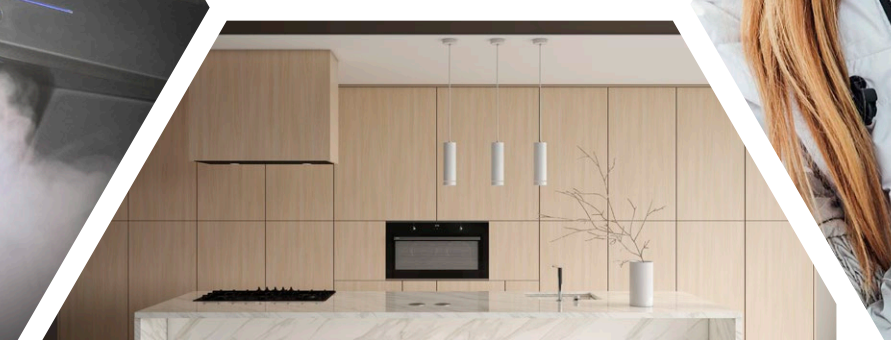




SHRIRO

Annual Report
2019



Shriro continues its global growth strategy

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AGM

Notice is given that the 2020 Annual General Meeting of Shriro Holdings Limited (**Shriro or the Company**) will be held online at, <https://agmlive.link/SHM20>, on Thursday, 28 May 2020 at 2.00pm (AEST).

2019 HIGHLIGHTS

\$172.1m

REVENUE

\$6.0m

NET CASH

\$18.0m

EBITDA

7.0 cps

CENTS PER SHARE FULLY FRANKED



OUR BRANDS

Shriro is a leading Kitchen Appliances and Consumer Products marketing and distribution group operating out of Australia and New Zealand, and expanding globally. Shriro markets and distributes an extensive range of products under company-owned brands (including Omega, Robinhood, Everdure and Omega Altise), and third-party brands (Casio, Blanco and Pioneer).

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.



ROBINHOOD

Robinhood is a leading Australasian brand of kitchen and laundry products. Range includes rangehoods, and ducting solutions; laundry tubs and ironing centres; waste disposers and related accessories.



EVERDURE BY HESTON BLUMENTHAL

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 BBQ food.



OMEGA

At Omega, we're driven by balance. The perfect balance between beautiful design and brilliant capability. Our products are designed to enhance your life by transforming your kitchen into a stylish and simple environment to delight and satisfy.



EVERDURE KITCHENS

Cooking up great ideas since 1935. Proudly Australian owned, Everdure Appliances continues to combine clever technology and functionality with stylish design.

OMEGA ALTISE

Bringing the ease and convenience of comfortable living into Australian homes for over 25 years. Designed to seamlessly satisfy a range of decors and requirements.



G-SHOCK

Born from the pursuit to create an unbreakable watch, G-SHOCK have been providing Absolute Toughness to men who need the most from their watches, for over 35 years!



CASIO EMI

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 manufacturer, C.Bechstein.



BABY-G

25 years ago BABY-G became known for its 'Pretty Tough' watches. Today they are as practical as it is pretty, embracing all shapes, colours and sizes for all women and lifestyles.



EDIFICE

A dynamic and high performing men's watch that is ever evolving in design and technology. Unchained from restraints, Casio Edifice is built so that time knows no limits.



CASIO CALCULATORS

Casio produces a wide selection of products ranging from school calculators, desktop calculators, printer calculators, and label printers.

CHAIRMAN'S LETTER



2019 was as a year that can best be summarised as one of mixed financial results and the building of a platform for future productivity improvement and strategic review.

Group Sales Revenue declined 5% to \$172.1 million and Net Profit after Tax declined 11% to \$6.5 million over the prior year. Net Profit Before Tax declined 1.1% to 9.4 million. However, improved working capital management delivered \$23.5 million of operating cash flow, an improvement of \$12 million, providing the company with a healthy Balance Sheet with no debt and \$6 million of cash on hand.

Revenue

Despite many of our brands performing well, particularly in New Zealand, the revenue decline in the year emanated largely from the Australian Appliance Division which was impacted by challenges in managing the distribution channel in the down cycle of the property development market and slower than expected BBQ sales associated with the expansion into the US market.

Operating Margins

Despite Net Profit before Tax declining 1.1%, our CEO, Tim Hargreaves, and his management team have been able to reduce operating costs to ensure the Net Profit before Tax margin of 5.4%, slightly improved over the prior year result of 5.2%.

Dividends

On 27 February 2020, the Directors declared a fully franked final dividend of 3 cents per share, which was paid on the 30th of March 2020. Combined with the interim dividend of 3 cents per share, which was also fully franked, the total dividend for 2019 of 6 cents per share, represents a payout ratio of approximately 87.8%, which is 1.5% higher than the previous year. The Company maintains sufficient financial resources to implement planned initiatives in the current year.

The Board

Subsequent to the year end, our former Chairman, John Ingram, retired. Sadly, fellow Director and Chair of Audit and Risk, Greg Laurie, passed away just prior to his intended retirement. Both gentlemen contributed significantly to the Company during their stewardship. Cheryl Hayman and myself joined the Board late in 2019 to facilitate the succession planning process and the Board intends to recruit a further Non Executive Director who can fulfil the role of Chair of Audit and Risk.

Outlook

As I am writing this, we are surrounded by changing and challenging times as governments and communities work towards resolving the economic, personal and financial hardship that most of us are experiencing as a result of the response to the COVID-19 outbreak. Our number one priority at Shriro is to ensure the health and wellbeing of our staff and as a result the Board and Management support the Governments of Australia and New Zealand in their efforts to protect the community from the spread of the virus. Whilst our New Zealand business is in total lockdown, the vast majority of the management and staff of our Australian operations are working diligently from home. Everyone is making personal and financial sacrifices to ensure the financial health and sustainability of the company.

Whilst times may seem a little uncertain, the one thing that we can be certain of is future change. Change can be confusing and sometimes confronting but it also brings opportunity.

On behalf of the Board I'd like to extend my thanks to our CEO, Tim, the management and staff for their efforts and commitment throughout the year, their passion for growing the Company and their clarity of thought, care and compassion for each other in how they have managed the recent changes.

Finally, on behalf of the Board, I would like to thank you, our shareholders, for your continued support and I wish you health and stability during the journey to economic recovery.

STEPHEN HEATH
Chairman

CEO REPORT



2019, being my second year as CEO, has been a combination of focused effort in navigating some domestic market challenges, reviewing and assessing the effectiveness of our U.S expansion strategy, and the execution of our productivity improvement plans, primarily targeting operational costs and working capital, to ensure we have operational resource alignment in a challenging market going forward.

At the group level, revenue declined 5.0%, however through our productivity improvement plans, operating expenses have been managed well, decreasing by 5.6%. As a result, the Net Profit Before Tax decreased 1.1% to \$9.4 million. Underlying Net profit After Tax decreased 5.8% to \$6.5 million. Operating cash flow improved to \$23.5 million through working capital improvements and our Balance Sheet closed the year out with no debt and \$6 million of cash on hand.

The Australian business recorded a revenue decline of 5.1% to \$127.2 million. At a divisional level, G-Shock watches had a record year whilst musical instruments and BBQ's both recorded growth over the prior year. However, the declines in appliances and cooling (to a lesser extent), were the primary reason for the overall decline. Despite the revenue decline, EBITDA improved 10.3% to \$15.3 million as a result of the operational cost improvements made.

The New Zealand business recorded revenue growth of 3% to \$41.5 million which was underpinned by growth in Robinhood Appliances, G-Shock watches and Pioneer DJ equipment. The disproportionate growth of 10.7% in EBITDA to \$4.3 million was driven by an improved cost structure.

The Export division recorded a revenue decline of 49.7% to \$3.4 million and recorded an EBITDA loss of \$2.9 million. The decline in revenue was caused by a lower than expected rate of sale post the launch of the brand in the USA. The rate of sale was impacted by the unforeseen 25% tariff imposed by the US government resulting in retail price point pressure against locally manufactured US brands. The pricing and subsequent margin and distribution challenges have encouraged us to rethink our operating model from the original third party distribution agreement to a new wholly owned subsidiary, at least until we can achieve our planned market penetration and growth aspirations over the next three years.

On a more positive note we have been successful in renegotiating our royalty agreement with the entities and management representing Heston Blumenthal, which will result in ongoing savings of \$1 million per year.

Whilst Shriro is committed to its long term strategy of international expansion and growth, the immediate focus is on managing the short term impact of the Government responses and economic impact of COVID-19 in each of the markets in which we trade and to ensure the safety and health of our staff and customers.

Our Business Continuity Plans vary from country to country to comply with the new laws and health recommendations imposed on those markets by their respective governments. These laws and recommendations have lead to either full or partial operational shutdowns in Shriro's businesses and that of its distribution and retail customers. As a result, we have moved quickly to reduce operational costs to compensate for the short term revenue impact the government regulations will have on the business. Some of these initiatives involve personal and financial sacrifices made by our employees and the teamwork, tenacity, work ethic and resolve of the senior leadership team and staff during this time of uncertainty is humbling.

Both New Zealand and the State of California (USA) have been impacted by government enforced shutdowns of non-essential businesses which impacts a significant portion of the group's revenue and growth aspirations in the short term. All variable costs have been reduced accordingly, negotiations have been entered into with landlords and unfortunately our staff have been impacted by short term stand downs.

Whilst Australia has avoided a government enforced shutdown of retail businesses, the directive to the community to stay at home unless absolutely necessary has dramatically impacted retail foot traffic which has in turn led to retailers electing to close their doors for the foreseeable future. The retail shutdowns will impact Shriro's sales particularly in discretionary products such as G-Shock watches. We are hopeful that the Government stimulus packages will soften the economic impact and help business to return to relative normality soon.

In closing and on a personal note, I would like to thank John Ingram for his leadership of the company during his tenure as Chairman, and to pass on my sympathies to the family of our fellow director Greg Laurie on his recent passing. My deepest thanks go to all staff for their sacrifice for the good of the Company and their fellow employees. I also wish to thank the entire Board for their support and extend a warm welcome to the new Board members. Finally I wish to thank you, our shareholders for your continued support.

TIM HARGREAVES
Chief Executive Officer

BUSINESS AT A GLANCE

Shriro's customers include most retailers in Australia and New Zealand

KITCHEN

Oven, cooktops, rangehoods, dishwashers, sinks, tapware, waste disposal and ducting solutions.



HEATING | COOLING

Fans and heaters.



AUDIO | ENTERTAINMENT

Projectors, electronic musical instruments, car audio, professional DJ equipment, Hi-Fi products and speakers.

OUTDOOR COOKING

Barbeques.



LAUNDRY

Laundry tubs, ironing centre and dryers.



PERSONAL

Watches and musical instruments.



AUSTRALIA



BUSINESS REVIEW AUSTRALIA

- Casio division performed well highlighted by record G-Shock watch sales and strong demand for Musical Instruments.
- Major improvements in operating costs.
- Australian BBQ sales increase.
- Appliance sales down on the prior year. Omega Appliances undergoing a major brand and product refresh.



BUSINESS REVIEW NEW ZEALAND

- Robinhood strong sales growth of 20%.
- Initial costs of establishing the Auckland Airport watch store were incurred.
- Appliances entered a strategic partnership with Mitre 10, expected to drive growth once the market conditions allow.
- Strong demand for Pioneer DJ products.



Pretty Tough



NEW ZEALAND





EXPORT

BUSINESS REVIEW EXPORT

- Company product now sold in 9 export countries.
- New financial agreement with Heston Blumenthal to channel royalty payments to brand investment.
- US subsidiary opened to deliver on US expansion plans.



BOARD OF DIRECTORS



STEPHEN HEATH
Chairman

Member of the Audit, Risk and Compliance Committee
Member of the Remuneration and Nomination Committee

- Stephen Heath was appointed Chairman to the Board of Shriro Holdings Limited in October 2019.
 - Stephen is a specialist in consumer goods brand management with over 25 years of consumer goods brand marketing and vertically integrated retail experience.
 - Stephen's Board experience includes the Chairmanship of Temple and Webster Limited & Glasshouse Fragrances along with Non-Executive Directorships of Total Tools Pty Ltd, Shriro Holdings Limited and Redhill Education Limited.
 - He is also a member of the Investment Committee of a prominent Family Office overseeing property and consumer brand assets both in Australia and the USA.
 - Stephen's executive career included being CEO of some of Australia's best-known consumer brands companies including Rebel Sport Limited, Godfrey's and Fantastic Holdings Limited with operations experience in Australia, New Zealand, and Asia.
 - Prior he was a Franchisee and Steering Committee member of Harvey Norman Limited for 8 years.
-



JOHN INGRAM
Non-Executive Chairman
(Resigned 27 February 2020)

Member of the Audit, Risk and Compliance Committee
Member of the Remuneration and Nomination Committee

- 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 and a Trustee Director of Australian Super.
 - Mr Ingram is an Emeritus Councillor of the Australian Industry Group and a past National President.
-



TIM HARGREAVES
Chief Executive Officer

- Mr Hargreaves was appointed CEO of Shriro Australia and Monaco Corporation 1 January 2018.
 - Mr Hargreaves was appointed General Manager of Casio Division in June 2001 and Divisional Manager of CASIO Office products for 8 years from 1990 – 1998, before leaving to join Canon Australasia as head of retail operations.
 - Mr Hargreaves rejoined Shriro as General Manager overseeing all CASIO divisions (Office Products, Timepiece, Electronic Musical Instruments, Data Projectors, Electronic Cash Registers and Digital Cameras).
 - With the acquisition of Robinhood brands in September 2013, Mr Hargreaves was appointed General Manager of Robinhood, whilst retaining management of the CASIO division.
-



VASCO FUNG
Non-Executive Director

Member of the Audit, Risk and Compliance Committee
Member of the Remuneration and Nomination Committee

- 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.



CHERYL HAYMAN
Non-Executive Director

Member of the Audit, Risk and Compliance Committee
Chairman of the Remuneration and Nomination Committee

- Cheryl Hayman was appointed to the Board of Shriro Holdings Limited in October 2019.
- Cheryl is a professional non-executive director and a marketing specialist. She has served on ASX Listed, Public unlisted and NFP Boards. Having keen financial and people skills, Cheryl has experience in Chairing Nomination and Remuneration committees. Cheryl's skills are able to adapt across a breadth of industry sectors, demonstrated over 13 years as a non-executive director.
- Cheryl had a lengthy and successful global marketing career in multi-national organisations Unilever (Aust and UK), Yum Restaurants (Australia and NZ), Time Warner and George Weston Foods.
- Cheryl's specialisation brings to a board a depth of expertise in building compelling brand and consumer propositions, a passion for driving innovation, deep understanding of digital communications and profitable strategy development.
- Cheryl is a Fellow of the Australian Institute of Company Directors.
- Current Directorships Clover Corporation Ltd, HGL Ltd, Chartered Accountants Australia and New Zealand, Peer Support Australia, The Darlinghurst Theatre Company.



GREG LAURIE
Non-Executive Director
(Vale 23 March 2020)

Chairman of the Audit, Risk and Compliance Committee
Chairman of the Remuneration and Nomination Committee

- 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 was Chairman of ASX listed Big River Industries Limited until 1 August 2019.
- 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.



SHANE BOOTH
Chief Financial Officer
and 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 YEAR ENDED
31 DECEMBER 2019**

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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. 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 2019.

DIRECTORS

Directors of Shriro Holdings Limited during and since the year ended 31 December 2019 unless otherwise stated below are:

John Ingram – Independent Chairman

Tim Hargreaves – Non-independent Executive Director

Vasco Fung – Non-independent non-executive Director

Greg Laurie – Independent non-executive Director

Cheryl Hayman – Independent non-executive Director (appointed 24 October 2019)

Stephen Heath – Independent non-executive Director (appointed 24 October 2019)

The chairman has the casting vote which ensures the boards independence through its control by independent non-executive directors.

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 and charcoal barbeques, electric heaters and cooling products.

REVIEW OF OPERATIONS

A summary of the revenues and results is as follows:

Results summary	2019 \$ million	2018 (restated) \$ million	Change %
Revenue	172.1	181.1	(5.0%)
Gross Margin	39.1%	39.4%	
Operating Expenses	49.3	52.2	(5.6%)
EBITDA	18.0	19.2	(6.3%)
Depreciation and amortisation	6.3	7.0	(10.0%)
Interest	2.3	2.7	(14.8%)
Profit Before Tax	9.4	9.5	(1.1%)
Profit After Tax	6.5	7.3	(11.0%)

DIRECTORS' REPORT

	31 December 2019 \$'000	31 December 2018 (restated) \$'000
NPAT Statutory	6,484	7,326
Tax benefit on 2017 LTI cash payment paid in 2018	–	(441)
Underlying NPAT	6,484	6,885

Operating and Financial Review

Shriro Holdings Limited today announced its results for the year ended 31 December 2019. Net Profit after Tax for the year ended 31 December 2019 decreased 11% to \$6.5 million. NPBT decreased 1.1% in to \$9.4 million, compared with the previous year, of \$9.5 million.

Revenue performance by Division was mixed, although the Australian Appliance Division has suffered the most as a result of the subdued housing development cycle and increased market competition in the sector.

2019 was a year of consolidation by reducing the company's operating cost structure to ensure sustainable EBITDA margins on the Company's current lower revenue run-rate. Operating expenses reduced on the prior year by 5.6%. A reduction in excess showroom capacity, improved productivity in the staff structure and overhead have been the major contributors to the productivity improvements. Whilst cost improvements have been achieved in the operating model, management will continue to invest strategically to ensure long-term success of the Brands.

Gross Margin for the year was 39.1%, which was slightly lower than the previous year, despite challenging currency headwinds. Currency hedging, improved product ranging and sourcing as well as market pricing increases have contributed to offset the currency pressure.

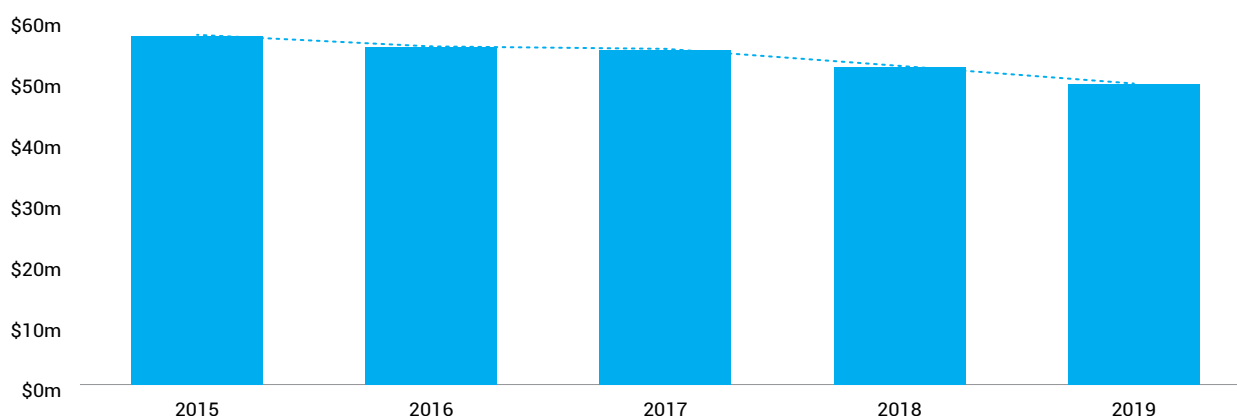
Margin performance for the year was impacted by a pre-tax \$1.8 million provision for inventory obsolescence and costs relating to sales to clear superseded Omega products. This was undertaken to ensure a smooth transition to new models due for release in the second quarter of 2020.

The new lease standard AASB16 reduced the current years NPAT by \$456K (prior year reduced the profit by \$372K), due to a timing difference. Shriro's NPBT will benefit from the new standard in future years as the principal portion of the lease repayments will increase and the interest and depreciation portion will reduce over the term of the leases. There will be no impact on net cash flows as the underlying lease agreements have not changed.

The Company maintained its strong balance sheet and sound cash flows despite the lower profit and the payment of a total of 7.0 cents per share dividend in the financial year. Shriro has no Net Debt, and as at 31 December 2019 had \$6 million cash on hand.

The Directors have declared a fully franked final dividend of 3.0 cents per share, with a record date of 9th March 2020 and payable on 30th March 2020. This is in line with the comparative full year dividend. Shriro is able to hold its dividend due to its strong balance sheet.

Operating Expenses: (\$million)



Outlook

With the core Casio business and New Zealand territory performing well, a more productive organisational structure, new terms agreed with Heston Blumenthal and regional growth opportunity with 'Everdure by Heston Blumenthal', management are encouraged by the prospects for the year ahead in those business segments.

Macro risks include the property development cycle which impacts the demands for products in the Appliance Division and short term supply chain disruption as a result of the Coronavirus.

Notwithstanding the slowness of the property development market, management have restructured the architect/developer service model in an effort to improve market share in a flat market.

The outcome of the Coronavirus is still developing and at this point the impact to the supply chain and product sourcing is yet to be fully established. Management will provide a further market update if it establishes that business operations will be materially impacted.

Finally, management and the Board will continue to evaluate earnings accretive acquisition opportunities.

Employees

During this financial year, the number of employees ranged between 239 and 258 and was 239 at year end. (2018: 255).

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 6.8 cents (2018: 7.7 cents) and diluted earnings per share at 6.7 cents (2018: 7.6 cents).

DIVIDEND

On 5th April 2019, the Group paid the 2018 financial year end dividend of 3.0 cents per share fully franked.

On 16th September 2019, the Group paid an interim dividend for the half year ended 30 June 2019 of 4.0 cents per share fully franked.

On 27th February 2020 the Directors declared a final dividend of 3.0 cents per share fully franked with an ex-dividend date of the 8th March 2020, record date of the 9th March 2020 and payable on 30th March 2020.

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 Meetings		Remuneration Committee Meetings	
	Held	Attended	Held	Attended	Held	Attended
John Ingram	10	10	4	4	1	1
Tim Hargreaves	10	10	4	4	1	1
Vasco Fung ¹	10	10	4	4	1	1
Greg Laurie ¹	10	10	4	4	1	1
Stephen Heath	3	3	1	1	0	0
Cheryl Hayman ¹	3	3	1	1	0	0

1. Vasco Fung, Greg Laurie and Cheryl Hayman attended some meetings via teleconference.

DIRECTORS' REPORT

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
John Ingram Member of the Audit, Risk and Compliance Committee Member of the Remuneration and Nomination Committee	Independent 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 and a Trustee Director of Australian Super. Mr Ingram is an Emeritus Councillor of the Australian Industry Group and a past National President.	210,000
Tim Hargreaves	Non-Independent 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).	278,312
Vasco Fung Member of the Audit, Risk and Compliance Committee Member of the Remuneration and Nomination Committee	Non-Independent 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

Directors	Qualifications, Experience and Special Responsibilities	Relevant Interest in Shares
<p>Greg Laurie <i>Chairman of the Audit, Risk and Compliance Committee</i> <i>Chairman of the Remuneration and Nomination Committee</i></p>	<p>Independent 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 was Chairman of ASX listed Big River Industries Limited until 1 August 2019 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.</p>	20,000
<p>Cheryl Hayman <i>Member of the Audit, Risk and Compliance Committee</i> <i>Member of the Remuneration and Nomination Committee</i></p>	<p>Independent Non-Executive Director Director since 24 October 2019 Cheryl had a lengthy and successful global marketing career in multi-national organisations Unilever, Yum Restaurants, Time Warner and George Weston Foods. Cheryl is currently a Non-Executive Director of Clover Corporation Ltd, HGL Ltd, Chartered Accountants Australia and New Zealand, Peer Support Australia and The Darlinghurst Theatre Company.</p>	–
<p>Stephen Heath <i>Member of the Audit, Risk and Compliance Committee</i> <i>Member of the Remuneration and Nomination Committee</i></p>	<p>Chairman Director since 24 October 2019 Stephen's Board experience includes the Chairmanship of Temple and Webster Limited & Glasshouse Fragrances along with Non-Executive Directorships of Total Tools Pty Ltd, and Redhill Education Limited. Stephen's executive career included being CEO of some of Australia's best-known consumer brands companies including Rebel Sport Limited, Godfrey's and Fantastic Holdings Limited.</p>	–

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 Nomination 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.

DIRECTORS' REPORT

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.

The Board is responsible for reviewing and resolving on recommendations from the Remuneration and Nomination Committee. In addition the Board:

- Considers matters relating to remuneration of Executives reporting to the CEO.
- Approves the establishment of or amendment to employee shares, performance rights and any other deferred incentive plan.
- Considers matters related to Executive succession planning.
- Considers recommendations from the Nomination Committee in relation to Board succession planning, to ensure an appropriate mix of skills, experience, expertise and diversity (subject to the power of shareholders in General Meeting to elect or re-elect directors).

Additional details on the Board charter, Audit Risk and Compliance Committee Charter and the Remuneration and Nomination Committee Charter can be found on the company's website at: https://www.shriro.com.au/investor/corporate_governance

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

Stephen Heath

Cheryl Hayman

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 2019 was structured on the following basis:

In 2019 Tim Hargreaves is entitled to an STI award equivalent to 60% of his total fixed annual employment cost (\$360,000) for target performance or up to 120% of his total fixed annual employment cost (\$720,000) for stretch performance, measured against the CY2019 financial year's budgeted profit after tax. Shane Booth is entitled to an STI award equivalent to 40% of his total fixed annual employment cost (\$156,000) for target performance or up to 80% of his total fixed annual employment cost (\$312,000) for stretch performance, measured against the CY2019 financial year's budgeted profit after tax.

If the Group's profit after tax is between the STI target and the stretch target, Tim Hargreaves will be entitled to a cash STI reward of between 60% and 120% of his total fixed annual employment cost and Shane Booth will be entitled to a cash STI reward of between 40% and 80% of his total fixed annual employment cost, calculated on a straight line basis.

If the Group's profit after tax is at least 95% of the STI target, Tim Hargreaves will be entitled to a cash STI reward equivalent to 30% of his total fixed annual employment cost (\$180,000) and Shane Booth will be entitled to an STI award equivalent to 20% of his total fixed annual employment cost (\$78,000).

In addition to the above Tim Hargreaves is entitled to a bonus of up to 10% of his fixed annual employment cost (\$60,000) and Shane Booth is also entitled to a bonus of up to 10% of his fixed annual employment cost (\$39,000) for the successful completion of the Strategic Plan for the Company (as assessed by and at the discretion of the Board).

STI targets are expected to be set by the Board for the 2020 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 effective issue date 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 415,225 Rights in respect of the 2019 year with an effective date of 1 January 2019 (2018: 150,000; 2017: 44,427). 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. On exercise the Board will decide whether to settle the exercised Rights in cash or via an on-market purchase of Shares. It may be expected that exercised Rights will generally be settled in Shares, however, if the exercise occurs following cessation of employment with the Group and when the market value of a Share is lower at the time of exercise than it was at the date of cessation of employment with the Group then the exercised Rights will be settled in cash, only. Where shares are to be allocated, this will be achieved by an on-market purchase of the relevant number of shares and will not be by way of an issue of new shares. The rights have been granted free of charge.

Shane Booth has been issued with 202,422 Rights in respect of the 2019 year (2018: 73,125; 2017: 87,698). 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 2020 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%.

DIRECTORS' REPORT

Key Terms of Employment Contracts

CEO

The Company entered into an 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 2019 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 an 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 2019 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 2019.

	31 December 2019 \$'000	31 December 2018 (restated) \$'000
Revenue	172,101	181,105
Net profit before tax	9,399	9,485
Net profit after tax	6,484	7,326

	31 December 2019 cents	31 December 2018 (restated) cents
Share price at start of year	55	160
Share price at end of year	70	55
Basic earnings per share	6.8	7.7
Diluted earnings per share	6.7	7.6

Particulars of Key Management Personnel interests during the year ended 31 December 2019

Fully paid ordinary shares of Shriro Holdings Limited

	31 December 2018 Number	Received on exercise of rights during 2019 Number	Net other changes during 2019 Number	31 December 2019 Number
Non-executive Directors				
John Ingram	210,000	–	–	210,000
Vasco Fung	3,321,937	–	–	3,321,937
Greg Laurie	20,000	–	–	20,000
Stephen Heath	–	–	–	–
Cheryl Hayman	–	–	–	–
TOTAL	3,551,937	–	–	3,551,937
Executive Officers				
Tim Hargreaves	278,312	–	–	278,312
Shane Booth ¹	2,303,125	–	–	2,303,125
TOTAL	2,581,437	–	–	2,581,437

1. Shane Booth's immediate family hold his shares.

Remuneration of Executive Officers and Key Management Personnel

2019	Short-term Benefits			Post-employment Benefits	Long-term Benefits		Total	Percentage of remuneration related to performance
	Cash Fees/Salary	Cash Bonus	Termination Benefits	Super-annuation	Long service leave	Share rights ¹		
	\$	\$	\$	\$	\$	\$	\$	%
Non-executive Directors								
John Ingram	127,854	–	–	12,146	–	–	140,000	–
Vasco Fung	98,000	–	–	–	–	–	98,000	–
Greg Laurie	95,890	–	–	9,110	–	–	105,000	–
Stephen Heath ²	16,983	–	–	1,613	–	–	18,596	–
Cheryl Hayman ²	16,983	–	–	1,613	–	–	18,596	–
TOTAL	355,710	–	–	24,482	–	–	380,192	–
Executive Officers								
Tim Hargreaves	575,000	60,000	–	25,000	10,480	92,534	763,014	20.0%
Shane Booth	369,232	39,000	–	20,768	10,790	23,396	463,186	13.5%
TOTAL	944,232	99,000	–	45,768	21,270	115,930	1,226,200	17.5%

1. Performance rights as an LTIP award in respect of the 2019 financial year is recognised in accordance with AASB 2. These rights will vest subject to the satisfaction of performance conditions.

2. Stephen Heath and Cheryl Hayman were appointed to the Board effective from the 24th of October 2019.

DIRECTORS' REPORT

2018	Short-term Benefits		Post-employment Benefits	Long-term Benefits			Total	Percentage of remuneration related to performance
	Cash Fees/Salary	Cash Bonus	Termination Benefits	Super-annuation	Long service leave	Share rights ¹		
	\$	\$	\$	\$	\$	\$		\$
Non-executive Directors								
John Ingram	127,854	–	–	12,146	–	–	140,000	–
Vasco Fung	98,000	–	–	–	–	–	98,000	–
Greg Laurie	95,890	–	–	9,110	–	–	105,000	–
TOTAL	321,744	–	–	21,256	–	–	343,000	–
Executive Officers								
Tim Hargreaves	575,000	–	–	25,000	64,221	29,395	693,615	4.2%
Shane Booth	369,709	–	–	20,291	22,010	2,654	414,665	0.6%
TOTAL	944,709	–	–	45,291	86,231	32,049	1,108,280	2.9%

1. 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.

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 8.8% of their 2019 structured short term incentives. Tim Hargreaves was granted \$60,000 and Shane Booth was granted \$39,000 in relation to the successful completion of the Strategic Plan for the Company.

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 2020 year will be approved by the Board.

Tim Hargreaves was granted 415,225 performance rights to be settled, at the Board's discretion, either in cash or via an on-market purchase of the relevant number of shares and will not be by way of an issue of new shares (2018: 150,000). Shane Booth was granted 202,422 performance rights (2018: 73,125) under the LTIP during the financial year ended 31 December 2019.

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.

Performance conditions, performance period and vesting	<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 effective 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"> <thead> <tr> <th data-bbox="464 696 820 748">Target CAGR of the Company's EPS over the three year period</th> <th data-bbox="1050 723 1378 748">% of performance rights that vest</th> </tr> </thead> <tbody> <tr> <td data-bbox="464 763 954 792">Less than threshold performance (less than 5%)</td> <td data-bbox="1050 763 1086 792">Nil</td> </tr> <tr> <td data-bbox="464 808 762 837">Threshold performance (5%)</td> <td data-bbox="1050 808 1098 837">50%</td> </tr> <tr> <td data-bbox="464 853 1002 882">Between threshold and target performance (5%-10%)</td> <td data-bbox="1050 853 1394 882">50-100% on a straight line pro rata</td> </tr> <tr> <td data-bbox="464 898 831 927">Target performance (10% or above)</td> <td data-bbox="1050 898 1114 927">100%</td> </tr> </tbody> </table>	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%										
Rights associated with performance rights	<p>Any performance rights that remain unvested at the end of the performance period will lapse immediately.</p> <p>The Board has chosen this LTIP structure, as it believes it provides an appropriate management incentive, it is within management's achievable control, and is of a timespan relevant to the Company's industry.</p> <p>Testing of the EPS Hurdle will occur shortly after the end of the Performance Period and release of the Company's full year audited results for the preceding financial year. The number of Rights that vest (if any) will be determined at that point. Any Rights that remain unvested will lapse immediately.</p>										
Restrictions on dealing	<p>The performance rights do not carry dividends or voting rights prior to vesting.</p> <p>The participant must not sell, transfer, encumber, hedge or otherwise deal with performance rights. 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>										
Cessation of employment	<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"> • 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 • the remaining portion of the performance rights will automatically lapse. 										

DIRECTORS' REPORT

Name	Number Granted	Financial Year	Commencement date of performance measurement period	Effective grant date	Percentage of grant Vested %	Percentage of grant forfeited %	Future financial years that Grant will be payable	Grant date fair value \$
Tim Hargreaves ¹	44,427	2017	01/01/2017	01/01/2017	Nil	Nil	2020	43,824
Shane Booth	87,698	2017	01/01/2017	01/01/2017	Nil	Nil	2020	86,506
Tim Hargreaves	150,000	2018	01/01/2018	01/01/2018	Nil	Nil	2021	223,500
Shane Booth	73,125	2018	01/01/2018	01/01/2018	Nil	Nil	2021	108,956
Tim Hargreaves ²	415,225	2019	01/01/2019	01/01/2019	Nil	Nil	2022	209,675
Shane Booth	202,422	2019	01/01/2019	01/01/2019	Nil	Nil	2022	102,216
Total								774,677

1. Rights issued before Tim Hargreaves was appointed CEO.

2. If the hurdles are satisfied and at the Board discretion, rights will either be settled in cash or by an on-market purchase of the relevant number of shares and will not be by way of an issue of new shares.

CHANGES IN 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 2019, the Group's banking facilities have been renegotiated. There were no 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 6.2 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) during the year 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 6.2 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 15 of the annual report.

EXTENSION OF AUDIT ROTATION PERIOD

The Directors, via a company resolution, have granted approval to extend the tenure of Xenia Delaney as the lead Audit Partner for a sixth consecutive year to 31 December 2020.

The Board is satisfied that the extension will maintain the quality of the audit and not give rise to any conflicts of interest as extending the engagement period of the audit partner will provide transparency to the financial reporting process given the Board succession next financial year with the recent appointment of two new independent Directors. Changing the audit partner during the first full financial year of the new independent Board will impose an unreasonable burden on Shiro Holdings Limited and its Board of Directors as Xenia Delaney has extensive historical knowledge of the business having been Audit partner since the year Shiro Holdings Limited was listed on the ASX.

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.

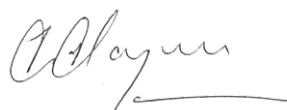
This Directors' report is signed in accordance with a resolution of Directors made pursuant to s298(2) of the *Corporations Act 2001*.

On behalf of the Directors



JOHN INGRAM
Director

Sydney, 27th of February 2020



TIM HARGREAVES
Director

Sydney, 27th of February 2020

AUDITOR'S INDEPENDENCE DECLARATION

Deloitte.

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

27 February 2020

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 2019, 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
DELOITTE TOUCHE TOHMATSU

Delaney

X Delaney
Partner
Chartered Accountants

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Member of Deloitte Asia Pacific Limited and the Deloitte Network.

INDEPENDENT AUDITOR'S REPORT



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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 2019, 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 2019 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.

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INDEPENDENT AUDITOR'S REPORT

Deloitte.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p>Provision for rebates</p> <p>As at 31 December 2019, the total value of the Group's provision for rebates is \$6.8 million as disclosed in Notes 1.1 and 2.1. 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"> • 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; • Understanding and testing key controls over the recording of rebates; • Challenging the appropriateness of management's rebate policy to assess if they are in accordance with the relevant accounting standards; • 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); • 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; • Recalculating on a sample basis the rebate provision to test the accuracy of the formula by reference to actual and forecast sales volumes; and • Performing a retrospective review of the balance to assess the historical accuracy of management's estimation. <p>We also assessed the appropriateness of the disclosures in Notes 1.1 and 2.1 to the financial statements.</p>
<p>Provision for warranties</p> <p>As at 31 December 2019 the provision for warranties is \$2.5 million as disclosed in Note 2.5.</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"> • Understanding and testing key controls over the recording of warranties; • Assessing whether the warranty provision was consistent with the prior year, and if there were any changes to statutory and/or contractual obligations; • Testing on a sample basis the inputs in the formula/model used to calculate the warranty provision to assess the accuracy of the computation; • Challenging management's policy to assess if they are in accordance with the relevant accounting standards and statutory and/or contractual obligations; • Developing an independent expectation of the provision utilising historic warranty claims settled as a proportion of related sales;

Deloitte.

	<ul style="list-style-type: none"> • Performing a sensitivity analysis by varying key inputs and assumptions within the formula; and • Performing a retrospective review of the balance to assess the historical accuracy of management's estimation of the warranty provision. <p>We also assessed the appropriateness of the disclosures in Note 2.5 to the financial statements.</p>
<p>Provision for inventory obsolescence</p> <p>As at 31 December 2019 the provision for inventory obsolescence is \$3.1 million as disclosed in Note 2.2.</p> <p>Significant judgement is involved in determining the appropriate level for the provision for inventory obsolescence and slow-moving stock. This is estimated by reference to inventory ageing and consideration of historical inventory losses, recent sales experience and other factors that effect inventory obsolescence.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Understanding and testing key controls over the recording of the provision for inventory obsolescence; • Assessing the adequacy of the inventory obsolescence provision as a proportion of stock on hand; • Challenging management's assumptions and judgements regarding the slow moving inventory provision; • Assessing historical accuracy of inventory provisioning with reference to inventory write-offs during the year; • Developing an independent expectation of the provision utilising historic inventory clearance and exposure rates; and • Assessing whether inventory items with specific recoverability concerns have been provided for appropriately based on recent sales information. <p>We also assessed the appropriateness of the disclosures in Note 2.2 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.

INDEPENDENT AUDITOR'S REPORT

Deloitte.

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.
- 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's 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.

Deloitte.

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 23 to 30 of the Directors' Report for the year ended 31 December 2019.

In our opinion, the Remuneration Report of Shiro Holdings Limited, for the year ended 31 December 2019, 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, 27 February 2020

DIRECTORS' DECLARATION

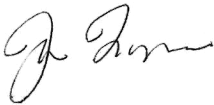
The Directors declare that:

- 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 the notes 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 consolidated Group, 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 *ASIC Corporations (Wholly owned Companies) Instrument 2016/785* applies, as detailed in note 5.1 to the financial statements will, as a Group, be able to meet any obligations or liabilities to which they are, or may become, subject because 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, 27th of February 2020



TIM HARGREAVES
Director

Sydney, 27th of February 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2019

	Note	2019 \$'000	2018 (restated) ¹ \$'000
Revenue from ordinary activities	1.1	172,101	181,105
Raw materials and consumables used		(104,818)	(109,702)
Employee benefits expense		(24,062)	(24,692)
Advertising and promotion expenses		(6,168)	(6,831)
Freight and delivery expenses		(7,167)	(6,930)
Depreciation and amortisation expenses	1.2	(6,342)	(6,982)
Rental costs		(1,600)	(2,266)
Finance costs	1.2	(2,426)	(2,922)
Other expenses		(10,119)	(11,295)
Profit before tax		9,399	9,485
Income tax expense	1.5	(2,915)	(2,159)
Profit for the year		6,484	7,326
Earnings per share			
Basic (cents per share)	4.2	6.8	7.7
Diluted (cents per share)	4.2	6.7	7.6

1. The Comparative information has been restated as a result of the initial application of AASB 16 as discussed in note 6.1.

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 2019

	Note	2019 \$'000	2018 (restated) ¹ \$'000
Profit for the year		6,484	7,326
Items that may be reclassified subsequently to profit or loss			
Net change in the fair value of cash flow hedges taken to equity		(775)	321
Exchange differences on translation of foreign operations		158	671
Other comprehensive income for the year, net of tax		(617)	992
Total comprehensive income for the year attributable to the owners of Shriro Holdings Limited		5,867	8,318

1. The Comparative information has been restated as a result of the initial application of AASB 16 as discussed in note 6.1.

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 2019

	Note	31 December 2019 \$'000	31 December 2018 (restated) ¹ \$'000	1 January 2018 (restated) ¹ \$'000
Current assets				
Cash and cash equivalents	1.4	5,970	1,372	3,450
Trade and other receivables	2.1	26,179	32,924	36,333
Inventories	2.2	34,761	38,869	42,151
Other assets	2.3	753	926	1,028
Current tax receivable		975	2,023	–
Derivative receivable		240	859	578
Total current assets		68,878	76,973	83,540
Non-current assets				
Right of use assets		17,151	19,790	23,544
Property, plant and equipment	3.1	6,843	7,691	9,677
Deferred tax assets	1.5	6,937	6,064	6,017
Total non-current assets		30,931	33,545	39,238
Total assets		99,809	110,518	122,778
Current liabilities				
Trade and other payables	2.4	16,476	17,120	23,159
Borrowings	3.3	–	1,344	4,466
Lease liability		3,454	2,344	2,597
Current tax liabilities		–	–	1,746
Provisions	2.5	5,162	5,520	6,513
Derivative payable		963	524	419
Total current liabilities		26,055	26,852	38,900
Non-current liabilities				
Borrowings	3.3	–	6,000	1,000
Lease liability		20,617	23,576	26,167
Provisions	2.5	2,560	2,883	1,934
Total non-current liabilities		23,177	32,459	29,101
Total liabilities		49,232	59,311	68,001
Net assets		50,577	51,207	54,777
Equity				
Issued capital	4.1	94,617	94,617	94,541
Reserves	4.5	(77,261)	(76,803)	(76,291)
Retained earnings	4.4	33,221	33,393	36,527
Total equity		50,577	51,207	54,777

1. The Comparative information has been restated as a result of the initial application of AASB 16 as discussed in note 6.1.

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 31 DECEMBER 2019

	Issued capital \$'000	Group Reorganisation Reserve \$'000	Cash Flow Hedging Reserve \$'000	Foreign Currency Translation Reserve \$'000	Equity Settled Benefits Reserve \$'000	Restated Retained Earnings \$'000	Total \$'000
Balance at 31 December 2017	94,541	(78,585)	87	1,206	1,001	38,923	57,173
AASB 16 restatement impact ¹	–	–	–	–	–	(2,396)	(2,396)
Balance at 1 January 2018 (restated)¹	94,541	(78,585)	87	1,206	1,001	36,527	54,777
Profit for the year	–	–	–	–	–	7,326	7,326
Other comprehensive income for the year	–	–	321	671	–	–	992
Total comprehensive income	–	–	321	671	–	7,326	8,318
Dividends paid	–	–	–	–	–	(10,460)	(10,460)
Share Issue	76	–	–	–	–	–	76
Share-based payments reserve (net of tax)	–	–	–	–	(1,504)	–	(1,504)
Balance at 31 December 2018 (restated)¹	94,617	(78,585)	408	1,877	(503)	33,393	51,207
Profit for the year	–	–	–	–	–	6,484	6,484
Other comprehensive income for the year	–	–	(775)	158	–	–	(617)
Total comprehensive income	–	–	(775)	158	–	6,484	5,867
Dividends paid	–	–	–	–	–	(6,656)	(6,656)
Share-based payments reserve (net of tax)	–	–	–	–	159	–	159
Balance at 31 December 2019	94,617	(78,585)	(367)	2,035	(344)	33,221	50,577

1. The Comparative information has been restated as a result of the initial application of AASB 16 as discussed in note 6.1

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR 31 DECEMBER 2019

	Note	2019 \$'000	2018 (restated) ¹ \$'000
Cash flows from operating activities			
Receipts from customers		196,057	202,624
Payments to suppliers and employees		(167,437)	(182,183)
Finance costs paid		(2,408)	(2,884)
Income taxes paid		(2,742)	(5,962)
Net cash provided by operating activities	1.4.2	23,470	11,595
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		102	85
Payment for property, plant and equipment		(2,491)	(2,429)
Net cash used in investing activities		(2,389)	(2,344)
Cash flows from financing activities			
Payments for the principal portion of lease liabilities		(2,468)	(2,844)
Proceeds from/(repayment of) borrowings		(7,344)	1,878
Dividends paid		(6,656)	(10,460)
Net cash used in financing activities		(16,468)	(11,426)
Net (decrease)/increase in cash and cash equivalents		4,613	(2,175)
Cash and cash equivalents at the beginning of the financial year		1,372	3,450
Effects of exchange rate changes on cash		(15)	97
Cash and cash equivalents at the end of the financial year	1.4.1	5,970	1,372

1. The Comparative information has been restated as a result of the initial application of AASB 16 as discussed in note 6.1.

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

NOTES TO THE FINANCIAL STATEMENTS

1. TRADING OPERATIONS

1.1 Revenue

	2019 \$'000	2018 \$'000
Revenue from continuing operations consisted of the following items:		
Sales revenue	171,037	179,930
Advertising and marketing contributions	1,064	1,175
	172,101	181,105

Accounting policies

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.

Revenues and expenses are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense,

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. Revenue will be recognised 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.

1.2 Profit for the year

	2019 \$'000	2018 (restated) \$'000
Profit before tax has been arrived at after charging the following expenses:		
Depreciation of property, plant, equipment	3,083	3,697
Depreciation of right of use assets	3,259	3,285
Increase in inventory obsolescence provision	1,198	144
Increase/(decrease) in warranty provision provided	(412)	(114)
Employee benefits expense:		
LTIP share based payments	159	41
Termination benefits	63	391
Other employee benefits	23,840	24,260
Bad and doubtful debts write back	(43)	(1)
Finance costs		
Interest on bank overdrafts and loans	309	584
Bank charges	152	182
Interest expense on lease liabilities	1,965	2,156

1.3 Segment information

1.3.1 Establishment of new primary operating segments

Following changes to the Group's structure with the establishment of the Group's second wholly-owned subsidiary Shiro USA, INC and in line with AASB 8 "Operating Segments" the Group's operating segment reporting has been reviewed and redefined, providing the chief operating decision makers more relevant information to make decisions about resources to be allocated to each segment and assess its performance.

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 primary operating segments:

- Australia – ovens, cooktops, rangehoods, dishwashers, sinks, taps, ironing systems, laundry tubs, ducting solutions, watches, calculators, electronic musical instruments, projectors, point of sale terminals, barbeques, heaters, fans, air purifiers/ dehumidifiers,
- New Zealand – ovens, cooktops, rangehoods, dishwashers, sinks, taps, ironing systems, laundry tubs, waste disposal, ducting solutions, watches, calculators, electronic musical instruments, projectors, point of sale terminals, barbeques, heaters, fans, air purifiers/ dehumidifiers, fashion, car audio, professional DJ, amplifiers and Hi Fi products and speakers.
- Export markets – barbeques and accessories

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

	Australia \$'000	New Zealand \$'000	Export Markets ¹ \$'000	Total \$'000
Full year ended 31 December 2019				
Revenue from ordinary activities	127,214	41,481	3,406	172,101
Earnings before Interest, Tax, Depreciation and Amortisation	15,321	5,561	(2,867)	18,015
Depreciation and amortisation expense	(5,096)	(1,233)	(13)	(6,342)
Profit before interest and income tax	10,225	4,328	(2,880)	11,673
Interest expense				(2,274)
Profit before income tax				9,399
Income tax expense				(2,915)
Net profit after income tax				6,484

	Australia \$'000	New Zealand \$'000	Export Markets ¹ \$'000	Total \$'000
Full year ended 31 December 2018				
Revenue from ordinary activities	134,058	40,271	6,776	181,105
Earnings before Interest, Tax, Depreciation and Amortisation	13,885	5,024	298	19,207
Depreciation and amortisation expense	(5,775)	(1,207)	–	(6,982)
Profit before interest and income tax	8,110	3,817	298	12,225
Interest expense				(2,740)
Profit before income tax				9,485
Income tax expense				(2,159)
Net profit after income tax				7,326

1. Export Markets relate to sales from entities within the Group outside of Australia and New Zealand.

NOTES TO THE FINANCIAL STATEMENTS

1.3.2 Secondary operating segments

The segment disclosure note for the year ended 31 December 2019 has been amended as the Group's primary operating segments have been redefined in line with AASB 8 "Operating Segments" per the details disclosed in note 1.3.1.

Secondary operating segments have been defined as:

- 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, barbeques, heaters, fans, air purifiers/ dehumidifiers, fashion, car audio, professional DJ, amplifiers and Hi Fi products and speakers.

For transparency on the change in the Group's primary operating segments, secondary operating segment information has been prepared on the basis of the primary operating segments presented in the previous financial report for the year ended 31 December 2018.

The accounting policies of the reportable secondary segments are the same as Group's accounting policies.

	Kitchen Appliances \$'000	Consumer Products \$'000	Total \$'000
Full year ended 31 December 2019			
Revenue from external customers	70,098	100,939	171,037
Other revenue/income	59	1,005	1,064
Total revenue from ordinary activities	70,157	101,944	172,101
Earnings before Interest, Tax, Depreciation and Amortisation	2,019	15,996	18,015
Depreciation and amortisation expense			(6,342)
Interest expense			(2,274)
Segment profit before income tax			9,399
Income tax expense			(2,915)
Net profit after income tax			6,484

	Kitchen Appliances \$'000	Consumer Products \$'000	Total \$'000
Full year ended 31 December 2018			
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	3,246	15,961	19,207
Depreciation and amortisation expense			(6,982)
Interest expense			(2,740)
Segment profit before income tax			9,485
Income tax expense			(2,159)
Net profit after income tax			7,326

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

1.3.3 Information about major customers

Included in kitchen appliances revenue from ordinary activities are revenues of approximately \$21 million (2018: \$24 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 2019 and 2018.

Reporting changes

Changes to reportable segments

Following changes to the Group's structure with the establishment of the Group's second wholly-owned subsidiary Shriro USA, INC and in line with AASB 8 "Operating Segments", the Group's operating segment reporting has been reviewed and redefined, providing the chief operating decision makers more relevant information to make decisions about resources to be allocated to each segment and assess its performance.

The change to the Group's structure aligned the Group's strategy and focus on continual geographical expansion. The reporting change provides the chief operating decision makers more relevant information to make decisions about resources to be allocated to each segment and assess its performance.

1.4 Notes to the Statement of Cash Flows

1.4.1 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:

	2019 \$'000	2018 \$'000
Cash and bank balances	5,970	1,372

Accounting policies

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

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

	2019 \$'000	2018 (restated) \$'000
Profit for the year	6,484	7,326
<i>Add non-cash and non-operating cash items</i>		
Depreciation and amortisation	6,342	6,982
Net loss on sale of assets	153	631
LTIP rights	159	41
Changes in assets and liabilities:		
Decrease in trade payables & other payables	(1,246)	(6,652)
(Decrease)/increase in provisions	(681)	300
Decrease in inventory	4,108	3,282
Decrease in trade receivables	6,745	3,409
Decrease/(increase) in other current assets	1,231	(74)
Increase/(decrease) in tax assets/liabilities	175	(3,650)
Net cash provided by operating activities	23,470	11,595

NOTES TO THE FINANCIAL STATEMENTS

Accounting policies

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.

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.

1.5 Income tax

Income taxes relating to continuing operations

1.5.1 Income tax recognised in profit or loss

	2019 \$'000	2018 (restated) \$'000
Current tax		
In respect of the current year	3,777	3,319
In respect of prior years	2	(148)
	3,779	3,171
Deferred tax		
In respect of the current year	(611)	(1,202)
In respect of prior years	(253)	190
Total tax expense	(864)	(1,012)
Total income tax expense recognised in the current year relating to continuing operations	2,915	2,159

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

	2019 \$'000	2018 (restated) \$'000
Profit before tax from continuing operations	9,399	9,485
Income tax expense calculated at 30% (2018:30%)	2,820	2,846
Effect of expenses that are not deductible in determining taxable profit	200	244
Effect of share based payments	–	(441)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(79)	(70)
Other	(28)	(272)
Total tax expense	2,913	2,307
Adjustments recognised in the current year in relation to the current tax of prior years	2	(148)
Income tax attributable to profit	2,915	2,159

Accounting policies

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 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. 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 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.

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.

Offsetting tax balances

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.

1.5.2 Deferred Tax Balances

The deferred tax expense above is itemised as follows:

2019	Opening balance \$'000	Recognised in total comprehensive income \$'000	Closing balance \$'000
Deferred tax assets			
Property, plant and equipment	(6)	25	19
Prepayments	(9)	(4)	(13)
Superannuation payable	44	(3)	41
Provisions	5,980	834	6,814
Credit loss allowance	55	21	76
Net deferred tax asset	6,064	873	6,937

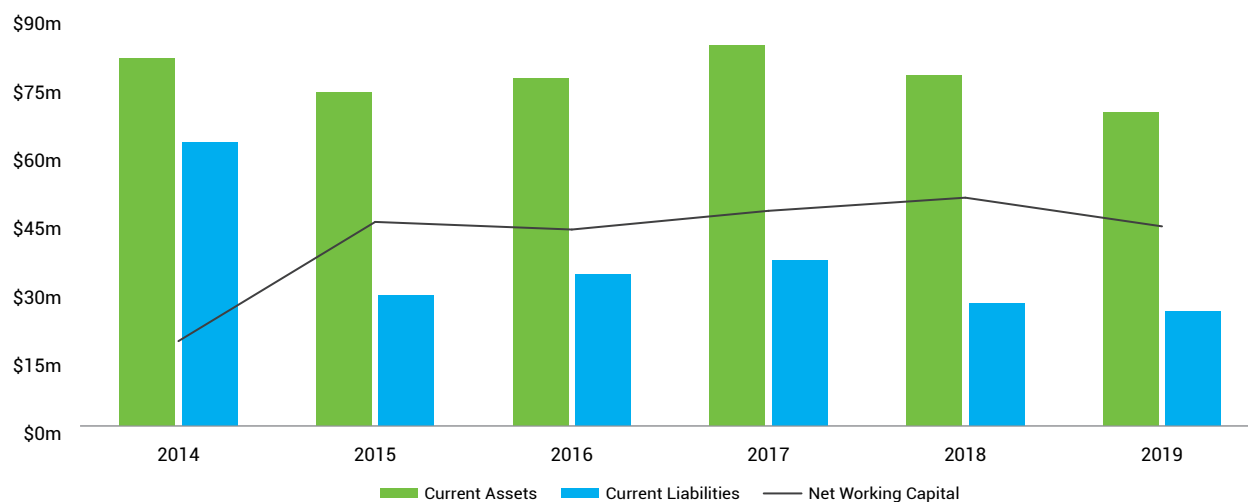
NOTES TO THE FINANCIAL STATEMENTS

	Opening balance \$'000	Recognised in total comprehensive income \$'000	Closing balance \$'000
2018 (restated)			
Deferred tax assets			
Property, plant and equipment	30	(36)	(6)
Prepayments	(5)	(4)	(9)
Superannuation payable	64	(20)	44
Provisions	5,872	108	5,980
Credit loss allowance	54	1	55
Deferred revenue	2	(2)	–
Net deferred tax asset	6,017	47	6,064

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.

2. WORKING CAPITAL

Working Capital: (\$million)



2.1 Trade and other receivables

	2019 \$'000	2018 \$'000
Trade receivables (net of discounts and rebates)	26,063	32,920
Credit loss allowance	(268)	(197)
	25,795	32,723
Other debtors	384	201
Trade receivables	26,179	32,924
Age of receivables that are past due but not impaired		
60-90 days	66	103
90-120+ days	169	84
Total	235	187

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	3,725	0.1%	0.1%	7
Sum of 0 - 30 days	11,859	0.1%	0.1%	25
Sum of 31 - 60 days	9,542	0.2%	0.2%	37
Sum of 61 - 90 days	1,049	3.5%	2.6%	63
Sum of 90+	272	28.6%	21.5%	136
Total receivables	26,447			268

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.

	2019 \$'000	2018 \$'000
Movement in the credit loss allowance		
Balance at beginning of the year	(197)	(195)
Impairment loss recognised	(105)	(4)
Amounts w/o during year as uncollectable	74	4
Amounts recovered during the year	(40)	-
Other debtors	-	(2)
Balance at the end of the year	(268)	(197)

NOTES TO THE FINANCIAL STATEMENTS

Accounting policies

Receivables in the statement of financial position are shown inclusive of GST.

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.

Key estimates and judgments

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.

2.2 Inventories

	2019 \$'000	2018 \$'000
Finished goods	30,404	31,031
Stock in transit	7,495	9,779
Allowance for inventory obsolescence	(3,138)	(1,941)
Balance at the end of the year	34,761	38,869

The cost of inventories recognised as an expense during the year in respect of continuing operations was \$104,818,000 (2018: \$109,702,000)

Stock aged over 3 years amount to 2.7% of the inventory balance.

Accounting policies

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.

Key estimates and judgments

In the preparation of the financial report the directors are 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 underlying assumptions are reviewed on an ongoing basis.

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.

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.

2.3 Other assets

	2019 \$'000	2018 \$'000
Prepayments	753	926

2.4 Trade and other payables

	2019 \$'000	2018 \$'000
Current		
Trade payables	9,126	9,863
GST Payable	956	990
Employee related payables	647	469
Sundry creditors	5,747	5,798
	16,476	17,120

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.

Accounting policies

Payables in the statement of financial position are shown inclusive of GST.

2.5 Provisions

	2019 \$'000	2018 (restated) \$'000
Employee benefits (i)	3,723	4,021
Other provisions (see below)	3,999	4,382
	7,722	8,403
Current	5,162	5,520
Non-current	2,560	2,883
	7,722	8,403

Other Provisions	Provision for warranty⁽ⁱⁱ⁾ \$'000	Make good⁽ⁱⁱⁱ⁾ (restated) \$'000	Total \$'000
Balance as at 1 January 2019	2,880	1,502	4,382
(Reduction)/additional provision recognised	(412)	29	(383)
	2,468	1,531	3,999

NOTES TO THE FINANCIAL STATEMENTS

Accounting policies

Employee benefits

- i. The provision for employee benefits represents annual leave and long service leave entitlements accrued. The discount rate adopted at 31 December 2019 and 31 December 2018 is the High Quality Corporate Bond Rate.

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service 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 2019 is the High Quality Corporate Bond Rate.

Warranty

- 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 the below accounting policies. 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.

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.

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

Make good

- iii. 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.

Key estimates and judgments

In the preparation of the financial report the directors are 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 underlying assumptions are reviewed on an ongoing basis.

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.

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.

2.6 Financial instruments

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

a. Cash and cash equivalents

The Group deposits its cash and cash equivalents with Australian, New Zealand and US banks. Funds can be deposited in cheque accounts and cash management accounts. On call cash accounts are the only allowable investment instruments authorised for use.

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 lower. 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

	2019 \$'000	2018 \$'000
Financial assets		
Cash and cash equivalents	5,970	1,372
Trade and other receivables	26,179	32,924
Forward exchange contracts receivable	240	859
Current Tax receivable	975	2,023
Financial liabilities		
Trade payables and other payables	16,476	17,120
Bank loans	–	7,344
Forward exchange contracts payable	963	524
Current Tax Liabilities	–	–

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%)	231	3.6%
Gross profit margin (+/- 1%)	1,179	18.2%
Other operating costs (+/- 1%)	392	6.0%
Interest expense (+/- 1%)	16	0.2%
*AUD/NZD (+/- 5%)	141	2.2%

NOTES TO THE FINANCIAL STATEMENTS

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:

Outstanding contracts maturity profile	2019 \$'000	2018 \$'000
Buy Currency:		
Less than 3 months	7,053	8,253
3 to 6 months	14,201	25,650
Greater than 6 months	13,620	12,526
Sell Currency:		
Less than 3 months	206	262
3 to 6 months	48	–
6 to 9 months	–	–
Buy Currency:		
USD	1,217	16,207
EURO	4,849	9,342
JPY	16,125	19,024
AUD	12,683	1,856
Sell Currency:		
USD	254	262

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
2019						
Variable interest rate instruments	2.47%	–	–	–	–	–
2018						
Variable interest rate instruments	2.89%	1,344	–	–	6,000	7,344

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 \$125,000 (2018: \$202,000).

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 3.3 offset by cash and bank balances) and equity of the Group (comprising issued capital, reserves, retained earnings as detailed in notes 4.1, 4.4 and 4.5). The Group is not subject to any externally imposed capital requirements.

Accounting policies

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.

2.6.1 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.

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.

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.

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

NOTES TO THE FINANCIAL STATEMENTS

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.

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.

2.6.2 Financial liabilities

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

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 is 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.

Hedge Strategy

Shriro reports internally on all outstanding foreign purchase orders already place with suppliers. Shriro hedges all confirmed purchase orders and will also cover up to 80% of the remaining outstanding forecast purchases not yet ordered for between 3 months to 9 months. Shriro also holds between 4 to 6 months stock which acts like a natural hedge. The hedging of currency gives Shriro time to react should the Australian dollar depreciation against the USD, YEN or EUR.

3. INVESTMENT AND FINANCING

3.1 Plant and equipment

	2019 \$'000	2018 \$'000
Leasehold improvements	985	1,411
Plant and equipment	2,674	1,861
Fixtures and fittings	228	267
Office equipment	572	837
Motor vehicles	794	787
Display Assets	1,408	1,909
Total capitalised plant and equipment	6,661	7,072
Capital work in progress	182	619
Total Plant and Equipment	6,843	7,691

NOTES TO THE FINANCIAL STATEMENTS

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 2018	4,020	4,381	627	4,741	1,821	9,672	25,262
Additions	60	1,478	1	57	281	1,047	2,924
Disposals	(29)	–	–	(3)	(553)	(1,715)	(2,300)
FX Translation gain	3	2	3	9	9	8	34
Balance at 31 December 2019	4,054	5,861	631	4,804	1,558	9,012	25,920
Accumulated depreciation and impairment							
Balance at 31 December 2018	(2,609)	(2,520)	(360)	(3,904)	(1,034)	(7,763)	(18,190)
Additions	(486)	(665)	(41)	(322)	(263)	(1,306)	(3,083)
Disposals	29	–	–	3	541	1,472	2,045
FX Translation loss	(3)	(2)	(2)	(9)	(8)	(7)	(31)
Balance at 31 December 2019	(3,069)	(3,187)	(403)	(4,232)	(764)	(7,604)	(19,259)

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

Accounting policies

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.

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.

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.

Impairment

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.

3.2 Lease arrangements

3.2.1 The Group as lessee

The 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.

The Group does not have any short-term leases less than 1 year.

3.2.2 Payments recognised as an expense

	2019 \$'000	2018 (restated) \$'000
Depreciation charge for right-of-use assets	3,259	3,285
Interest expense on lease liabilities	1,965	2,156
Variable lease payments not included in the measurement of lease liabilities	–	–

3.2.3 Right of use assets

	2019 \$'000	2018 (restated) \$'000
Cost		
Opening balance	30,462	31,968
Additions	650	–
Disposals	–	(1,730)
Revaluation	(55)	–
FX Translation gain	55	224
Closing balance	31,112	30,462

NOTES TO THE FINANCIAL STATEMENTS

	2019 \$'000	2018 (restated) \$'000
Accumulated depreciation and impairment		
Opening balance	(10,672)	(8,424)
Additions	(3,259)	(3,285)
Disposals	–	1,113
FX Translation loss	(30)	(76)
Closing balance	(13,961)	(10,672)

	2019 \$'000	2018 (restated) \$'000
Carrying amount		
Opening balance	19,790	23,544
Closing balance	17,151	19,790

3.2.4 Lease commitments

	2019 \$'000	2018 \$'000
Maturity profile of lease liability		
Less than 1 year	3,454	2,344
1 – 2 years	3,735	3,250
2 – 5 years	8,651	9,654
5 – 10 years	8,231	9,830
Greater than 10 years	–	842

A number of the Group's leases have extension options. The Group assumes that all lease options, if available will be exercised at the inception of each lease.

The Group is not party to any finance lease liabilities. As at 31 December 2019 there were no other material liabilities.

Accounting policies

The Group as a lessee assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the Group's incremental equivalent borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date
- The amount expected to be payable by the lessee under residual value guarantees
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.
- Payment of onerous leases.

The Group assumes that all lease options, if available will be exercised at the inception of each lease.

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liabilities is remeasured by discounting the revised lease payments using a revised discount rate
- The lease payments change due to changes in an index or rate or a change in expected payment under guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised leased payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used)
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under AASB 137 Provisions, Contingent Liabilities and Contingent Assets.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies AASB 136 Impairment of Assets to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, plant and equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'Rental costs' in the statement of profit or loss.

As a practical expedient, AASB 16 permits a lessee not to separate non-lease components, and instead account for any lease and associates non-lease component as a single arrangement. The Group has not used this practical expedient.

	2019 \$'000	2018 \$'000
Secured – at amortised cost		
Overdraft facility ⁽ⁱ⁾	–	1,344
Trade finance facility ⁽ⁱ⁾	–	6,000
	–	7,344
Current	–	1,344
Non-current	–	6,000
	–	7,344

NOTES TO THE FINANCIAL STATEMENTS

3.3.1 Facility

During the financial year end 31 December 2019, 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 \$21,000,000 and reduces back to \$16,000,000 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.

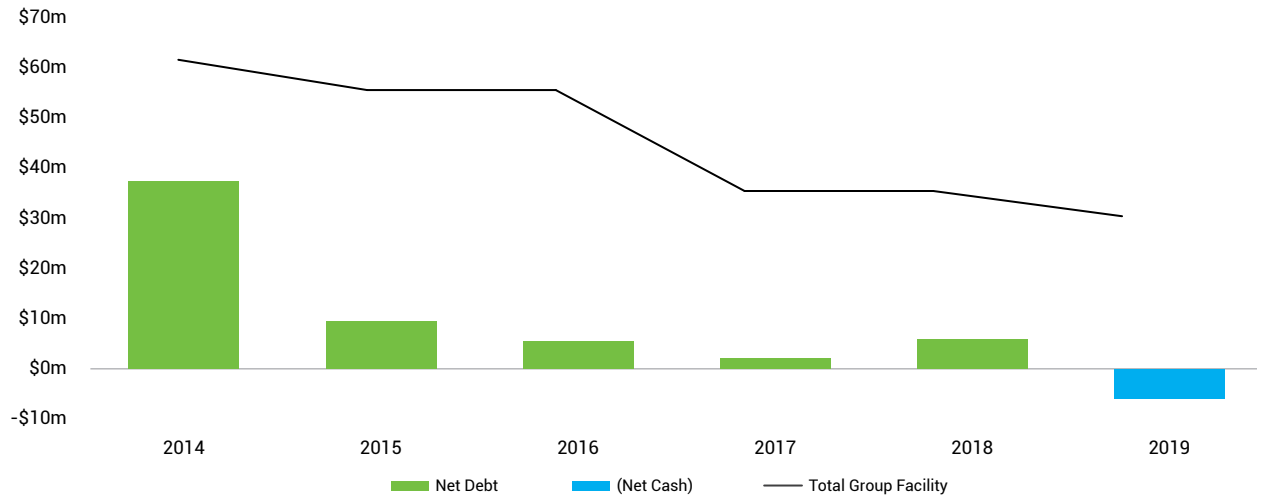
The Group's facilities are denominated in Australian dollars and variable interest rates apply.

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

	2019 \$'000	2018 \$'000
Borrowing facility		
Overdraft facility ⁽ⁱ⁾	15,000	15,000
Trade finance facility ⁽ⁱ⁾	6,000	11,000
Total borrowing facility	21,000	26,000
Non-cash guarantees facility⁽ⁱⁱ⁾	11,000	11,000
Total Group facility	32,000	37,000

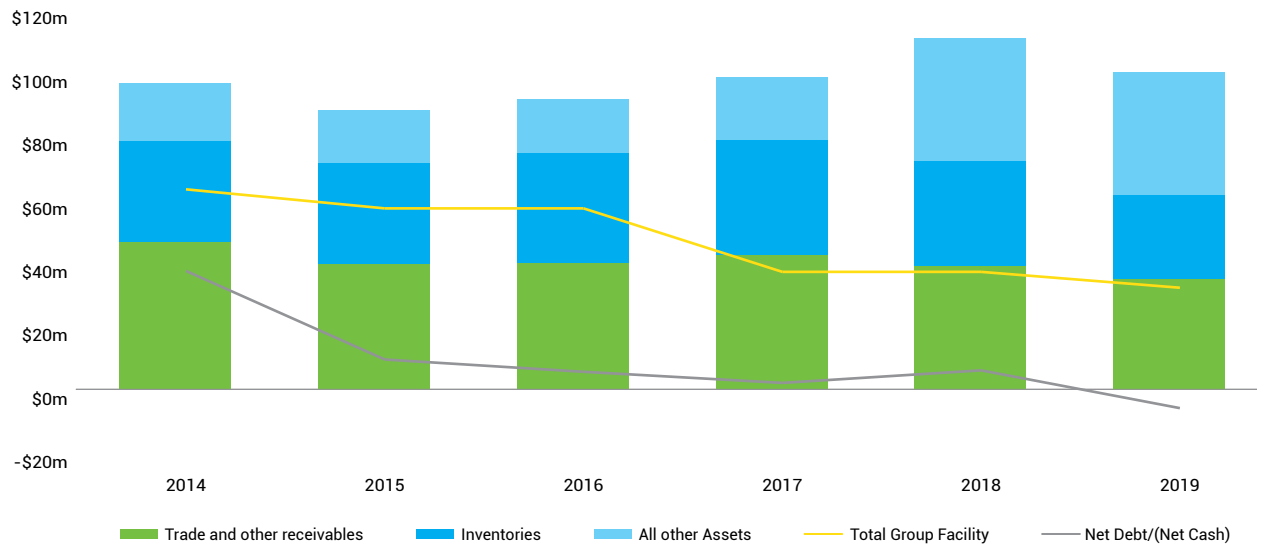
	2019 \$'000	2018 \$'000
Usage of borrowing facility		
Drawn – cash	–	7,344
Less cash and bank balances	(5,970)	(1,372)
Undrawn limit available for use	26,970	20,028
Total borrowing facility	21,000	26,000
Utilisation of non-cash guarantees facility		
Utilised – non-cash	7,392	7,663
Unutilised limit available for use	3,608	3,337
Total non-cash guarantees facility	11,000	11,000
Total Group facility	32,000	37,000

Net Debt/(Net Cash): (\$million)



Due to the Group’s favourable net debt positions over the past 6 years the total Group facility limits have been reduced by 49% since 31 December 2014. The ability to reduce the facility limit has resulted in significant cost savings for the Group whilst also maintaining good relations with the bank due to the strong cash inflows. The Group continues to have significant headroom within the current facility.

Banks Security: (\$million)



All assets of the Group have been pledged to secure the borrowings of the Group with ANZ.

Accounting policies

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

NOTES TO THE FINANCIAL STATEMENTS

4. SHAREHOLDER EQUITY

4.1 Issued capital

	2019 \$'000	2018 \$'000
95,087,500 fully paid ordinary shares (2018: 95,087,500)	94,617	94,617

Date	Details	Value of shares \$'000	Number of Shares
1 January 2019	Opening balance	94,617	95,087,500
31 December 2019	Closing Balance	94,617	95,087,500

4.2 Earnings per share

	2019 Cents per share	2018 (restated) Cents per share
Basic earnings per share	6.8	7.7
Diluted earnings per share	6.7	7.6

Reconciliation of earnings used in calculating earnings per share

	2019 \$'000	2018 (restated) \$'000
Net profit	6,484	7,326

Reconciliation of shares used in calculating earnings per share

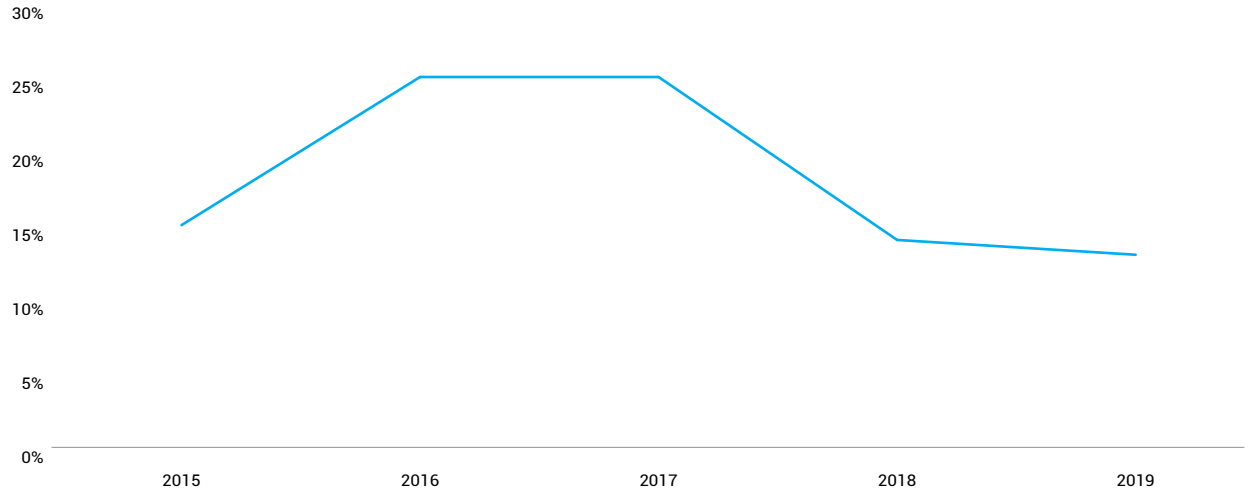
	2019 No.	2018 No.
Opening balance of shares for the financial year	95,087,500	95,000,000
Issue of shares	–	87,500
Closing balance of shares for the financial year	95,087,500	95,087,500
Weighted average number of ordinary shares used in the calculation of basic earnings per share	95,087,500	95,078,630
Shares deemed to be issued for no consideration in respect of:		
Employee performance rights	1,196,327 ¹	1,090,389
Closing number of shares deemed to be issued for the financial year	96,283,827	96,177,889
Number of ordinary shares used in the calculation of diluted earnings per share	96,349,781	96,271,588

1. Note, Tim Hargreaves performance rights for 2019 are excluded from the calculation, as they are only able to be settled, at the Board's discretion, in cash or by an on-market purchase of the relevant number of shares and will not be by way of an issue of new shares.

Accounting policies

Basic and diluted earnings per share is calculated on profit after taxation attributable to members of Shiro Holdings Limited and the weighted average number of shares on issue during the year. Refer to note 4.2 for the calculation of the weighted average number of ordinary shares used in calculating basic and diluted earnings per share.

Return on Equity (%)

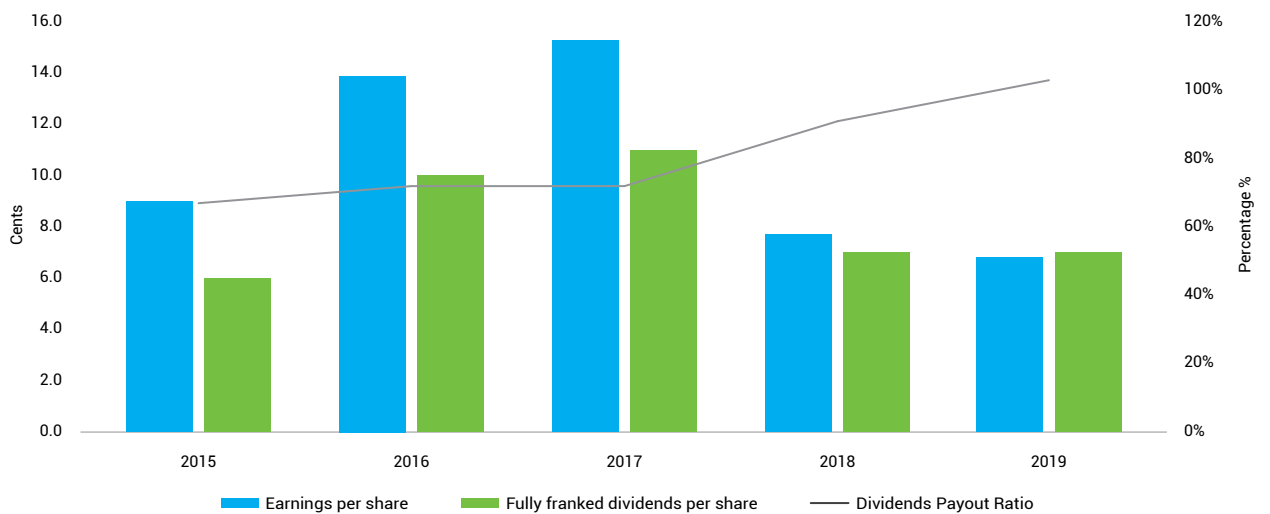


4.3 Dividends

On 27th February 2020 the Directors declared a final dividend of 3.0 cents per share fully franked with an ex-dividend date of the 8th March 2020, record date of the 9th March 2020 and payable on 30th March 2020.

	2019 \$'000	2018 \$'000
Franking account balance	3,410	3,232

Shareholder returns



NOTES TO THE FINANCIAL STATEMENTS

4.4 Retained earnings

	2019 \$'000	2018 (restated) \$'000
Balance at beginning of financial year	33,393	36,527
Profit for the year	6,484	7,326
Dividends paid	(6,656)	(10,460)
Balance at end of financial year	33,221	33,393

4.5 Reserves

	2019 \$'000	2018 \$'000
Cash flow hedging reserve	(367)	408
Foreign currency translation reserve	2,035	1,877
Equity settled employee benefits reserve	(344)	(503)
Group reorganisation reserve	(78,585)	(78,585)
Balance at end of financial year	(77,261)	(76,803)

4.5.1 Cash flow hedging reserve

	2019 \$'000	2018 \$'000
Balance at the beginning of the financial year	408	87
Forward exchange contracts	(775)	321
Balance at end of financial year	(367)	408

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.

4.5.2 Foreign currency translation reserve

	2019 \$'000	2018 \$'000
Balance at the beginning of the financial year	1,877	1,206
Exchange differences arising on translating the foreign operation	158	671
Balance at end of financial year	2,035	1,877

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.

4.5.3 Equity settled employee benefits reserve

	2019 \$'000	2018 \$'000
Balance at the beginning of the financial year	(503)	1,001
Arising on share-based payments	159	(1,504)
Balance at end of financial year	(344)	(503)

Accounting policies

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 adjustment to reserves.

4.5.4 Group reorganisation reserve

	2019 \$'000	2018 \$'000
Balance at beginning of financial year	(78,585)	(78,585)
Balance at end of financial year	(78,585)	(78,585)

The Group reorganisation reserve arose from reorganisation of the Group structure at the time of the Initial Public Offering.

5. GROUP STRUCTURE AND KEY MANAGEMENT

5.1 Subsidiaries

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			2019	2018
Shriro Australia Pty Limited ¹	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	Wholesaler of consumer goods and appliances	USA	100%	100%

1. 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.

Accounting policies

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.

NOTES TO THE FINANCIAL STATEMENTS

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 note 2.6.2 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).

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

	2019 \$'000	2018 (restated) ¹ \$'000
Statement of Profit or Loss and Other Comprehensive Income		
Revenue from ordinary activities	134,042	145,301
Raw materials and consumables used	(78,799)	(86,346)
Employee benefits expense	(18,635)	(19,768)
Advertising and promotion expenses	(5,160)	(5,918)
Freight and delivery expenses	(5,376)	(5,326)
Depreciation and amortisation expenses	(5,096)	(6,290)
Rental costs	(946)	(1,670)
Finance costs	(1,944)	(2,428)
Other expenses	(8,166)	(8,756)
Profit before tax	9,920	8,799
Income tax expense	(1,801)	(1,161)
Profit for the year	8,119	7,638
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	(619)	379
Other comprehensive income for the year, net of tax	(619)	379
Total comprehensive income for the year attributable to the owners of Shriro Holdings Limited	7,500	8,017

1. The Comparative information has been restated as a result of the initial application of AASB 16 as discussed in note 6.1.

Consolidated Statement of Financial Position	2019 \$'000	2018 (restated)¹ \$'000
Current assets		
Cash and bank balances	2,819	7
Trade and other receivables	19,090	24,388
Inventories	25,085	29,011
Loan to related entities	1,906	–
Other current assets	407	551
Current tax receivable	424	1,916
Derivative receivable	238	834
Total current assets	49,969	56,707
Non-current assets		
Right of use assets	13,802	16,372
Property, plant and equipment	5,730	6,595
Deferred tax assets	5,956	12,553
Investments	12,553	5,184
Total non-current assets	38,041	40,704
Total assets	88,010	97,411
Current liabilities		
Trade and other payables	11,542	12,380
Borrowings	–	1,344
Lease liabilities	2,735	1,925
Provisions	4,496	4,815
Derivative payable	665	354
Total current liabilities	19,438	20,818
Non-current liabilities		
Borrowings	–	6,000
Lease liabilities	16,685	19,395
Provisions	2,308	2,621
Total non-current liabilities	18,993	28,016
Total liabilities	38,431	48,834
Net assets	49,579	48,577
Equity		
Issued capital	94,617	94,617
Reserves	(79,005)	(78,545)
Retained earnings	33,967	32,505
Total equity	49,579	48,577

1. The Comparative information has been restated as a result of the initial application of AASB 16 as discussed in note 6.1.

NOTES TO THE FINANCIAL STATEMENTS

5.2 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.

Significant Influence

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

5.3 Parent entity information

	2019 \$'000	2018 \$'000
Financial Position		
Assets		
Current Assets	424	1,916
Non-current assets	88,585	88,585
Total assets	89,009	90,501
Liabilities		
Current liabilities	1,061	7,261
Non-current liabilities	–	–
Total liabilities	1,061	7,261
Net assets	87,948	83,240
Equity		
Issued capital	94,617	94,617
Reserves	(345)	(503)
Retained earnings	(6,324)	(10,874)
Total equity	87,948	83,240
Financial Performance	2019 \$'000	2018 \$'000
Profit/(loss) for the year	11,206	21,434
Total comprehensive income	11,206	21,434

5.4 Directors and key management personnel compensation

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

Remuneration of Directors and Key Management Personnel

	2019 \$'000	2018 \$'000
Short-term employee benefits	1,399	1,266
Long-term employee benefits	137	118
Post-employment benefits	70	67
	1,606	1,451

Accounting policies

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 2019 is the High Quality Corporate Bond Rate.

5.5 Share-based payments

5.5.1 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 Shiro Holdings Limited. Tim Hargreaves has been issued with 415,225 performance rights (2018: 150,000), these are excluded from the table below as any shares issued will be acquired by an on-market purchase of the relevant number of shares and will not be by way of an issue of new shares. Shane Booth was granted 202,422 performance rights (2018: 73,125) under the LTIP during the financial year ended 31 December 2019. Other senior management have been issued with 332,217 of performance rights in respect of the 2019 year (2018: 174,785) 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 2019 was \$159,000 (2018: \$41,000).

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	Effective grant date	Grant date fair value	Number Granted	Expiry date	Vesting Testing
Series 1	01/01/2017	\$289,432	293,420	31/12/2019	31/12/2019
Series 2	01/01/2018	\$548,720	368,268	31/12/2020	31/12/2020
Series 3	01/01/2019	\$269,976	534,639	31/12/2021	31/12/2021

Accounting policies

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.

NOTES TO THE FINANCIAL STATEMENTS

5.5.2 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	\$0.99	3 years	8.20%	3.44%
Series 2	\$1.49	3 years	6.88%	3.44%
Series 3	\$0.58	3 years	12.64%	3.44%

5.5.3 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 0.98 years.

6. Other Information

6.1 Restatement impact of new accounting standard AASB 16 'Leases'

Impact of the new definition of a lease

The change to the definition of a lease mainly relates to the concept of control. AASB 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for the period of time in exchange for consideration.

The Group has made use of the practical expedient available on transition to AASB 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those contracts entered or modified before 1 January 2019.

The Group applies the definition of a lease and related guidance set out in AASB 16 to all contracts entered into or changed on or after 1 January 2019. In preparation for the first-time application of AASB 16, the Group has carried out an implementation project. The project has shown that the new definition in AASB 16 will not significantly change the scope of contracts that meet the definition of a lease for the Group.

Former operating leases

AASB 16 changes how the Group accounts for leases previously classified as operating leases under AASB 117, which were off-balance sheet.

Applying AASB 16, for all leases (except as noted below), the Group:

- Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of future lease payments
- Recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss
- Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated statement of cash flows.

Lease incentives (e.g. free rent period) are recognised as part of the measurement of the right-of-use assets and lease liabilities, whereas under AASB 117 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis.

Under AASB 16, right-of-use assets are tested for impairment in accordance with AASB 136 Impairment of Assets. This replaces the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low value asset (such as personal computers and office furniture), the Group has opted to recognise a lease expense on a straight-line basis as permitted by AASB 16. This expense is presented within other expenses in the consolidated statement of profit or loss.

Financial impact of the initial application of AASB 16

The tables below show the amount of adjustment for each financial statement line item affected by the application of AASB 16 for the current and prior periods.

	31 December 2019 \$'000	31 December 2018 \$'000
Impact on profit or loss		
<i>Impact of profit/(loss) for the year</i>		
Increase in depreciation and amortisation expenses	(3,259)	(3,285)
Increase in finance costs	(1,965)	(2,156)
Increase in other expenses	–	(128)
Decrease in rental costs	4,573	5,043
Decrease in income tax expense	195	154
	(456)	(372)

	31 December 2019 (cents per share)	31 December 2018 (cents per share)
Impact on earnings per share		
Decrease in earnings per share from continuing operations:		
Basic	(0.5)	(0.4)
Diluted	(0.5)	(0.4)

	As previously reported \$'000	AASB 16 adjustments \$'000	As restated \$'000
Impact on assets, liabilities and equity as at 1 January 2018			
Deferred tax assets	5,019	998	6,017
Right of use assets	–	23,544	23,544
Net impact on total assets		24,542	
Provisions	3,760	(1,826)	1,934
Lease liability	–	28,764	28,764
Net impact on total liabilities		26,938	
Retained earnings	38,923	(2,396)	36,527

NOTES TO THE FINANCIAL STATEMENTS

	As previously reported \$'000	AASB 16 adjustments \$'000	As restated \$'000
Impact on assets, liabilities and equity as at 31 December 2018			
Deferred tax assets	4,900	1,164	6,064
Right of use assets	–	19,790	19,790
Net impact on total assets		20,954	
Provisions	5,053	(2,170)	2,883
Lease liability	–	25,920	25,920
Net impact on total liabilities		23,750	
Reserves	(76,775)	(28)	(76,803)
Retained earnings	36,161	(2,768)	33,393
Net impact on total equity		(2,796)	

	Under AASB 117 \$'000	AASB 16 adjustments \$'000	As restated \$'000
Impact on assets, liabilities and equity as at 31 December 2019			
Deferred tax assets	5,483	1,454	6,937
Right of use assets	–	17,151	17,151
Net impact on total assets		18,605	
Provisions	4,802	(2,242)	2,560
Lease liability	–	24,071	24,071
Net impact on total liabilities		21,829	
Retained earnings	36,445	(3,224)	33,221

Impact on the statement of cash flows

The application of AASB 16 has an impact on the consolidated statement of cash flows of the Group.

Under AASB 16, leases must present:

- Short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liabilities as part of the operating activities (the Group has included these payments as part of payments to suppliers and employees)
- Cash paid for the interest portion of lease liabilities as either operating activities or financing activities, as permitted by AASB 107 Statement of Cash Flows (the Group has opted to include interest paid as part of operating activities)
- Cash payments for the principal portion of leases liabilities, as part of financing activities.

Under AASB 117, all lease payments on operating leases were presented as part of cash flows from operating activities. Consequently, the net cash generated by operating activities has increased by \$2,468,000 (2018: \$2,844,000) and net cash used in financing activities increased by the same amount. The adoption of AASB 16 did not have an impact on net cash flows.

Accounting policies

Changes in accounting policies and disclosures

In the current period, the Group has applied the new and revised AASB 16 'Leases' issued by the Australian Accounting Standards Board (AASB).

AASB 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lease accounting, the requirements for lessor accounting have remained largely unchanged.

The date of initial application of AASB 16 for the Group is 1 January 2019. The Group has applied AASB 16 using the full retrospective approach, with restatement of the comparative information.

6.2 Remuneration of auditor

	2019 \$'000	2018 (restated) ¹ \$'000
Audit and review	190	190
Other services	–	28

The auditor of Shriro Holdings Limited is Deloitte Touche Tohmatsu.

6.3 Events after the reporting date

Subsequent to the year ended 31 December 2019, the Group's banking facilities have been renegotiated. There were no 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.

6.4 Statement of accounting policies

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 Group comply with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board (IASB). Consequently, this financial report has been prepared in accordance with and complies with IFRS as issued by the IASB.

The financial statements were authorised for issue by the Directors on 27 February 2020.

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 goods and services. 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 16 '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'.

NOTES TO THE FINANCIAL STATEMENTS

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

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.

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.

Standards and interpretations in issue not yet adopted

The Group is in the process of assessing the impact of these new and revised standards, and interpretations, and has not yet reached a determination as to the impact on the accounting policies detailed below.

Standard/Interpretation	Effective for Annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2018-6 Amendments to Australian Accounting Standards - Definition of a Business	1 January 2020	31 December 2020
AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material	1 January 2020	31 December 2020
AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework	1 January 2020	31 December 2020

6.5 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: +61 2 9415 5000

Shriro Holdings Limited's Annual General Meeting will be held on the 28th of May 2020.

NOTES TO THE FINANCIAL STATEMENTS

6.6 Additional ASX information

Number of holders of equity securities

There are 95,087,500 fully paid ordinary shares held by 1,696 individual shareholders.

Substantial share holders

	Fully Paid Ordinary Shares
Shriro Pacific Limited	23,004,750

Twenty largest holders of quoted equity securities

	Fully Paid Ordinary Shares	
	Number	Percentage
SHIRO PACIFIC LIMITED	23,004,750	24.19%
NATIONAL NOMINEES LIMITED	15,859,963	16.68%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	4,956,462	5.21%
PORTFOLIO SERVICES PTY LTD	4,587,779	4.82%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	4,217,017	4.43%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	3,271,227	3.44%
CITICORP NOMINEES PTY LIMITED	2,995,479	3.15%
MISS AMANDA BERNADETTE DE ANGELIS	2,303,125	2.42%
HANDS HOLDING CO PTY LTD	1,870,000	1.97%
HORRIE PTY LTD	1,273,426	1.34%
NEWECONOMY COM AU NOMINEES PTY LIMITED	1,019,742	1.07%
MORGAN STANLEY AUSTRALIA SECURITIES (NOMINEE) PTY LIMITED	896,627	0.94%
ANACACIA PTY LIMITED	822,229	0.86%
MR DERMOT FRANCIS MCGARRY & MRS CHRISTINE MCGARRY	576,292	0.61%
HILLMORTON CUSTODIANS PTY LTD	540,000	0.57%
MR JOHN ANDREW SWEET & MRS CHARMAINE LOUISE SWEET	467,586	0.49%
PORTFOLIO SERVICES PTY LTD	372,406	0.39%
MR HUNG-VI CHUNG	354,477	0.37%
MR GREGORY VICTOR SHALIT & MS MIRIAM FAINE	350,000	0.37%
EVERCITY PTY LTD	285,000	0.30%
	70,023,587	73.62%

Category – Number of shares	Number of Shareholders
1 – 1000	446
1,001 – 5,000	446
5,001 – 10,000	261
10,001 – 100,000	484
100,001 and over	59
	1,696

Voting rights

As at 27 February 2020, there were 1,696 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 27 February 2020 there were no unquoted options over unissued ordinary shares.

Shareholders with less than a marketable parcel

As at 27 February 2020, there were 141 shareholders holding less than a marketable parcel of 704 ordinary shares (\$0.71 on 27 February 2020) in the Company totaling 50,294 ordinary shares.

Company secretary

Shane Booth

Share registry

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

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CORPORATE DIRECTORY

Directors

Stephen Heath
Non-Executive Chairman

Tim Hargreaves
Managing Director

Vasco Fung
Non-Executive Director

Cheryl Hayman
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
P: (02) 9415 5000

Auditors

Deloitte Touche Tohmatsu

Share Registry

Link Market Services
Level 12
680 George Street
Sydney NSW 2000



SHRIRO

