

SHRIRO HOLDINGS LIMITED

ACN 605 279 329

Half Year Condensed Financial Report

for the half year ended

30 June 2020



Shriro Holdings Limited

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Shriro Holdings Limited

Appendix 4D

Results for announcement to market

	Half year to 30 June 2020 \$million	Half year to 30 June 2019 \$million	Movement %
Revenue from ordinary activities	78.6	80.0	(1.8%)
EBITDA	10.5	7.9	32.9%
Profit from ordinary activities before tax	6.5	3.6	80.6%
Profit from ordinary activities after tax attributable to members	4.7	2.7	74.1%
Basic earnings per share (cents per share)	5.0	2.9	72.4%
Diluted earnings per share (cents per share)	4.9	2.8	75.0%
	Amount per security	Percentage franked	
Interim dividend	3.0 cents	100%	

	30 June 2020 \$	30 June 2019 \$
Net tangible assets per share (cents per share)	46.7	47.8
Diluted net tangible assets per share (cents per share)	45.8	47.0

Shriro Holdings Limited recorded an after tax profit of \$4.7 million during the half year ended 30 June 2020.

On 27 August 2020, the Directors have declared a dividend for the half year ended 30 June 2020 of 3.0 cents per share fully franked with an ex-dividend date of 3rd September 2020, record date of the 4th September 2020 and payable on 23rd September 2020.

Shriro Holdings Limited

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 half year ended 30 June 2020.

DIRECTORS

Directors of Shriro Holdings Limited during and since the end of financial half year unless otherwise stated below are:

John Ingram – Independent Chairman (retired 27 February 2020)

Stephen Heath – Independent Chairman (appointed Chairman 28 February 2020)

Tim Hargreaves – Non-independent Executive Director

Vasco Fung – Non-independent non-executive Director

Cheryl Hayman – Independent non-executive Director

Greg Laurie – Independent non-executive Director (valed 23 March 2020)

Abigail Cheadle – Independent non-executive Director (appointed 9 June 2020)

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, gas heaters and gas and charcoal barbecues, electric heaters and cooling products.

REVIEW OF OPERATIONS

A summary of the revenues and results is as follows:

Results summary	Half year to 30 June 2020 \$million	Half year to 30 June 2019 \$million	Change %
Revenue	78.6	80.0	(1.8%)
Gross Margin	38.8%	40.5%	
Operating Expenses	20.0	24.5	(18.4%)
EBITDA	10.5	7.9	32.9%
Depreciation and amortisation	3.0	3.2	(6.3%)
Interest	1.0	1.1	(9.1%)
Profit Before Tax	6.5	3.6	80.6%
Profit After Tax	4.7	2.7	74.1%

Shriro Holdings Limited

Directors' Report (cont'd)

REVIEW OF OPERATIONS (CONT'D)

Operating and Financial Review

Shriro Holdings Limited ("Shriro") today announced its half year results for the six months ended 30 June 2020.

During the six-month period ended 30 June 2020, performance across Shriro's product categories was varied, with retail customers impacted by enforced retail closures or "stay at home" directions. These directions led to self-imposed retail store closures due to reduced foot traffic in major shopping centres in the months of March and April 2020. The widespread store closures and the uncertainty of the economic impact led to a sudden and significant loss of sales in Australia and New Zealand, which resulted in March and April being down 21.8% and 40.8%, respectively.

An immediate restructure of operating costs was required. So, in addition to rationalising office premises which commenced last year, Shriro postponed planned marketing expenditure and reduced staff working hours by 40% as well as executing full and partial stand-downs of certain roles and agreed to reduce Director's and Management's pay of 20% and 40% respectively for the period of April to May. Despite a sales revenue decline of 1.8% for the period, EBITDA improved by 32.9% to \$10.5 million due to these prudent measures.

The significant reduction in revenue allowed the Group to qualify for both the Australian Government's JobKeeper Scheme and the New Zealand Government's Wage Subsidy Scheme. Participation in both Schemes has greatly assisted the Group's efforts to ensure business disruption and employment stand downs were kept to a minimum.

The salary related savings and operating efficiency improvements over the prior year resulted in an operating expense reduction of 18.4% as compared to the prior comparable period (pcp).

Gross Margin for the period was 38.8%, slightly lower than the previous year, due to depreciation of the Australian dollar and the Group's low margins on Appliances in the retail segment. Price increases have been implemented across all product categories to begin rectifying any margin deficits.

Shriro remains focused on protecting its balance sheet by controlling stock purchases and adhering to its insurer's customer credit limits which increased the cash balance. The Group paid a dividend of 3.0 cents per share in March 2020, in line with the prior year and finished the half with net cash of \$19.7M compared to \$1.1M at 30 June 2019. Shriro has total borrowing facilities of \$27 million which were not drawn down and expire on 18 January 2021.

Until the longer-term economic outcomes of COVID-19 are fully appreciated, the Board will be taking a conservative approach to its capital management strategy and has declared a fully franked interim dividend of 3.0 cents per share, with a record date of 4th September 2020 and payable on 23rd September 2020.

The Group's CEO, Tim Hargreaves said "the April to June quarter was a time of uncertainty and for needing to respond quickly to events outside of the Group's control. The way our staff demonstrated complete and at times selfless flexibility to ensure business continuity whilst maintaining care and concern for each other is to be commended. Like many other businesses, we have been required to find new ways of operating and the staff have responded and adjusted well.

Whilst times remain uncertain with international and state borders closed and economic conditions continuing to be temporarily supported by government subsidies, we are hopeful that the economy continues to respond as well as can be expected. Notwithstanding the need to be alert to potential new challenges, the team is focused on building strong brands that can succeed into the future."

AUSTRALIA

Australia's EBIT increased by 24.2% to \$5.9 million with Sales Revenue declining 3.2% to \$58.3 million over the pcp.

In line with the previously announced strategy, the last regional showroom, located in Perth, was closed during the period.

Warranty costs increased 15% as more end-consumers were at home due to COVID-19.

Casio calculators, keyboards and appliances for the residential renovation market performed well while watches underperformed through the period of retail closures and reduced consumer confidence. Watches have since recovered from May 2020.

The seasonal products division which includes heating, cooling and BBQs performed in line with the prior year, although heater sales did not reach their full potential due to COVID-19 related supply disruption.

The Omega Appliances brand and product refresh occurred in the half and was successful in gaining increased in-store brand presence. The brand refresh is being supported by a greater investment in digital and ecommerce assets and with planned margin improvements, management is expecting an improved contribution from the division in the year ahead.

The commercial appliances division was down on the prior year as a result of the subdued housing market, however based on the positive market response to the new Omega range and new developer relationships, the division should benefit once the general housing market improves.

Shriro Holdings Limited

Directors' Report (cont'd)

REVIEW OF OPERATIONS (CONT'D)

NEW ZEALAND

The New Zealand business reported EBIT was \$1.7M, up 95.9% on the prior year whilst revenue decreased 5.9% on prior period to \$16.4 million.

Despite the loss of revenue in April, sales in the months of May and June grew compared to the same period last year, particularly in music equipment and appliances. The strong finish to the half assisted the EBIT result.

INTERNATIONAL

Shriro's international barbeque business delivered an EBIT loss of \$0.1M, which was an improvement of \$0.7M over the pcp. Sales revenue for the period increased by 64.6% to \$3.9M.

Shriro aspires to grow its market share in the US. Whilst the US is struggling with the economic uncertainty caused by COVID-19, management will focus on its ecommerce and digital strategy until normal bricks and mortar retail conditions return. Product innovation and development is at the heart of the brand DNA and continues to be refined in the US range through our customers engagement and feedback initiatives.

The Group experienced growth in European BBQ sales and the positive sell-through of inventory in stores towards the end of the season should have a positive impact on support for the brand next year.

BALANCE SHEET AND CASH FLOWS

Operating cash flows for the half year were \$19.0 million (402% of NPAT), an improvement of \$6.4M over the previous corresponding period. This was primarily due to increased profits and management's cautious approach to inventory ordering. The balance sheet has \$19.7 million cash at bank, zero borrowings (total facility available is \$27 million) and \$51.0 million in net tangible assets.

OUTLOOK

Uncertain economic conditions make it difficult to forecast the full year results as Shriro's key trading period are in the months leading up to Christmas which will undoubtedly be impacted by unannounced government directives and initiatives which influence consumer confidence and hence spending.

Despite the economic uncertainty, we expect the Group's products to remain resilient, allowing continued focus on building brands that succeed into the future.

Shriro Holdings Limited

Directors' Report (cont'd)

SUBSEQUENT EVENTS

Subsequent to the end of the financial period the Group has surrendered its Head Office lease. The surrender fee was \$500K which is included in the half year results and related to make good obligations. The surrender occurred with four years remaining in the 10 year head office lease. The impact of this transaction will result in an increase in second half profit of \$2.3 million. A new Head Office lease is yet to be executed, however there will be minimal impact on the operations as most staff are already successfully working from home due to Covid-19.

Covid-19 has resulted in Shriro currently receiving the Australian JobKeeper subsidy until 30 September 2020 resulting in a second half subsidy to be received of \$1.8M.

Post 30 June 2020, more stringent restrictions have been imposed on New Zealand and Victoria, however the impact on the Group to date has been minimal as online trade has increased. The July 2020 and August 2020 sales have exceeded the comparative months in the prior year due to homeware related product sales.

No other event has occurred 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 periods.

DIVIDENDS

On 30th March 2020, the Group paid the 2019 financial year final dividend of 3.0 cents per share fully franked.

On 27th August 2020 the Directors declared a dividend for the half year ended 30 June 2020 of 3.0 cents per share fully franked with an ex-dividend date of the 3rd September 2020, record date of the 4th September 2020 and payable on 23rd September 2020. (Half year ended 30 June 2019: 4.0 cents per share fully franked).

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.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 7 of the half year financial report.

ROUNDING OFF OF AMOUNTS

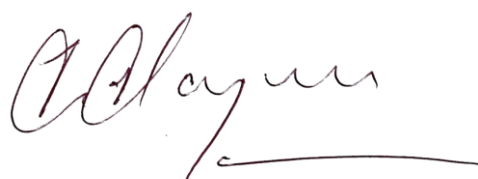
The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and the financial statements are rounded off to the nearest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

This Directors' report is signed in accordance with a resolution of Directors made pursuant to s306 (3) (a) of the Corporations Act 2001.

On behalf of the Directors



Stephen Heath
Chairman
Sydney, 27th of August 2020



Tim Hargreaves
Director
Sydney, 27th of August 2020

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

27 August 2020

Dear Board members

Auditor's Independence Declaration to 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 review of the half year financial report of Shriro Holdings Limited for the half year ended 30 June 2020, 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 review;
and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Delaney
X Delaney
Partner
Chartered Accountants

Independent Auditor's Review Report to the Members of Shriro Holdings Limited

We have reviewed the accompanying half-year financial report of Shriro Holdings Limited, which comprises the condensed consolidated statement of financial position as at 30 June 2020, the condensed consolidated statement of profit or loss, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Shriro Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Shriro Holdings Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Shriro Holdings Limited is not in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Delaney

X Delaney
Partner
Chartered Accountants
Parramatta, 27 August 2020

Shriro Holdings Limited

Directors' Declaration

The Directors declare that:-

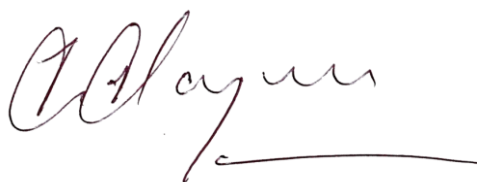
- (a) in the Directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s.303 (5) of the Corporations Act 2001.

On behalf of the Directors



Stephen Heath
Director
Sydney, 27th of August 2020



Tim Hargreaves
Director
Sydney, 27th of August 2020

Shriro Holdings Limited

Condensed consolidated Statement of Profit or Loss

for the half year ended 30 June 2020

	Note	Half year to 30 June 2020 \$'000	Half year to 30 June 2019 \$'000
Revenue from ordinary activities		78,620	80,024
Raw materials and consumables used		(48,102)	(47,636)
Employee benefits expense ¹		(10,186)	(13,366)
Advertising and promotion expenses		(1,122)	(2,541)
Freight and delivery expenses		(3,543)	(3,347)
Depreciation and amortisation expenses		(3,004)	(3,181)
Rental costs		(876)	(805)
Finance costs		(1,014)	(1,219)
Other expenses		(4,233)	(4,327)
Profit before tax		6,540	3,602
Income tax expense		(1,817)	(876)
Profit for the year		4,723	2,726
Earnings per share			
Basic (cents per share)	4.2	5.0	2.9
Diluted (cents per share)	4.2	4.9	2.8

¹ Employee benefits expense for the half year to 30 June 2020 has been offset by the recognition of \$1,887,000 of Australian and New Zealand government subsidies.

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

Shriro Holdings Limited

Condensed consolidated Statement of Profit or Loss and Other Comprehensive Income

for the half year ended 30 June 2020

	Half year to 30 June 2020 \$'000	Half year to 30 June 2019 \$'000
Profit for the year	4,723	2,726
<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	(1,331)	446
Exchange differences on translation of foreign operations	(333)	76
Other comprehensive income for the year, net of tax	(1,664)	522
Total comprehensive income for the year attributable to the owners of Shriro Holdings Limited	3,059	3,248

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

Shriro Holdings Limited

Condensed consolidated Statement of Financial Position

as at 30 June 2020

	Note	30 June 2020 \$'000	31 December 2019 \$'000	30 June 2019 \$'000
Current assets				
Cash and cash equivalents		19,734	5,970	1,068
Trade and other receivables		25,126	26,179	24,433
Inventories		27,645	34,761	40,094
Other assets		341	753	1,209
Current tax receivable		45	975	1,361
Derivative receivable	2.1	163	240	2,826
Total current assets		73,054	68,878	70,991
Non-current assets				
Right of use assets		16,023	17,151	18,835
Property, plant and equipment		5,901	6,843	7,653
Deferred tax assets		6,622	6,937	6,295
Total non-current assets		28,546	30,931	32,783
Total assets		101,600	99,809	103,774
Current liabilities				
Trade and other payables		18,061	16,476	17,904
Lease liability		3,476	3,454	2,955
Provisions		4,829	5,162	5,466
Derivative payable	2.1	2,307	963	543
Total current liabilities		28,673	26,055	26,868
Non-current liabilities				
Lease liability		19,322	20,617	22,414
Provisions		2,619	2,560	2,729
Total non-current liabilities		21,941	23,177	25,143
Total liabilities		50,614	49,232	52,011
Net assets		50,986	50,577	51,763
Equity				
Issued capital	4.1	94,617	94,617	94,617
Reserves		(78,723)	(77,261)	(76,092)
Retained earnings		35,092	33,221	33,238
Total equity		50,986	50,577	51,763

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

Shriro Holdings Limited

Condensed consolidated Statement of Changes in Equity

for the half year ended 30 June 2020

	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 2018	94,617	(78,585)	408	1,905	(503)	36,161	54,003
AASB 16 restatement impact	-	-	-	-	-	(2,796)	(2,796)
Balance at 1 January 2019 (restated) ¹	94,617	(78,585)	408	1,905	(503)	33,365	51,207
Profit for the period	-	-	-	-	-	2,726	2,726
Other comprehensive income for the period (net of tax)	-	-	446	76	-	-	522
Total comprehensive income	-	-	446	76	-	2,726	3,248
Dividends paid	-	-	-	-	-	(2,853)	(2,853)
Share-based payments reserve (net of tax)	-	-	-	-	161	-	161
Balance at 30 June 2019	94,617	(78,585)	854	1,981	(342)	33,238	51,763
Balance at 31 December 2019	94,617	(78,585)	(367)	2,035	(344)	33,221	50,577
Profit for the year	-	-	-	-	-	4,723	4,723
Other comprehensive income for the year	-	-	(1,331)	(333)	-	-	(1,664)
Total comprehensive income	94,617	(78,585)	(1,698)	1,702	(344)	37,944	53,636
Dividends paid	-	-	-	-	-	(2,852)	(2,852)
Share-based payments reserve (net of tax)	-	-	-	-	202	-	202
Balance at 30 June 2020	94,617	(78,585)	(1,698)	1,702	(142)	35,092	50,986

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

Shriro Holdings Limited

Condensed consolidated Statement of Cash Flows

for the half year ended 30 June 2020

Note	Half year to 30 June 2020 \$'000	Half year to 30 June 2019 \$'000
Cash flows from operating activities		
Receipts from customers	87,535	96,518
Payments to suppliers and employees	(66,947)	(80,814)
Finance costs paid	(1,025)	(1,203)
Income taxes paid	(571)	(1,911)
Net cash generated from operating activities	18,992	12,590
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	33	47
Payment for property, plant and equipment	(554)	(1,532)
Net cash used in investing activities	(521)	(1,485)
Cash flows from financing activities		
Payments for the principal portion of lease liabilities	(1,763)	(1,219)
Repayment of borrowings	-	(7,344)
Dividends paid	(2,852)	(2,853)
Net cash used in financing activities	(4,615)	(11,416)
Net increase / (decrease) in cash and cash equivalents	13,856	(311)
Cash and cash equivalents at the beginning of the financial year		
Effects of exchange rate changes on cash	(92)	7
Cash and cash equivalents at the end of the financial year	19,734	1,068

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

Shriro Holdings Limited

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Shriro Holdings Limited

1. Trading Operations

1.1 Segment information

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

The internal reports reviewed by the Board, which are used to make strategic decisions, are separated into the Group's 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.

Half year ended 30 June 2020	Australia \$'000	New Zealand \$'000	Export Markets¹ \$'000	Total \$'000
Revenue from ordinary activities	58,334	16,363	3,923	78,620
Earnings before Interest, Tax, Depreciation and Amortisation	8,295	2,233	(27)	10,501
Depreciation and amortisation expense	(2,412)	(562)	(30)	(3,004)
Profit before interest and income tax	5,883	1,671	(57)	7,497
Interest expense				(957)
Profit before income tax				6,540
Income tax expense				(1,817)
Net profit after income tax				4,723

Half year ended 30 June 2019	Australia \$'000	New Zealand \$'000	Export Markets¹ \$'000	Total \$'000
Revenue from ordinary activities	60,257	17,383	2,384	80,024
Earnings before Interest, Tax, Depreciation and Amortisation	7,276	1,494	(841)	7,929
Depreciation and amortisation expense	(2,540)	(641)	-	(3,181)
Profit before interest and income tax	4,736	853	(841)	4,748
Interest expense				(1,146)
Profit before income tax				3,602
Income tax expense				(876)
Net profit after income tax				2,726

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

Shriro Holdings Limited

1.2 COVID-19 impact on operations

Australia

- A number of retail customers were closed or operated in a reduced capacity during the period of March 2020 to April 2020. This negatively impacted sales in some categories, particularly the watch sales
- Staff hours were reduced by 40% in April and May, to ensure productivity remained high
- Qualified for JobKeeper which resulted in an after tax Government subsidy for \$1,527,000 for the first half period
- Reduced stock ordering and extended supplier terms commenced in March, to protect the cash position

New Zealand

- New Zealand went into lock-down for a month from the 26th of March 2020. During this period the New Zealand operations were shut-down. Staff were stood down during this period
- Staff hours were reduced by 40% in May, to ensure productivity remained high
- Qualified for the wages subsidy which resulted in an after tax Government subsidy for \$360,000 for the first half period
- Reduced stock ordering and extended supplier terms in March, to protect the cash position

Export

- The Company's target state in the USA is California, this went into various levels of lock-down in the first half, resulting in the Company accelerating its sales strategy to an online digital go to market strategy with no staff in the USA.
- European sales did not appear to be materially impacted by COVID-19

The group has evaluated its assets carrying value in light of COVID-19, with no impairment noted, however, the outcome of COVID-19 and the impact of any second wave on future results is not certain.

2. Working Capital

2.1 Financial instruments

Fair value measurement of financial instruments

	30 June 2020 \$'000	31 December 2019 \$'000
Assets at fair value		
Forward exchange contracts receivable	163	240
Liabilities at fair value		
Forward exchange contracts payable	2,307	963

Accounting policies

AASB 13 *Fair value measurement* requires disclosure of fair value measurements by level using the following fair value measurement hierarchy:

- a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
- c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

Derivative financial instruments in the above table, 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.

The fair value of the derivative financial instruments is determined by reference to the relevant spot rate at period end. The fair value of forward exchange and option contracts is determined using forward exchange market rates at the end of the reporting period.

The directors consider that the carrying amounts of other financial assets and other financial liabilities recognised in the condensed consolidated financial statements approximate their fair values.

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3. Investment and Financing

3.1 Borrowings

	30 June 2020 \$'000	31 December 2019 \$'000
Secured – at amortised cost		
Overdraft facility (i)	-	-
Trade finance facility (i)	-	-
	-	-
Current	-	-
Non-current	-	-

3.1.1 Facility

During the half year end 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.

	30 June 2020 \$'000	31 December 2019 \$'000
Borrowing facility		
Overdraft facility (i)	15,000	15,000
Trade finance facility (i)	1,000	6,000
Total borrowing facility	16,000	21,000
Non-cash guarantees facility (ii)	11,000	11,000
Total Group facility	27,000	32,000

	30 June 2020 \$'000	31 December 2019 \$'000
Usage of borrowing facility		
Drawn – cash	-	-
Less cash and bank balances	(19,734)	(5,970)
Undrawn limit available for use	35,734	26,970
Total borrowing facility	16,000	21,000
Utilisation of non-cash guarantees facility		
Utilised – non-cash	7,543	7,392
Unutilised limit available for use	3,457	3,608
Total non-cash guarantees facility	11,000	11,000
Total Group facility	27,000	32,000

Accounting policies

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

Shriro Holdings Limited

4. Shareholder Equity

4.1 Issued capital

95,087,500 fully paid ordinary shares (2019: 95,087,500)

30 June 2020 \$'000	31 December 2019 \$'000
94,617	94,617

Date	Details
1 January 2020	Opening balance
30 June 2020	Closing Balance

Value of Shares \$'000	Number of Shares
94,617	95,087,500
94,617	95,087,500

4.2 Earnings per share

Basic earnings per share
Diluted earnings per share

Half year to 30 June 2020 Cents per share	Half year to 30 June 2019 Cents per share
5.0	2.9
4.9	2.8

Reconciliation of earnings used in calculating earnings per share

Net profit

Half year to 30 June 2020 \$'000	Half year to 30 June 2019 \$'000
4,723	2,726

Reconciliation of shares used in calculating earnings per share

Opening balance of shares for the financial year
Issue of shares
Closing balance of shares for the financial year

Half year to 30 June 2020 No.	Half year to 30 June 2019 No.
95,087,500	95,087,500
-	-
95,087,500	95,087,500

Weighted average number of ordinary shares used in the calculation of basic earnings per share

95,087,500	95,087,500
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Shares deemed to be issued for no consideration in respect of:

Employee performance rights

1,721,173	1,717,273
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Closing number of shares deemed to be issued for the financial year

96,808,673	96,804,773
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Weighted average number of ordinary shares used in the calculation of diluted earnings per share

96,901,076	96,938,147
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Accounting policies

Basic and diluted earnings per share is calculated on profit after taxation attributable to members of Shriro Holdings Limited and the weighted average number of shares on issue during the period.

4.3 Dividends

On 30th March 2020, the Group paid the 2019 financial year final dividend of 3.0 cents per share fully franked.

On 27th August 2020 the Directors declared a dividend for the half year ended 30 June 2020 of 3.0 cents per share fully franked with an ex-dividend date of the 3rd September 2020, record date of the 4th September 2020 and payable on 23rd September 2020 (Half year ended 30 June 2019: 4.0 cents per share fully franked).

5. Group Structure and Key Management

5.1 Key management personnel compensation

Remuneration arrangements of key management personnel are disclosed in the annual financial report within the audited remuneration report. During the half year ended 30 June 2020, Tim Hargreaves has been issued with 359,281 performance rights (2019: 415,225) and Shane Booth was granted 175,150 performance rights (2019: 202,422). Each performance right is a conditional entitlement to receive one fully paid ordinary share in the capital of the Company for nil consideration in 2022, subject to the satisfaction of performance conditions, measured over three years.

Shriro Holdings Limited

6. Other Information

6.1 Events after the reporting date

Subsequent to the end of the financial period the Group has surrendered its Head Office lease. The surrender fee was \$500K which is included in the half year results and related to make good obligations. The surrender occurred with four years remaining in the 10 year head office lease. The impact of this transaction will result in an increase in second half profit of \$2.3 million. A new Head Office lease is yet to be executed, however there will be minimal impact on the operations as most staff are already successfully working from home due to Covid-19.

Covid-19 has resulted in Shriro currently receiving the Australian Jobkeeper subsidy until 30 September 2020 resulting in a second half subsidy to be received of \$1.8M.

Post 30 June 2020, more stringent restrictions have been imposed on New Zealand and Victoria, however the impact on the Group to date has been minimal as online trade has increased. The July 2020 and August 2020 sales have exceeded the comparative months in the prior year, due primarily to homeware related product sales.

No other event has occurred 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 periods.

6.2 Statement of accounting policies

Statement of Compliance

The Half Year Condensed Financial Report covers Shriro Holdings Limited as a consolidated entity consisting of Shriro Holdings Limited and the entities it controlled for the half year ended 30 June 2020. The Half Year Condensed Financial Report is presented in Australian dollars, which is the Group's functional and presentation currency.

The Half Year Condensed Financial Report consists of the financial statements, notes to the financial statements and the directors' declaration.

Shriro Holdings Limited is a listed public company limited by shares, incorporated and domiciled in Australia. A description of the nature of the Group's operations and its principal activities is included in the directors' report, which is not part of the financial report.

The Half Year Condensed Financial Report was authorised for issue, in accordance with a resolution of directors, on 27 August 2020. The directors have the power to amend and reissue the financial report.

Basis of preparation

These general purpose financial statements for the half year ended 30 June 2020 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 31 December 2019 and any public announcements made by the Company during the reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding reporting period, unless otherwise stated.

Comparative figures for the Statement of Profit and Loss, Statement of Changes in Equity and the Statement of Cash Flows are shown as at 30 June 2019, whilst the comparatives for the Statement of Financial Position are shown as at 31 December 2019 and 30 June 2019. There has been no material reclassification of figures in prior periods other than the restatements that have already been presented in previous financial reports.

Accounting policy adopted for government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Shriro Holdings Limited

6.2 Statement of accounting policies (cont'd)

New and revised Accounting Standards

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

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