1 and risk management processes which the Company utilises:

**(a) Cash and cash equivalents**

The Group deposits its cash and cash equivalents with Australian banks. Funds can be deposited in cheque accounts, cash management accounts and term deposits. The policy is to utilise at least two Australian banks for cash management accounts and term deposits. The policy with term deposits is to provide for liquidity with a range of maturities up to 6 months.

**(b) Debtors and credit risk management**

The Group has a credit risk policy to protect against the risk of debtor default. The majority of the Group's debtors are long term customers and are large Australian corporations where the credit risk is considered to be generally low. New customers are assessed for credit risk using credit references and reports from credit agencies as necessary.

The Group holds an active credit insurance policy which, as at the reporting date, provided coverage for 90% of debtors, including all debtors with a balance owing equal to or greater than \$40,000. The maximum exposure under this policy is 10% of the irrecoverable amount.

**(c) Bank guarantees and letters of credit**

The Group has a preference to provide bank guarantees to customers, and letters of credit to suppliers in lieu of cash retention.

**(d) Foreign currency forward contracts**

The Group hedges its cash flows by using forward exchange contracts to minimise the impacts of currency movements. Derivative financial instruments such as foreign currency forward contracts, which are used purely for hedging purposes, are measured and recognised at fair value and are included in level 2 of the fair value measurement hierarchy.

## Categories of financial instruments

	2018 \$'000	2017 \$'000
<b>Financial assets</b>		
Cash and cash equivalents	1,372	3,450
Trade and other receivables	32,924	36,333
Forward exchange contracts receivable	859	578
Current Tax receivable	2,023	-
<b>Financial liabilities</b>		
Trade payables and other payables	17,120	23,159
Bank loans	7,344	5,466
Forward exchange contracts payable	524	419
Current Tax Liabilities	-	1,746

The Directors consider the fair value of the financial assets and financial liabilities to approximate their carrying amounts.

## Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

## Financial risk management objectives

The company's exposure to market risk is mainly arising from interest rate risk, foreign currency risk, operating expenditure risk and price risk (sales and margin).

## Key sensitivities

	Impact on NPAT \$'000	Impact on NPAT %
Sales (+/- 1%)	280	3.6%
Gross profit margin (+/- 1%)	1,384	18.0%
Other operating costs (+/- 1%)	462	6.0%
Interest expense (+/- 1%)	4	0.1%
*AUD/NZD (+/- 5%)	128	1.7%

## Foreign currency risk management

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

It is the policy of the Group to enter into forward foreign exchange contracts to cover specific foreign currency payments and receipts to 100% of the exposure generated. The Group also enters into forward foreign exchange contracts to manage the risk associated with anticipated purchase transactions out to 9 months with 80% of the expected exposure hedged.

**Forward foreign exchange contracts**

The group's exposure through foreign currency hedges at the reporting date was as follows:

<i>Outstanding contracts maturity profile</i>	2018 \$'000	2017 \$'000
<b>Buy Currency:</b>		
Less than 3 months	8,253	13,780
3 to 6 months	25,650	20,461
6 to 9 months	12,526	655
<b>Sell Currency:</b>		
Less than 3 months	262	1,107
3 to 6 months	-	10
6 to 9 months	-	-

<i>Outstanding hedges</i>	2018 \$'000	2017 \$'000
<b>Buy Currency:</b>		
USD	16,207	13,675
EURO	9,342	9,832
JPY	19,024	9,791
AUD	1,856	1,598
<b>Sell Currency:</b>		
USD	262	1,040
EUR	-	77

**Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term liquidity management requirements. The Company manages liquidity risk by continually monitoring and maintaining adequate banking facilities.

**Liquidity and interest risk tables**

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to receive or pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	Less than 1 month \$'000	1 to 3 months \$'000	3 months to 1 years \$'000	1 to 5 years \$'000	Total \$'000
<b>2018</b>						
Variable interest rate instruments	2.89%	1,344	-	-	6,000	7,344
<b>2017</b>						
Variable interest rate instruments	2.71%	4,466	-	-	1,000	5,466

**Interest Rate Sensitivity Analysis**

The sensitivity analysis has been determined based on exposure to interest rates for cash and cash equivalents that were subject to interest rate fluctuations at the reporting date. At reporting date, if interest rates had been 1% higher or lower and all other variables were held constant, the Company's profit or loss before tax would increase or decrease by \$202,000 (2017: \$205,000).

## Capital Management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2017. The capital structure of the Group consists of net debt (borrowings as detailed in note 11 offset by cash and bank balances) and equity of the Group (comprising issued capital, reserves, retained earnings as detailed in notes 13, 14 and 15). The Group is not subject to any externally imposed capital requirements.

## 22. DIRECTORS AND KEY MANAGEMENT PERSONNEL COMPENSATION

The Board of Directors approves on an annual basis the amounts of compensation for Directors and key management personnel with reference to the company's performance and general compensation levels in equivalent companies and industries.

<i>Remuneration of Directors and Key Management Personnel</i>	2018 \$'000	2017 \$'000
Short-term employee benefits	945	2,102
Long-term employee benefits	163	329
Post-employment benefits	45	76
	<b>1,153</b>	<b>2,507</b>

## 23. SHARE-BASED PAYMENTS

### 23.1 LTI Plan

The Company established an equity incentive plan (LTI Plan) to assist in the motivation, retention and reward of senior management. The Plan is designed to align the interests of employees and senior management with the interests of Shareholders by providing an opportunity for employees to receive an equity interest in the Company. Long term incentives are established under the Plan. The Plan Rules provide flexibility for the Company to grant performance rights, options and/or restricted shares, subject to the terms of individual offers.

Performance rights have been granted to the CEO, CFO and other senior management.

No non-executive director holds any performance rights over the shares in Shriro Holdings Limited. Tim Hargreaves was issued with 150,000 Rights and Shane Booth was granted 73,125 performance rights (2017: 87,698) under the LTIP during the financial year ended 31 December 2018. Other senior management have been issued with 174,785 of performance rights in respect of the 2018 year (2017: 205,722) in line with the long term incentives plan during the financial year ended 31 December 2018. The amortised LTIP performance rights recognised in consolidated statement of profit or loss for the financial year ended 31 December 2018 was \$41,000 (2017: \$382,000).

No director received any shares under the employee gift offer in the current or previous years.

The following share-based payment arrangements were in existence during the current reporting periods:

Performance rights series	Grant date	Grant date fair value	Number Granted	Expiry date	Vesting Testing
Series 1	26/05/2016	\$295,303	428,701	31/12/2018	31/12/2018
Series 2	10/04/2017	\$289,432	293,420	31/12/2019	31/12/2019
Series 3	19/06/2018	\$548,720	368,268	31/12/2020	31/12/2020

**23.2 Fair value of performance rights granted**

Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, performance hurdles (including the probability of meeting market conditions attached to the rights), and behavioural considerations.

Performance rights series	Grant date fair value	Rights life	Dividend yield	Risk-free interest rate
Series 1	\$0.69	3 years	8.65%	3.05%
Series 2	\$0.99	3 years	8.20%	3.44%
Series 3	\$1.49	3 years	6.88%	3.44%

**23.3 Performance rights outstanding at the end of the year**

The performance rights outstanding at the end of the year had no exercise price and a weighted average remaining contractual life of 1.22 years.

**24. SUBSIDIARIES**

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the group	
			2018	2017
Shriro Australia Pty Limited <sup>1</sup>	Wholesaler of consumer goods and appliances	Australia	100%	100%
Monaco Corporation Limited	Wholesaler of consumer goods and appliances	New Zealand	100%	100%
Shriro USA, INC <sup>2</sup>	Wholesaler of consumer goods and appliances	USA	100%	-

<sup>1</sup> This wholly-owned subsidiary is a member of the tax-consolidated group and has entered into a deed of cross guarantee with Shriro Holdings Limited pursuant to ASIC Class Order 98/1418 and are relieved from the requirement to prepare and lodge an audited financial report.

<sup>2</sup> This wholly-owned subsidiary was incorporated on the 26th of November 2018. As at reporting date this wholly-owned subsidiary had no reporting balances with the intention for trading to begin in 2019



The consolidated income statement and consolidated statement of financial position of entities party to the deed of cross guarantee are:

<b>Statement of Profit or Loss and Other Comprehensive Income</b>	<b>2018 \$'000</b>	<b>2017 \$'000</b>
Revenue from ordinary activities	145,301	151,635
Raw materials and consumables used	(86,347)	(86,552)
Employee benefits expense	(19,768)	(20,993)
Advertising and promotion expenses	(5,918)	(4,250)
Freight and delivery expenses	(5,326)	(5,862)
Depreciation and amortisation expenses	(3,499)	(3,092)
Rental costs	(5,945)	(3,961)
Finance costs	(683)	(727)
Other expenses	(8,628)	(9,217)
<b>Profit before tax</b>	<b>9,187</b>	<b>16,981</b>
Income tax expense	(1,277)	(4,354)
<b>Profit for the year</b>	<b>7,910</b>	<b>12,627</b>
Other comprehensive income, net of income tax		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Net change in the fair value of cash flow hedges taken to equity	378	263
Other comprehensive income for the year, net of tax	378	263
<b>Total comprehensive income for the year attributable to the owners of Shriro Holdings Limited</b>	<b>8,288</b>	<b>12,890</b>

<i>Consolidated Statement of Financial Position</i>	2018 \$'000	2017 \$'000
<b>Current assets</b>		
Cash and bank balances	7	13
Trade and other receivables	24,388	28,397
Inventories	29,011	34,812
Other current assets	551	844
Current tax receivable	1,916	-
Derivative receivable	834	532
<b>Total current assets</b>	<b>56,707</b>	<b>64,598</b>
<b>Non-current assets</b>		
Property, plant and equipment	6,595	8,298
Deferred tax assets	12,553	12,552
Investments	4,350	4,429
<b>Total non-current assets</b>	<b>23,498</b>	<b>25,279</b>
<b>Total assets</b>	<b>80,205</b>	<b>89,877</b>
<b>Current liabilities</b>		
Trade and other payables	12,379	19,282
Borrowings	1,344	4,466
Current tax liabilities	-	1,281
Provisions	4,815	5,824
Derivative payable	354	307
<b>Total current liabilities</b>	<b>18,892</b>	<b>31,160</b>
<b>Non-current liabilities</b>		
Borrowings	6,000	1,000
Provisions	4,792	3,596
<b>Total non-current liabilities</b>	<b>10,792</b>	<b>4,596</b>
<b>Total liabilities</b>	<b>29,684</b>	<b>35,756</b>
<b>Net assets</b>	<b>50,521</b>	<b>54,121</b>
<b>Equity</b>		
Issued capital	94,617	94,541
Reserves	(78,545)	(77,419)
Retained earnings	34,449	36,999
<b>Total equity</b>	<b>50,521</b>	<b>54,121</b>

## 25. RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

During the year, Shane Booth's (CFO) immediate family purchased shares in Shriro Holdings Limited amounting to a value of \$1,351,266. The shares were purchased on market in December 18 and was settled in cash.

## Significant Influence

In accordance with AASB128 Shriro Pacific is deemed to have significant influence in the Group as it holds 20% or more of the voting power in Shriro Holdings Limited.

## 26. PARENT ENTITY INFORMATION

<i>Financial Position</i>	2018 \$'000	2017 \$'000
<b>Assets</b>		
Current Assets	1,916	-
Non-current assets	88,585	88,585
<b>Total assets</b>	<b>90,501</b>	<b>88,585</b>
<b>Liabilities</b>		
Current liabilities	7,261	14,891
Non-current liabilities	-	-
<b>Total liabilities</b>	<b>7,261</b>	<b>14,891</b>
<b>Net assets</b>	<b>83,240</b>	<b>73,694</b>
<b>Equity</b>		
Issued capital	94,617	94,541
Reserves	(503)	1,001
Retained earnings	(10,874)	(21,848)
<b>Total equity</b>	<b>83,240</b>	<b>73,694</b>
<i>Financial Performance</i>	2018 \$'000	2017 \$'000
Profit/(loss) for the year	21,434	(258)
Total comprehensive income	21,434	(258)

## 27. EVENTS AFTER THE REPORTING DATE

Subsequent to the year ended 31 December 2018, the Group's banking facilities have been renegotiated resulting in a \$5 million reduction to the trade finance facility which will result in additional cost saving during 2019. There were no other material changes to the terms and conditions.

There has not been any other matter or circumstance, not already disclosed, occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

## 28. ADDITIONAL COMPANY INFORMATION

### Principal activities

The Group is a leading kitchen appliances and consumer products marketing and distribution group operating in Australia and New Zealand.

The Group markets and distributes an extensive range of company-owned brands (including Omega, Robinhood, Everdure including 'Everdure by Heston Blumenthal' and Omega Altise) and third party owned brands (such as Casio, Blanco and Pioneer). Products include calculators, watches, cash registers, musical instruments, audio products, kitchen appliances, sinks & taps, laundry products, consumer electronics, car audio, amplifiers, professional DJ, Hi-Fi/speakers, fashion, lighting, gas heaters, gas and charcoal barbeques, electric heaters and cooling products.

### General Information

Shriro Holdings Limited is incorporated and operating in Australia.

Shriro Holdings Limited's registered office and its principal place of business is as follows:

### Registered office and Principal place of business

104 Vanessa Street  
Kingsgrove NSW 2208  
Tel: 9415 5000

Shriro Holdings Limited's Annual General Meeting will be held on the 30th of May 2019.

**29. ADDITIONAL ASX INFORMATION****Number of holders of equity securities**

There are 95,087,500 fully paid ordinary shares held by 2,735 individual shareholders.

<i>Substantial share holders</i>	<i>Fully Paid Ordinary Shares</i>	
Shriro Pacific Limited	23,004,750	
<i>Twenty largest holders of quoted equity securities</i>	<i>Fully Paid Ordinary Shares</i>	
	Number	Percentage
SHRIRO PACIFIC	23,004,750	24.19%
NATIONAL NOMINEES LIMITED	11,638,474	12.24%
PORTFOLIO SERVICES PTY LTD	4,587,779	4.82%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	4,577,922	4.81%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	4,171,775	4.39%
CITICORP NOMINEES PTY LIMITED	2,653,458	2.79%
MISS AMANDA BERNADETTE DE ANGELIS	2,303,125	2.42%
AUST EXECUTOR TRUSTEES LTD	1,952,675	2.05%
MCNEIL NOMINEES PTY LIMITED	1,870,000	1.97%
HORRIE PTY LTD	1,273,426	1.34%
AUST EXECUTOR TRUSTEES LTD	1,018,736	1.07%
ECAPITAL NOMINEES PTY LIMITED	822,301	0.86%
ANACACIA PTY LIMITED	792,178	0.83%
MORGAN STANLEY AUSTRALIA SECURITIES (NOMINEE) PTY LIMITED	601,282	0.63%
MR DERMOT FRANCIS MCGARRY & MRS CHRISTINE MCGARRY	576,292	0.61%
HILLMORTON CUSTODIANS PTY LTD	540,000	0.57%
J & P CHICK PTY LIMITED	540,000	0.57%
MR JOHN ANDREW SWEET & MRS CHARMAINE LOUISE SWEET	476,294	0.50%
DR JEFFREY ERIC DALE CHICK & DR PAMELA HAZEL CHICK	449,000	0.47%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	375,003	0.39%
	<b>64,224,470</b>	<b>67.54%</b>

Category - Number of shares	Number of shares
1 - 1000	574
1,001 – 5,000	1,016
5,001 – 10,000	507
10,001 – 100,000	576
100,001 and over	62
	<b>2,735</b>

**Voting rights**

As at 26 February 2019, there were 2,735 holders of ordinary shares of the Company.

Holders of ordinary shares are entitled to vote as follows:

- (a) Every shareholder may vote;
- (b) On a show of hands every shareholder has one vote; and
- (c) On a poll every shareholder has one vote for each fully paid share

As at 26 February 2019 there were no unquoted options over unissued ordinary shares.

**Shareholders with less than a marketable parcel**

As at 26 February 2019, there were 266 shareholders holding less than a marketable parcel of 910 ordinary shares (\$0.55 on 26 February 2019) in the Company totalling 143,904 ordinary shares.

# Corporate Directory

## DIRECTORS

**John Weir Ingram**

Non-Executive Chairman

**Tim Hargreaves**

Managing Director

**Vasco Fung**

Non-Executive Director

**Greg Laurie**

Non-Executive Director

## COMPANY SECRETARY

**Shane Booth**

Chief Financial Officer and Company Secretary

## REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

104 Vanessa Street  
Kingsgrove NSW 2208  
Tel: (02) 9415 5000

## AUDITORS

Deloitte Touche Tohmatsu

## SHARE REGISTRY

Link Market Services Limited  
Level 12  
680 George Street  
Sydney NSW 2000





SHRIRO HOLDINGS  
LIMITED