SHRIRO

ANNUAL REPORT
FOR THE 6-MONTH PERIOD ENDED 30 JUNE 2021

Shriro continues its global growth strategy

HIGHLIGHTS

REVENUE

$94.3m

up 20.0% PCP[1]

NET CASH

$17.3m

down 1.7%[1]

NETWORK

33

Countries traded in

EBITDA

$12.3m

uo 17.1% PCP

DIVIDENDS

6.0cps

Fully franked

EMPLOYEES

231

Full time equivalent

1. *Prior corresponding period ("PCP") refers to the six months to 30 June 2020. Net cash has been compared to 31 December 2020.*

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.

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!

OMEGA

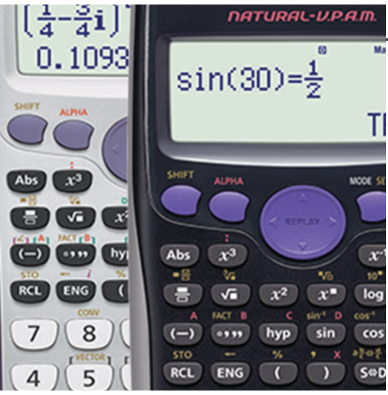
At Omega, we're driven by balance. The perfect balance between beautiful design and brilliant capability. Our products are designed to enhance your life by transforming your kitchen into a stylish and simple environment to delight and satisfy.

EVERDURE 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.

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.

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.

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.

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.

EVERDURE KITCHENS

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

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.

CHAIRMAN'S REPORT

Dear Shareholders,

On behalf of the Board of Directors, it gives me great pleasure to present the Shriro Holdings Limited Annual Report for the six month period ending June 30, 2021.

It is important to note that the Company has changed its reporting period from a December 31 year end to a June 30 year end. The new 2022 year end reporting period commenced on July 1, therefore this report covers the six month transition period between the previous year end of December 31, 2020 and the start of the new twelve month period that commenced on July 1, 2021.

I am pleased to report that the Group has had a strong six month period ending 30 June 2021, delivering revenue growth of 20.0% on the prior corresponding ('pcp') period to $94.3m and a record NPAT of $6.8m, an increase of 44.7% (pcp) with earnings per share increasing 42.0% to 7.1 cents per share.

The Company continued to experience increased demand through the period on homewares and consumer related goods which benefited all brands in Shriro's portfolio. International sales of the Everdure by Heston Blumenthal range of BBQs continued to grow with revenue increasing by 134% (pcp) as the brand progressively gains market share Europe and the USA.

Gross margin increased by 220 basis points to 41.0%, achieved through reduced discounting and a stronger Australian dollar which offset increased freight and supply chain costs. Improved operating leverage achieved through the combination of cost rationalisation and revenue growth has delivered NPBT of $9.8m which was an increase of 50.8% (pcp).

Operating cashflows were $7.3m or 107% of NPAT, which resulted in a cash position of $17.3m as at 30 June 2021, which leaves the Group with a strong balance sheet and well placed to pursue organic and non-organic strategic growth initiatives.

On 31 August 2021, the Directors declared a final dividend of 6.0 cents per share fully franked with an ex-dividend date of 09 September 2021, record date of 10 September 2021 which was paid on 30 September 2021.

Since the end of the period, continued government mandated lockdowns have impacted the Company's retail customers' ability to open their stores on a consistent basis in many regions. The continued lockdowns, as well as the previously reported cyber incident, has caused some timing issues around customer orders and their ability to receive goods into stores although the business successfully recovered with minimal losses. Notwithstanding the business disruption, the Company has continued to keep all staff employed and fully paid to date. Further, on the staff front, the majority of the team have been working from home for an extended period of time and on behalf of the Board I would like to share my gratitude for their resilience and work ethic throughout this difficult period. Hopefully they'll all be able to return to the office soon.

On July 12, I announced my intention to retire as a Director and Chair of the Company and that I would assist in the search and recruitment of a suitable successor. In recent weeks, the Company has announced the appointment of two new Independent non-executive Directors, Ms Cornelia Meyer and Mr Kim Slater. Through their joint experience, Cornelia and Kim bring significant depth of experience and skills in international trade, mergers and acquisitions and capital markets which are highly regarded and will add tremendous value to the Board in developing and delivering strategic growth initiatives. Subsequent to their appointments, I am pleased to advise that the Board has elected Ms Meyer as Chair. She has outstanding international leadership credentials and on behalf of the Board I wish her every success in the role and accordingly I will retire as a Director of the Company following lodgement of this Annual Report.

It has been a great pleasure to lead the Group as Chair and I'd like to recognise the support and hard work of my fellow independent Directors, Cheryl Hayman and Abigail Cheadle, the Management team led by Tim Hargreaves, and our Company Secretary, Lisa Jones. I am confident their success will continue into the future.

STEPHEN HEATH
Chairman

The Company continued to experience increased demand through the period on homewares and consumer related goods which benefited all brands in Shriro's portfolio.

STEPHEN HEATH
Chairman

MANAGING DIRECTOR'S REPORT

Shriro intends increasing the number of brands in its portfolio and has invested in its supply chain to ensure that any potential growth opportunities can be evaluated and determined for suitability and then integrated with appropriate operational support and infrastructure.

TIM HARGREAVES
Chief Executive Officer

I am very pleased to report on the past 6 months' trading, with many of the financial results representing record outcomes for Shriro. The combination of our portfolio of world class brands, the fact that consumers have been spending more time at home and investing in home related consumer goods, and a talented and committed management team have all contributed to record revenue and net profit after tax ('NPAT') for the 6 month period to 30 June 2021.

Like a lot of Australian and NZ businesses, the challenges that the Company has faced in the past six months have tested Managements' agility and the operational capability and drive for excellence of the business. Not only during the past 6 months, but the last 18 months, Shriro has had to adapt quickly to the various international and domestic government decisions to move in and out of COVID-19 related lockdowns. Whether it was product manufacturing and shipping delays, increased pressure on supply chain costs or retail store closures, the business was required to be decisive and agile, moving swiftly while continually ensuring the safety and wellbeing of all staff.

Our revenue growth of 20% (prior year comparative, 'pcp') and a record NPAT profit of $6.8m is testament to Shriro's hard working and focussed employees, working closely as a team to produce this strong 6 month result.

Investing in International Growth with Company Owned Brands

International BBQ sales showed strong revenue growth of 134% in the six months to 30 June 2021. The focus on the European market resulted in growth with Shriro's overseas product distributors reporting that retail outlets sell through of BBQ's was strong, resulting in little stock remaining in the retail channel, therefore setting up the opportunity for increased retailer orders for the next European summer.

The USA sales focus is largely through strategic e-commerce partners such as Amazon, which is working well, with growth of 684% (albeit from a low base) with sales upside still to be realised.

The addressable global BBQ market of approximately six billion dollars per annum continues to represent an opportunity for Shriro. The Group has now added resources to include a centralised marketing team coupled with boosted investment in digital and brand marketing while continuing its product development improvements. Everdure by Heston continues to deliver a high quality, differentiated product supporting its reputation as a premium brand.

Distribution

Shriro has a long-standing relationship with Casio and has been its exclusive distributor for 40 years. It is a strong partnership which has resulted in Shriro being a market leader in school calculators, ruggedised watches and portable keyboards. Shriro continues to work closely with Casio, to facilitate their goals and align our brand marketing, distribution and sales strategy.

Shriro has also been the Pioneer distributor in New Zealand for more than 15 years which has resulted in Shriro today holding the leading market position in DJ equipment and car audio products in New Zealand.

Portfolio expansion

Shriro continues to actively seek further brands to distribute in Australia and New Zealand with a focus on complementary product categories which do not directly compete with our current principal partner's products. Shriro intends increasing the number of brands in its portfolio and has invested in its supply chain to ensure that any potential growth opportunities can be evaluated and determined for suitability and then integrated with appropriate operational support and infrastructure.

Operations

Leveraging from the lower cost base that was reported in the prior financial year, the Group has invested in some key senior roles in the six months ended 30 June 2021 which include supply chain, global logistics, human resources, technology and marketing.

Shriro's hybrid working environment was successfully implemented and well received by our responsive staff, however lock-downs commenced, head office staff once again successfully worked from home. Shriro has remained committed to an Employee Assistance Programme which assists staff who are working from home but can be faced with challenges which may be associated with physical and social isolation.

Acquisition Strategy

Shriro has a strong balance sheet. In addition to its organic growth, Shriro plans to leverage its balance sheet to acquire relevant and strategically appropriate businesses, the objective being to enhance our current distribution supply chain and benefit the business and our shareholders.

Outlook

Shriro expects market conditions to continue to be favourable for its suite of products as lock-downs end and consumers can again begin shopping in bricks and mortar retail outlets, where much of the Group's products are sold.

As previously announced Blanco will be departing from the Shriro stable from 1 May 2022. The intention is for the working capital released be to reinvested in Group owned brands, accelerating growth opportunities.

Shriro had a cyber-attack, which affected operations for three weeks from early July 2021. Shriro recovered all data from its ERP system and has taken steps to mitigate re-occurrence.

Prior to the cyber-attack, the Group commenced evaluating ERP providers and solutions, aiming to implement a system which is modern, cloud based and easily connectable to our retailers and websites. The expense of this programme will occur in the first half of FY2023.

Our head office staff in Australia and New Zealand are continuing to work from home during lockdown. Certain warehouse staff, considered essential, have continued to work on site during lockdown but in a capacity which minimises their risk of contracting or spreading Covid- 19. The majority of our staff have been vaccinated, and it is the Group's intention to reintegrate staff back into working environments outside of their home, subject to government Covid-19 guidelines relevant to each jurisdiction in which the staff work.

Board

Thanks to the Board for their continued support, hard work and commitment during this past period. I offer a warm welcome to Cornelia Meyer and Kim Slater who joined the board in October 2021. They both have extensive experience that will aid in setting the future direction of the organisation.

Finally, I would like to thank Stephen Heath for his sound counsel, strong logic, energy, governance and work ethic as Chairperson of the Shriro Board. On behalf of Shriro, I wish him continued success in his current and future roles.

Tim Hargreaves
Chief Executive Officer and Managing Director

BUSINESS REVIEW

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

AUSTRALIA

- 6 months EBITDA improving to $8.7m – up 4.8% from the PCP
- Hybrid working model commenced in April 2021
- Seasonal products produced revenue growth, with BBQs 50.8% PCP
- Everdure Kitchen revenue growth was 10.8% with Blanco growing 14.0% PCP

NEW ZEALAND

- 6 months EBITDA improving to $3.3M – up 50.0% PCP1
- Growth in Robinhood appliances revenue growth of 56.2% PCP with an expanded retail customer retail base
- Appliance division's revenue growth was 70.7% PCP overall with improved and expanded products ranges being well received by customers
- Auckland airport G-shock store continued to be closed during the period

1. Prior corresponding period ("PCP") refers to the six months to 30 June 2020. Net cash has been compared to 31 December 2020.

REST OF WORLD

- EBITDA improving to $0.2 million, resulting in the first positive EBITDA for the geographical region
- Sales grew 135.9% on the PCP with the USA and Europe leading the growth
- Strategic alignment with E-commerce partner, such as Amazon, in the USA establishes a strong foundation for future growth
- International supply chain resources added to assist ‘speed to market’ of inventory

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 Directorship of 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.

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.

ABIGAIL CHEADLE
Non-Executive Director

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

Abigail Cheadle was appointed to the Board of Shriro Holdings Limited in June 2020.

- Abigail is a chartered accountant with nearly 30 years' experience working in Australia, Singapore, Indonesia, Thailand, Vietnam, India, Malaysia, Jordan and Russia.
- Before embarking on a non-executive career Abigail was CEO of a technology platform and grew practices for KROLL, KordaMenta, Deloitte and Ernst & Young working principally in the areas of company restructuring, forensic accounting, data analytics, risk management consulting, and professional services management.
- Abigail is currently a Non-Executive Director of LGI Limited and Gladstone Ports Corporation Limited. Previously she was a Director of Qantm Intellectual Property Limited and Isentia Group Limited and SurfStitch Group Limited which was privatised.

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.
- Cheryl is currently a Director of HGL Ltd, Chartered Accountants Australia and New Zealand, Peer Support Australia, The Darlinghurst Theatre Company and was preciously a Director of Clover Corporation Ltd.

KIM SLATER
Non-Executive Director

- Kim Slater was appointed to the Board of Shriro Holdings Limited in October 2021.
- Kim has over 25 years' experience as a senior executive in banking and finance roles and has spent numerous years providing specialist advice on structured products as well as hybrid and equity derivative products as an investment specialist. He has held senior blue chip roles including at Country Natwest, Deutsche Bank and Salomon Smith Barney.
- Kim has had a lengthy association with Shriro, has a passion for the business and the sectors it operates in, and has a deep expertise in developing and executing strategic business growth.

CORNELIA MYER
Non-Executive Director

Cornelia Meyer was appointed to the Board of Shriro Holdings Limited in September 2021.

- Cornelia is an independent board director, business consultant, economist and energy expert. Cornelia is Chairman & CEO of MRL Corporation and Chairman and Chief Economist of LBV Asset Management. Cornelia has advised governments and worked for some of the world's great companies.
- Cornelia has extensive international experience, including government advisory and senior executive roles in energy, development & investment banking covering Asia, Russia, Eastern Europe and the Middle East. Cornelia held non-executive board roles in asset management, energy, food and the not for profit sectors. Cornelia has particular expertise in emerging markets and is fluent in six European and Asian languages

CONTENTS

CORPORATE GOVERNANCE STATEMENT

The Board and management of the Company are committed to effective corporate governance in order to ensure accountability and transparency to shareholders and other stakeholders, including customers, employees, staff and regulatory bodies. The Company has adopted, and has substantially complied with, the ASX Corporate Governance Principles and Recommendations (Fourth Edition) ('the Recommendations') to the extent appropriate to the size and nature of the Group's operations.

The Company has prepared a statement which sets out the corporate governance practices that were in operation through the financial period for the Company (Corporate Governance Statement).

The Corporate Governance Statement approved by the Board will be lodged together with the Company's Annual Report with the ASX and can also be found on the Company's website at https://www.shriro.com.au/investor/corporate_governance

DIRECTORS' REPORT

The Directors present their report in compliance with the provisions of the *Corporations Act* 2001 for Shriro Holdings Limited and its subsidiaries (the "Group") for the period ended 30 June 2021. Shriro Holdings Limited ("Shriro") changed its year end from 31 December to 30 June and these financial statements have been prepared for the transitional period 01 January 2021 to 30 June 2021.

DIRECTORS

Directors of Shriro Holdings Limited during the period ended 30 June 2021 were:

Stephen Heath – Independent Chairman

Cheryl Hayman – Independent non-executive Director

Abigail Cheadle – Independent non-executive Director

Vasco Fung – Non-independent non-executive Director (resigned 11 February 2021)

Tim Hargreaves – Non-independent Managing Director

COMPANY SECRETARY

Shane Booth held the position of Company Secretary from 14 April 2015 to 27 January 2021. He continues to serve as Chief Financial Officer and resigned as Company Secretary on 27 January 2021, to allow him to focus on financial management, business operations and strategy.

Lisa Jones was appointed as Company Secretary on 27 January 2021. Lisa is an experienced corporate lawyer and corporate governance professional with more than 20 years' experience in commercial law and corporate affairs. She was a senior associate in the corporate and commercial practice of Allens and has held executive positions with private and public listed companies in Australia and in Italy. Lisa is the principal of Jones Meredith Group which provides bespoke company secretarial and corporate governance services to listed and unlisted companies.

PRINCIPAL ACTIVITIES

The Group is a leading kitchen appliances and consumer products marketing and distribution business operating in Australia and New Zealand. The Group is also expanding internationally with BBQs and cooling products.

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 (including Casio, Blanco and Pioneer).

Products marketed and distributed by the Group include calculators, watches, musical instruments, audio products, kitchen appliances, sinks and taps, laundry products, consumer electronics, car audio, amplifiers, professional DJ, hi-fi speakers, barbeques, and heaters and cooling products.

REVIEW OF OPERATIONS

Results summary	**6 months to 30 June 2021 $million**	**6 months to 30 June 2020 $million[1]**	**Change %**	**12 months to 31 December 2020 $million**
Revenue from ordinary activities	94.3	78.6	20.0%	191.3
Gross Margin	41.0%	38.8%	2.2pp	39.6%
Operating Expenses	26.4	20.0	32.0%	43.6
EBITDA	**12.3**	**10.5**	**17.1%**	**32.3**
Depreciation and amortisation	2.4	3.0	(20.0%)	5.6
Interest	0.1	1.0	(90.0%)	1.6
Profit Before Tax	9.8	6.5	50.8%	25.2
Profit After Tax	**6.8**	**4.7**	**44.7%**	**18.2**

During the period there were minimal lock-down periods in Australia and New Zealand, however travel restrictions continued in both countries, resulting in increased consumer spending on household items. In addition, the Group's international expansion of its Everdure by Heston Blumenthal products grew successfully in the six months to 30 June 2021 with export

[1] Financial information for the six-month period to 30 June 2020 has been included as the prior corresponding comparative period. Movement percentages have been calculated between the six months of 30 June 2021 and 30 June 2020. The 6 months to 30 June 2020 financial information is unaudited but has been subject to a review.

Shriro Holdings Limited

revenue increasing by 135.9% on the six months to 30 June 2020 ("prior corresponding period"). These factors resulted in strong revenue performance in the six months to 30 June 2021.

During the period, Shriro invested in infrastructure technology, marketing and human resources to support its strategic initiatives. Operating expenses increased from the prior corresponding period by 32.0%, however the prior corresponding period expenses were abnormally impacted as a result of the receipt of Government subsidies and reduced staff working hours due to COVID-19 restrictions.

Statement of financial position and statement of cashflows

Operating cash flows for the six months to 30 June 2021 were $7.3 million (107% of NPAT), lower than the prior year, as the Group purchased extra inventory given the global supply chain uncertainty. As a result of the Group's focus on conserving capital in the 12 months to 31 December 2020, the cash position was lower at 30 June 2021 being $17.3 million as compared to the prior corresponding period of $19.7 million. The Group's balance sheet continues to strengthen with $66.2 million of net assets.

Outlook

The outlook for the business continues to be influenced by the uncertainty associated with COVID-19 as well as global trade, geopolitical and economic factors and the manner in which developments in any of these areas may affect business and investment confidence. The Group's trading has been impacted in the first quarter of FY22 by further lock-downs and a cyber incident which resulted in Shriro's operations being closed for three weeks. However to date, this has had minimal impact on the financial results, as the majority of the July sales orders were fulfilled in August.

Notwithstanding these external influences, the following factors are expected to have a bearing on FY22 outlook for the Group:

- The COVID-19 lock-downs in Australia and New Zealand include measures which vary from previous lock-downs, as a result it is difficult to predict the impact of the lock-downs on the Company's results in FY22.
- Should international borders remain closed, domestic consumer household products demand should remain high which will benefit the Company's performance.
- The Company has mutually agreed to transfer its Blanco division to Blanco Australia Pty Ltd on 01 May 2022. Blanco represented just over 10% of the Group's revenue in CY21, consequently the Group will focus its future growth strategy on company owned brands, Everdure kitchen, Robinhood and Omega in the Appliances market.
- International BBQ revenue is expected to continue to grow with greater marketing investment to drive consumer awareness and a focus on the retail expansion of the Everdure by Heston Blumenthal (EHB) brand.
- The Group is focused on pursuing new high margin, non-competitive products for distribution in our existing markets and seeking EBITDA accretive acquisitions which enhance our value.

Employees

During this financial year, the number of employees ranged between 223 and 245 and was 246 at year end (31 December 2020: 224).

Earnings per share

The basic and diluted earnings per share are calculated using the weighted average number of shares. The Group has basic earnings per share of 7.1 cents (30 June 2020: 5.0 cents, 31 December 2021: 19.1 cents) and diluted earnings per share of 7.0 cents (30 June 2020: 4.9 cents, 31 December 2020: 18.9 cents).

DIVIDENDS

On 31 August 2021, the Directors declared a dividend relating to the period ending 30 June 2021 of 6.0 cents per share fully franked with an ex-dividend date of 09 September 2021, record date of 10 September 2021. The dividend was paid on 30 September 2021.

Directors' Report

Shriro Holdings Limited

DIRECTORS' ATTENDANCE AT MEETINGS

Attendance at Meetings

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

	Directors' Meetings		Audit, Risk and Compliance Committee Meetings		Remuneration and Nomination Committee Meetings	
	Held	Attended	Held	Attended	Held	Attended
Stephen Heath	7	7	2	2	2	2
Cheryl Hayman	7	7	2	2	2	2
Abigail Cheadle	7	7	2	2	2	2
Tim Hargreaves	7	7	2	2	2	2
Vasco Fung[1]	0	0	0	0	0	0

BUSINESS STRATEGY AND RISK

Strategies

The Group's investment in brands, supply chain and distribution capabilities has positioned the Group for potential growth.

The Group aims to continue to grow through:

- continual product development and range extensions
- geographic expansion
- channel diversification
- mergers and acquisitions

Risks

The key risks for the business are:

- change in consumer spending patterns throughout the year;
- customer's deranging products;
- supply chain disruptions;
- deterioration in economic conditions;
- loss of brand distribution rights;
- loss of key personnel
- changing tax and tariff rates;
- foreign exchange movements;
- cyber incidents;
- any further COVID-19 effects; and
- reduced housing construction.

[1] Vasco Fung resigned as a director on 11 February 2021, which was prior to the first meeting of the year

Shriro Holdings Limited

INFORMATION ON DIRECTORS

Information on the Directors who held office during, or since the end of the financial period, is as follows:

Director	Qualifications, Experience and Special Responsibilities	Relevant Interest in Shares
Stephen Heath Chairman Appointed 24 October 2019	**Background and experience:** Stephen is a specialist in consumer goods brand management with over 25 years of manufacturing/wholesale distribution and retail experience. He spent 16 years as CEO of some of Australia's best known consumer brands including Rebel Sport, Godfrey's and Fantastic Holdings with operations experience in Australia, New Zealand, and Asia. **Other roles:** Stephen is the Chair of Temple & Webster Limited Group (ASX: TPW), a Non-Executive Director of Best & Less Group Holdings Ltd (ASX: BST), Redhill Education Limited (ASX: RDH) and Glasshouse Fragrances. **Committee memberships:** • Audit, Risk and Compliance Committee • Remuneration and Nomination Committee **Independence status:** • Independent	-
Tim Hargreaves Managing Director Appointed 14 February 2019	**Background and experience:** Tim joined Shriro in 1990 as the Manager of Casio Australia. After eight years he briefly left the Group to join Canon Australasia as Head of Retail Operations before re-joining Shriro as General Manager Casio in June 2001. He was appointed Chief Executive Officer of Shriro Holdings Limited on 01 January 2018. **Independence status:** • Non-independent	278,312
Cheryl Hayman Non-Executive Director Appointed 24 October 2019	**Background and experience:** Cheryl had a successful global executive career in fast moving consumer goods multi-national organisations Unilever, Yum Restaurants, Time Warner and George Weston Foods prior to becoming a company director. She brings a focus on brand building, communications and digital transformation gained across manufacturing and supply chain consumer businesses in local and global markets. **Other roles:** Cheryl is a Non-Executive Director of Beston Global Foods Limited (ASX: BFC) and HGL Limited (ASX: HNG), a director of Chartered Accountants Australia and New Zealand, Peer Support Australia and The Darlinghurst Theatre Company. Cheryl is a member of the Department of the Prime Minister and Cabinet's Digital Experts Advisory Committee and an elected HCF Councillor. Previously she was a director of Clover Corporation Ltd (ASX: CLV) (12 years, 5 months). **Committee memberships:** • Remuneration and Nomination Committee (Chair) • Audit, Risk and Compliance Committee **Independence status:** • Independent	-
Abigail Cheadle Non-Executive Director Director since 9 June 2020	**Background and experience:** Abigail is a Chartered Accountant with nearly 30 years' experience working in Australia, Asia, Jordan and Russia. Prior to her non-executive career, she was Chief Executive Officer of a technology platform and grew practices for KROLL, KordaMentha, Deloitte and Ernst & Young working in the areas of restructuring, (most notably growing a listed Indonesian finance company from US$29m to US$400m), forensic accounting, data analytics, and risk management consulting. **Other roles:** Abigail is Non-Executive Director of LGI Limited and Gladstone Ports Corporation Limited. Previously she was a Non-Executive Director of Isentia Group Limited (ASX:ISD) (2 years 4 months), Indue Limited (5 months), QANTM Intellectual Property Limited (ASX:QIP) (4 years, 7 months) and Surfstitch Group Limited (ASX:SRF) (1 year, 2 months). **Committee memberships:** • Audit, Risk and Compliance Committee (Chair) • Remuneration and Nomination Committee **Independence status:** • Independent	-

Directors' Report

Shriro Holdings Limited

Director	Qualifications, Experience and Special Responsibilities	Relevant Interest in Shares
Vasco Fung Non-Executive Director Appointed 14 April 2015 (resigned 11 February 2021)	**Background and experience:** Vasco was 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[1]
Kim Slater Non-Executive Director Appointed 01 October 2021	**Background and experience:** Kim has over 25 years' experience as a senior executive in banking and finance roles and has spent numerous years providing specialist advice on structured products as well as hybrid and equity derivative products as an investment specialist. He has held senior blue-chip roles including at Country Natwest, Deutsche Bank and Salomon Smith Barney. Kim has had a lengthy association with Shriro, has a passion for the business and the sectors it operates in, and has a deep expertise in developing and executing strategic business growth. **Independence status:** • Independent	181,903
Cornelia Meyer Non-Executive Director Appointed 13 September 2021	**Background and experience:** Cornelia has extensive international experience, including government advisory and senior executive roles in energy, development and investment banking covering Asia, Russia, Eastern Europe and the Middle East. She held non-executive board roles in asset management, energy, food and the not for profit sectors. Cornelia has particular expertise in emerging markets and is fluent in six European and Asian languages. **Other roles:** Cornelia is Chair and CEO of MRL Corporation and Chair & Chief Economist of LBV Asset Management. **Independence status:** Independent	-

[1] Vasco Fung resigned as a Director on 11 February 2021. Mr Fung's disclosed share holding is as at date of resignation.

Shriro Holdings Limited

AUDITED REMUNERATION REPORT

This remuneration report, which forms part of the Directors' report, details the remuneration of Key Management Personnel for the Company, in accordance with the requirements of the *Corporations Act* 2001 (Cth).

1. Principles used to determine the nature and amount of remuneration

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

2. Remuneration Governance

The Board has overall responsibility for satisfying itself that the Group's remuneration framework is aligned with the Group's purpose, values, strategic objectives and risk appetite. The Board also:

- considers matters relating to remuneration of the Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO") and Executives reporting to them including reviewing performance targets and determining remuneration outcomes;
- Approves the establishment of or amendment to employee incentive plans;
- Considers matters related to Executive succession planning.

To assist the Board in its oversight of the remuneration framework, a Remuneration and Nomination Committee has been established as a standing committee of the Board. The primary responsibilities of this committee, in relation to remuneration, include:

- Reviewing and recommending to the Board employment and remuneration arrangements for the CEO, CFO and senior executive team;
- Reviewing Non-Executive Director fees;
- Regularly reviewing the remuneration framework to confirm that it encourages a culture aligned with the Group's values, supports the Group's strategic objectives and long-term interests and is aligned with the Company's risk management framework and appetite.

The Remuneration and Nomination Committee, on behalf of the Board, may engage remuneration consultants to review the remuneration framework to ensure it remains relevant and in accordance with industry norms.

Shriro did not receive any 'remuneration recommendations' as defined under the *Corporations Act* 2001 (Cth) in period to 30 June 2021.

3. Key Management Personnel

This report discloses the remuneration arrangements and outcomes for the people listed below, who are the individuals within the Group who have been determined to be Key Management Personnel ('KMP') for the period ended 30 June 2021. KMP are those people who have the authority and responsibility for planning, directing and controlling the Group's activities, either directly or indirectly.

Name	Position	Term
Executive		
Tim Hargreaves	Chief Executive Officer and Managing Director	Full period
Shane Booth	Chief Financial Officer	Full period
Non-Executive Directors		
Stephen Heath	Chairman	Full period
Cheryl Hayman	Non-Executive Director	Full period
Abigail Cheadle	Non-Executive Director	Full period
Vasco Fung	Non-Executive Director	Until 11 February 2021

4. Non-Executive Director Remuneration

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 Directors' base fees are presently $90,000 per annum. The Chairman's fee is presently $140,000 per annum.

Directors' Report

Shriro Holdings Limited

Committee fees are outlined in the table below.

Role and committee	Fee per annum
Chair of Audit, Risk and Compliance Committee	10,000
Chair of Remuneration and Nomination Committee	5,000
Member of Audit, Risk and Compliance Committee	5,000
Member of Remuneration and Nomination Committee	3,000

The Chairman does not receive Committee fees.

5. Executive Remuneration

The remuneration of the CEO and CFO comprise fixed base salary, at-risk variable 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.

5.1. Chief Executive Officer and Chief Financial Officer

The CEO and CFO are remunerated on a salary package basis which is a component of a formal employment contract. In line with best remuneration practice, the Board continues to ensure remuneration is competitive with comparable companies and may undertake external evaluations, from time to time, to ensure market competitiveness with a view to ensuring it attracts and retains the best people.

The salary package contains a fixed base salary and an 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 LTIP.

5.1.1. Short Term Incentive

An STI forms a component of the remuneration of executive Directors and key management personnel in addition to their fixed base salary. The STI for the period ended 30 June 2021 was structured on the following basis:

- Tim Hargreaves was entitled to an STI award equivalent to 60% of his total fixed annual employment cost ($180,000) for target performance or up to 120% of his total fixed base salary ($360,000) for stretch performance, measured against a combination of the period's budgeted profit after tax and non-financial measures.
- Shane Booth was entitled to an STI award equivalent to 40% of his total fixed annual employment cost ($78,000) for target performance or up to 80% of his total fixed base salary employment cost ($156,000) for stretch performance, measured against a combination of the period's budgeted profit after tax and non-financial measures.

The STIs for the CEO and CFO are weighted 50:50 between the financial and non-financial measures. The CEO and CFO are eligible for the bonus related to non-financial measures only when the financial measure has been met.

The STI performance measures were chosen as they reflect short-term performance as well as providing a framework for delivering sustainable value to the Group, its shareholders and customers.

The financial measures and the proportion they make up of the total possible STI are set out below.

	Profit after tax at least 95% of the STI target	Profit after tax between STI target and stretch target	Proportion of total possible STI	
			Financial	Non-financial
Tim Hargreaves	30% fixed base salary $90,000	30% – 60% fixed base salary[1] $90,000 – $180,000	50%	50%
Shane Booth	20% fixed base salary $39,000	20% – 40% fixed base salary[1] $39,000 – $78,000	50%	50%

If the financial measures described above were met, Tim Hargreaves was entitled to an additional bonus of up to 60% of his total fixed base salary and Shane Booth was entitled to an additional bonus of up to 40% of total fixed base salary. The non-financial measures in the STI are:

- Strategy
- People and Culture
- Technology
- Corporate Governance
- Compliance
- Risk Management Strategy

STI awards will be paid in cash following the Board's approval of the Company's consolidated financial statements for the relevant period.

Subsequent to year end, the Director's approved the payment of the STI awards for the CEO of $360,000 and for the CFO $156,000.

[1] Calculated on a straight-line basis

Shriro Holdings Limited

5.1.2. Long Term Incentive

A Long-Term Incentive Plan ('LTIP') has been implemented in accordance with Shriro's Equity Incentive Plan Rules. As it stands at 30 June 2021, the LTIP allows participants to be issued with Performance Rights ('Rights') which have associated performance hurdles that are tested at the end of the vesting period (three years for outstanding offers) from the effective issue date to determine vesting.

Tim Hargreaves has not been issued with any Rights in respect of the period ended 30 June 2021 (2020: 359,281, 2019:415,225).

Shane Booth has not been issued with any Rights in respect of the period ended 30 June 2021 (2020: 175,150, 2019: 202,422).

Testing for achievement of the performance hurdle follows Board approval of the Company's consolidated financial statements three years after the Rights effective issue date. On exercise the Board, at its discretion, will decide whether to settle the exercised Rights via the allocation of shares, or by a cash payment. Where shares are to be allocated, this will be achieved by an on-market purchase of the relevant number of shares, or an issue of ordinary shares for the 2020 Rights and Shane Booth's 2019 Rights. Tim Hargreaves 2019 Rights will be settled by an on-market purchase of shares, or by a cash payment and will not be settled by way of an issue of new shares.

The performance hurdle relating to the Rights issued to both Tim Hargreaves and Shane Booth, is a compound annual growth rate ('CAGR') target on the Group's earnings per share ('EPS') over the vesting period.

An EPS CAGR of 5% over the three year vesting period will result in 50% of the Rights vesting (threshold performance) and an EPS CAGR of 10% or higher will result in 100% of Rights vesting (target performance). An EPS CAGR between 5% and 10% will result in between 50% and 100% of Rights vesting on a pro-rated basis.

After vesting, each Right can be exercised and converted to an equivalent number of shares of the Company, or cash at the Board's discretion. The rights have been granted free of charge.

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.

5.2. Key Terms of Employment Contracts

5.2.1. Chief Executive Officer

The Company entered into an executive service agreement with Tim Hargreaves as Managing Director and CEO effective 01 January 2018. The fixed base salary component of the agreement is appropriate and is in line with relevant companies in industry comparable.

The STI can range between 0% and 120% of the fixed base salary, based on performance measured against a profit after tax target which is set annually by the Directors, as well as non-financial measures. The LTIP can range between 0% and 40% of the fixed base salary based on performance measured against an EPS CAGR target, set by the Directors, over a three-year period.

Term: No fixed term

Annual salary[1]: Total fixed base salary of $600,000, subject to annual adjustment

Notice period: Twelve months' notice by either party

5.2.2. Chief Financial Officer

The Company entered into an executive service agreement with Shane Booth as Company Secretary and CFO effective 23 June 2015. The fixed base salary component of the agreement is considered to be appropriate and in line with relevant industry comparables. Shane Booth ceased to be Company Secretary on 27 January 2021 with the remainder of the executive service agreement unchanged.

The STI can range between 0% and 80% of the fixed base salary, based on performance measured against a profit after tax target, set annually by the Directors, as well as non-financial measures. LTIP can range between 0% and 30% of the fixed base salary based on the achievement of performance conditions that are measured after three years, as determined by the Board and included in the invitation to participate in the LTIP.

Term: No fixed term

Annual salary[1]: Total fixed base salary of $390,000, subject to annual adjustment

Notice period: Six months' notice by either party

[1] Annual salary was pro-rated for the transition period ending 30 June 2021

Directors' Report

Shriro Holdings Limited

5.3. Relationship between Remuneration Policy and Group Performance

The remuneration of executive officers includes an STI. The total STI paid in a year is discretionary and is closely related to, and determined mainly by, Group profit after tax targets but also includes a component related to non-financial targets.

5.4. Particulars of Key Management Personnel interests during the period ended 30 June 2021

Fully paid ordinary shares of Shriro Holdings Limited

	31 December 2020	Received on exercise of rights during the six months to 30 June 2021	Net other changes during the six months to 30 June 2021	30 June 2021
	Number	Number	Number	Number
Non-executive Directors				
Stephen Heath	-	-	-	-
Abigail Cheadle	-	-	-	-
Cheryl Hayman	-	-	-	-
Vasco Fung[1]	3,321,937	-	-	3,321,937
Total	**3,321,937**	**-**	**-**	**3,321,937**
Executive Officers				
Tim Hargreaves	278,312	-	-	278,312
Shane Booth[2]	2,303,125	-	-	2,303,125
Total	**2,581,437**	**-**	**-**	**2,581,437**

1 Vasco Fung retired from the Board on 11 February 2021. Mr Fung's shareholding details are provided up until the date of his retirement.
2 Shane Booth's shares are held by an immediate family member

Shriro Holdings Limited

5.5. Key Management Personnel Statutory Remuneration

Details of each of the KMP's remuneration for the period ended 30 June 2021 (calculated in accordance with the applicable Accounting Standards) are set out below.

6 months to 2021	Short-term Benefits				Post-employment Benefits	Long-term Benefits		Total	Percentage of remuneration related to performance
	Cash Fees/Salary	Cash Bonus	Termination benefits	Non-monetary benefits[1]	Super-annuation	Long service leave	Share rights[2]		
	$	$	$	$	$	$	$	$	%
Non-Executive Directors									
Stephen Heath	70,000	-	-	-	-	-	-	70,000	-
Cheryl Hayman	45,662	-	-	-	4,338	-	-	50,000	-
Abigail Cheadle	51,500	-	-	-	-	-	-	51,500	-
Vasco Fung	11,559	-	-	-	-	-	-	11,559	-
Total	**178,721**	**-**	**-**	**-**	**4,338**	**-**	**-**	**183,059**	**-**
Executive Officers									
Tim Hargreaves	286,407	360,000	-	12,359	12,500	5,529	53,131	729,926	56.6%
Shane Booth	194,989	156,000	-	3,064	10,847	3,570	25,901	394,371	46.1%
Total	**481,396**	**516,000**	**-**	**15,423**	**23,347**	**9,099**	**79,032**	**1,124,297**	**52.9%**

Shriro offers all employees the option to purchase products at a discounted rate. Employees are charged cost plus a fixed mark-up percentage and employees incur all freight and handling charges. KMP, including Non-Executive Directors, have access to this program.

1 Non-monetary benefits relate to benefits such as car parking and tolls that do not form part of the KMP's cash salary

2 No performance rights were awarded in respect of the period ended 30 June 2021. Performance rights issued in respect of previous financial year are recognised in accordance with AASB 2 *Share Based Payments* and vest subject to the satisfaction of performance conditions

Directors' Report

Shriro Holdings Limited

12 months to 31 December 2020	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								
Stephen Heath[2]	118,349	-	-	7,918	-	-	126,267	-
Vasco Fung[2]	93,100	-	-	-	-	-	93,100	-
Cheryl Hayman[2]	86,454	-	-	8,213	-	-	94,667	-
Abigail Cheadle[3]	50,232	-	-	-	-	-	50,232	-
Greg Laurie[4]	23,820	-	-	2,263	-	-	26,083	-
John Ingram[4]	21,309	-	-	2,024	-	-	23,333	-
Total	**393,264**	**-**	**-**	**20,418**	**-**	**-**	**413,682**	**-**
Executive Officers								
Tim Hargreaves	586,539[5]	720,000[6]	-	25,000	10,150	(123,460)	1,218,229	49.0%
Shane Booth	376,151[5]	312,000[6]	-	21,349	6,408	(60,187)	655,721	38.4%
Total	**962,690**	**1,032,000**	**-**	**46,349**	**16,558**	**(183,647)**	**1,873,950**	**45.2%**

1 Performance rights as an LTIP awarded in respect of the 2020 financial year was recognised in accordance with AASB 2 *Share Based Payments*. These rights were to vest subject to the satisfaction of performance conditions. Note the 2018 performance rights vesting calculation excluded Government subsidies which resulted in KMPs not achieving the LTIP hurdles which they otherwise would have satisfied. The KMPs agreed with this approach.

2 The non-executive Directors forewent 20% of their Director and Committee fees during the months of April, May and June 2020.

3 Abigail Cheadle was appointed to the Board 9 June 2020. Ms Cheadle forewent 20% of her Director and Committee fees during the month of June 2020.

4 John Ingram retired 27 February 2020 and Greg Laurie passed away on 23 March 2020.

5 The CFO and CEO took a 40% reduction in salary during April and May 2020. The CEO and CFO used annual leave for 16 days between 01 April 2020 and 31 May 2020 which is included in the cash fees/salary. Of the 16 days, the Group reimbursed 5 days in December 2020 which is included in the above.

6 Government subsidies were excluded from all executive STI and LTI calculations.

Shriro Holdings Limited

No Director or member of the senior management appointed during the year received a payment as part of their remuneration for agreeing to hold the position.

Non-Executive Directors have no entitlement to a cash bonus or non-monetary benefits.

5.6. Bonuses and share-based payments granted as compensation for the current period

Employee Long Term Incentive plan

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

Rights have been granted to the CEO, CFO and other members of senior management of the Company in accordance with the Executive Incentive Plan Rules. Invitations to participate in an LTIP were not extended to the CEO, CFO or members of senior management in the period to 30 June 2021. It is expected that an invitation to apply for performance rights in respect of the 2022 financial year will be approved by the Board.

Due to the change in year end and the need to align LTIP performance periods with the new financial year end date no Rights were issued to Tim Hargreaves (2020: 359,281, 2019:415,225) or Shane Booth (2020: 175,150, 2019: 202,422) for the period ended 30 June 2021.

Non-Executive Directors did not receive any shares in the current period, nor in previous years, and Non-Executive Directors cannot participate in the LTIP.

Shriro Holdings Limited has not issued any options.

Directors' Report

The key terms of the current award under the employee LTIP are summarised in the table below:

<table>
<tr><td>Performance conditions, performance period and vesting</td><td>
Rights will vest subject to the satisfaction of performance conditions.
The performance period for LTIP awards is 3 years. The grants have a performance period ending on 31 December three years after the effective issue date.
The vesting of Rights is subject to the achievement of a target of 10% EPS CAGR over three years from the effective date of the performance review (performance hurdle).
The percentage of 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:
<table>
<tr><th>Target CAGR of the Group's EPS over the three-year period</th><th>% of Rights that vest</th></tr>
<tr><td>Less than threshold performance (less than 5%)</td><td>Nil</td></tr>
<tr><td>Threshold performance (5%)</td><td>50%</td></tr>
<tr><td>Between threshold and target performance (5%-10%)</td><td>50-100% on a straight-line pro-rated basis</td></tr>
<tr><td>Target performance (10% or above)</td><td>100%</td></tr>
</table>
Rights that have not met the vesting conditions at the end of the performance period will immediately lapse.
This LTIP structure has been adopted by the Board as it believes it provides an appropriate management incentive, is within management's achievable control, and is of a timespan relevant to the Group's industry.
Testing of the performance hurdle to determine the number of Rights which will vest, will occur shortly after the end of the Performance Period and release of the Company's audited consolidated financial statements for the period relating to the Performance Period. Due to the change in the Company's year-end outstanding performance rights at 30 June 2021 will be tested against a combination of audited financial statements and reviewed interim financial statements at the end of the performance period.
</td></tr>
<tr><td>Rights attached to performance rights</td><td>The performance rights do not carry dividends or voting rights prior to vesting.</td></tr>
<tr><td>Restrictions on dealing</td><td>The participant must not sell, transfer, encumber, hedge or otherwise deal with performance rights.</td></tr>
<tr><td>Cessation of employment</td><td>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.</td></tr>
</table>

5.7. Outstanding Rights granted as compensation

KMP	Number of Rights granted	Financial year	Commencement date of performance measurement period	Testing date of vesting conditions	Percentage of grant vested %	Percentage of grant forfeited %	Future financial years that grant will be payable	Fair value at grant date $
Tim Hargreaves[20]	415,225	2019	01/01/2019	31/12/2021	Nil	Nil	2022	157,612
Shane Booth	202,422	2019	01/01/2019	31/12/2021	Nil	Nil	2022	76,836
Tim Hargreaves	359,281	2020	01/01/2020	31/12/2022	Nil	Nil	2023	161,175
Shane Booth	175,150	2020	01/01/2020	31/12/2022	Nil	Nil	2023	78,573
Total	**1,152,078**							**474,196**

CHANGES IN STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group during the financial period. COVID-19 continued to cause uncertainty due to localised outbreaks and “snap” lockdowns, although there were no significant lock downs in the six months to 30 June 2021.

SUBSEQUENT EVENTS

In July 2021 Shriro was subject to a cyber security incident involving unauthorised access to its operating systems. The cyber incident did not have any impact on the results for the period to 30 June 2021. The financial impact of the incident is not expected to be material to the Group’s result for the 30 June 2022 financial year.

On 09 August 2021 Shriro entered into Heads of Agreement with Blanco APAC Pte Ltd to cease distributing Blanco branded products in Australia and New Zealand. Shriro will continue to distribute Blanco products in Australia and New Zealand until 01 May 2022. The contribution Blanco product made to the Group’s revenue for the period ended 30 June 2021 was $9,067,000.

There has not been any other matter or circumstance, occurring subsequent to the end of the financial period 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

The Directors and Officers of the Company are indemnified by the Company against losses or liabilities which they may sustain or incur in their role or in the proper performance of their duties. During the financial year, the Company paid premiums in respect of contracts to insure the Directors and the officers against a liability 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 premiums. The Group has not otherwise, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Group against a liability incurred as the auditor.

NON-AUDIT SERVICES

Details of amounts paid or payable to the auditor for non-audit services in the current year are outlined in note 6.1 to the financial statements.

In accordance with the recommendation from the audit, risk and compliance committee of the Company and 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.

Also in accordance with the recommendation from the audit, risk and compliance committee, the Directors are satisfied that the nature and scope of each type of non-audit services provided means that the auditor independence was not compromised. The auditors have also provided the audit, risk and compliance committee with a report confirming that, in their professional judgment, they have maintained their independence in accordance with the firm’s requirements, the provisions of APES 110 *Code of Ethics for Professional Accountants* and applicable provisions of the *Corporations Act* 2001.

AUDITOR’S INDEPENDENCE DECLARATION

The auditor’s independence declaration (which forms part of the Directors’ report) has been received and is included on page 67 of the annual report.

20 If the performance conditions are satisfied and at the Board’s 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

Directors’ Report

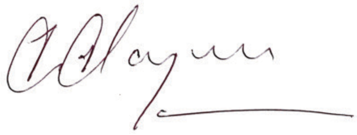
ROUNDING OFF OF AMOUNTS

The Company has applied the relief available under ASIC Corporations (Rounding in Financials/Directors’ Reports) Instrument 2016/191. Accordingly, amounts in the Directors’ report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

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

Stephen Heath
Chair

29 October 2021



Tim Hargreaves
Chief Executive Officer and Managing Director

29 October 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE 6-MONTH PERIOD ENDED 30 JUNE 2021

	Note	6 months to 30 June 2021 $'000	12 months to 31 December 2020 $'000
Revenue from ordinary activities	1.1	94,303	191,258
Raw materials and consumables used		(55,653)	(115,457)
Employee benefits expense[1]	1.2	(13,165)	(21,712)
Advertising and promotion expenses		(3,310)	(4,034)
Freight and delivery expenses		(4,148)	(8,477)
Depreciation and amortisation expenses	1.2	(2,391)	(5,583)
Net gain from lease exit		-	2,304
Occupancy costs		(395)	(926)
Foreign exchange (loss)/gain		(186)	198
Other expenses		(5,193)	(10,576)
Other gains		10	-
Finance costs	1.2	(121)	(1,636)
Profit before tax		**9,751**	25,161
Income tax expense	1.6	(2,983)	(6,965)
Profit for the period		**6,768**	**18,196**
Earnings per share			
Basic (cents per share)	4.2	7.1	19.1
Diluted (cents per share)	4.2	7.0	18.9

[1] Employee benefits expense for the financial year ended 31 December 2020 was offset by the receipt of $3,679,000 of Australian and New Zealand government subsidies

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 6-MONTH PERIOD ENDED 30 JUNE 2021

	Note	6 months to 30 June 2021 $'000	12 months to 31 December 2020 $'000
Profit for the period		**6,768**	**18,196**
Items that may be reclassified subsequently to profit or loss			
Net change in the fair value of cash flow hedges taken to equity		1,810	(1,591)
Exchange differences on translation of foreign operations		(84)	(255)
Other comprehensive income for the year, net of tax		**1,726**	**(1,846)**
Total comprehensive income for the period attributable to the owners of Shriro Holdings Limited		**8,494**	**16,350**

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

AT 30 JUNE 2021

	Note	30 June 2021 $'000	31 December 2020 $'000
Current assets			
Cash and cash equivalents	1.5	17,313	17,569
Trade and other receivables	2.1	32,052	34,079
Inventories	2.2	34,563	36,868
Other assets	2.3	979	480
Current tax receivable		2,094	-
Derivative receivable		527	75
Total current assets		**87,528**	**89,071**
Non-current assets			
Right of use assets	3.2	9,078	8,758
Plant and equipment	3.1	5,619	4,621
Deferred tax assets	1.6	5,928	6,272
Total non-current assets		**20,625**	**19,651**
Total assets		**108,153**	**108,722**
Current liabilities			
Trade and other payables	2.4	20,177	23,522
Lease liability	3.2	3,643	3,231
Current tax liabilities		1,247	1,412
Provisions	2.5	5,530	5,327
Derivative payable		388	2,478
Total current liabilities		**30,985**	**35,970**
Non-current liabilities			
Lease liability	3.2	8,629	9,138
Provisions	2.5	2,356	2,374
Total non-current liabilities		**10,985**	**11,512**
Total liabilities		**41,970**	**47,482**
Net assets		**66,183**	**61,240**
Equity			
Issued capital	4.1	94,617	94,617
Retained earnings	4.4	48,676	45,712
Reserves	4.5	(77,110)	(79,089)
Total equity		**66,183**	**61,240**

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 PERIOD ENDED 30 JUNE 2021

	Issued capital $'000	Group Reorganisation Reserve $'000	Cash Flow Hedging Reserve $'000	Foreign Currency Translation Reserve $'000	Equity Settled Benefits Reserve $'000	Retained Earnings $'000	Total $'000
Balance at 1 January 2020	94,617	(78,585)	(367)	2,035	(344)	33,221	50,577
Profit for the year	-	-	-	-	-	18,196	18,196
Other comprehensive income for the year	-	-	(1,591)	(253)	-	-	(1,844)
Total comprehensive income	**-**	**-**	**(1,591)**	**(253)**	**-**	**18,196**	**16,352**
Dividends paid	-	-	-	-	-	(5,705)	(5,705)
Share-based payments reserve (net of tax)	-	-	-	-	16	-	16
Balance at 31 December 2020	**94,617**	**(78,585)**	**(1,958)**	**1,782**	**(328)**	**45,712**	**61,240**
Profit for the period	-	-	-	-	-	6,768	6,768
Other comprehensive income for the period	-	-	1,810	(84)	-	-	1,726
Total comprehensive income	**-**	**-**	**1,810**	**(84)**	**-**	**6,768**	**8,494**
Dividends paid	-	-	-	-	-	(3,804)	(3,804)
Share-based payments reserve (net of tax)	-	-	-	-	253	-	253
Balance at 30 June 2021	**94,617**	**(78,585)**	**(148)**	**1,698**	**(75)**	**48,676**	**66,183**

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 PERIOD ENDED 30 JUNE 2021

	Note	6 months to 30 June 2021 $'000	12 months to 31 December 2020 $'000
Cash flows from operating activities			
Receipts from customers		108,139	202,107
Payments to suppliers and employees		(95,538)	(174,354)
Finance costs paid		(428)	(1,616)
Income taxes paid		(4,898)	(3,912)
Net cash provided by operating activities	1.5.2	7,275	22,225
Cash flows from investing activities			
Proceeds from sale of plant and equipment		23	267
Payment for plant and equipment		(2,037)	(2,039)
Net cash inflow from sale of brand	1.1	-	377
Net cash used in investing activities		(2,014)	(1,395)
Cash flows from financing activities			
Payments for the principal portion of lease liabilities		(1,720)	(3,499)
Dividends paid		(3,804)	(5,705)
Net cash used in financing activities		(5,524)	(9,204)
Net increase in cash and cash equivalents		(263)	**11,626**
Cash and cash equivalents at the beginning of the financial period		17,569	5,970
Effects of exchange rate changes on cash		7	(27)
Cash and cash equivalents at the end of the financial period	1.5.1	**17,313**	**17,569**

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

NOTES TO THE FINANCIAL STATEMENTS

Basis of preparation

Statement of compliance

The consolidated financial statements were authorised for issue by the Directors on 29 October 2021 in accordance with a resolution of the directors. Shriro Holdings Limited (the Company) is a for-profit company limited by shares incorporated in Australia whose share are publicly traded on the Australian Securities Exchange (ASX). The nature of operations and principal activities of the Group are to market and distribute kitchen appliances and consumer goods to Australian, New Zealand and international customers.

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with the *Corporations Act 2001*, Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis of preparation

On 27 August 2020, the Directors notified the Australian Securities Exchange that the Company's financial year end will be changed from 31 December to 30 June. These financial statements have been prepared for the transitional period 01 January 2021 to 30 June 2021 and as the 31 December 2020 Statement of Profit or Loss relates to a twelve-month period, comparison cannot be performed.

The consolidated financial statements have been prepared on the basis of historical cost, except for the measurement of derivative financial instruments and share based payment transactions, which have been measured at fair value. The financial statements are presented in Australian dollars with all values rounded to the nearest thousand dollars unless otherwise stated in accordance with *ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191*.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Shriro Holdings Limited and its subsidiaries (the Group) at, and for the period ended, 30 June 2021 (2020: 12 months ended 31 December 2020). Control is achieved when the Group 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 those returns through its power over the investee.

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. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements 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, even if this results in the non-controlling interests having a deficit balance.

The financial information of the subsidiaries is prepared for the same reporting period as the parent, using consistent accounting policies. The financial year end of Shriro's subsidiaries were changed from 31 December to 30 June at, or around, the same time the financial year of the parent entity was changed. Intra-group balances and transactions arising from intra-group transactions are eliminated.

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.

1. Trading Operations

1.1 Revenue

	6 months to 30 June 2021 $'000	12 months to 31 December 2020 $'000
Revenue from continuing operations consisted of the following items:		
Sales of goods	94,045	189,874
Advertising and marketing contributions	258	1,007
Net gain on sale of brand[1]	-	377
	94,303	**191,258**

1. Thing Thing is a clothing brand developed by the Group in New Zealand. It was sold on 1 October 2020. Proceeds of $465,000 were received. The net assets sold were inventory $32,000 and plant and equipment of $4,000. Selling costs were $51,000, resulting in a profit on the sale of the brand of $377,000.

Accounting policy

Sale of goods

Revenue is measured based on the consideration specified in a contract with a customer and is recognised when performance obligations are satisfied.

The Group's contracts generally include one performance obligation, and revenue from the sale of products is recognised at the point in time when control over the product passes to a customer. Revenue is recognised in a manner which depicts transfer of control to a customer at the amount that reflects consideration the business expects to be entitled to in exchange for those goods. Sales to local (Australian or New Zealand) customers are usually recognised when goods are delivered and sales to international customers are recognised based on the international commercial terms products are shipped under, which tends to be when goods are dispatched.

Revenue is recognised net of discounts, rebates, customer returns and other similar allowances. Revenue is recognised net of the amount of goods and services tax.

Key estimates and judgments

The Group provides volume rebates and other discounts to certain customers. Revenue is recorded based on the consideration specified in the sales contracts or terms, net of the estimated discount or rebate at the time of sale. These rebates and discounts are considered in determining the transaction price of a contract are considered variable consideration. The Group estimates discounts and rebates to be the most likely amount a customer will claim based on the terms and conditions in the contract. Historical data (last payment and sales history), forecast sales and customer experience is used to estimate and provide for the discounts and rebates based on anticipated purchases.

Notes to the Financial Statements

1.2 Profit for the period

	6 months to 30 June 2021 $'000	12 months to 31 December 2020 $'000
Profit before tax has been arrived at after charging the following expenses:		
Depreciation of plant, equipment	949	2,565
Depreciation of right of use assets	1,442	3,018
(Decrease) in inventory obsolescence provision	(102)	(612)
Increase in warranty provision	284	221
Employee benefits expense:		
LTIP share based payments	253	16
Termination benefits	298	293
Other employee benefits	12,614	21,403
Impairment / (write back) of trade receivables	(36)	3
Impairment of right-of-use asset	-	172
Finance costs		
Interest on bank overdrafts and loans	64	198
Bank charges	60	126
Interest expense on lease liabilities	(3)	1,312

1.3 Segment information

1.3.1 Primary operating segments

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 of the Company. The internal reports reviewed by the Board, which are used to make strategic decisions, are separated into the Group's primary operating segments. Geographical operating segments are based on the location of the customer.

- **Australia**
  Home appliances, watches, calculators, electronic musical instruments and barbeques
- **New Zealand**
  Home appliances, watches, calculators, electronic musical instruments, barbeques and audio equipment
- **Rest of the world**
  Heaters, fans, barbeques and accessories

No single customer represents greater than 10% of the Group's revenue (2020: nil).

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

6 months to 30 June 2021	Australia $'000	New Zealand $'000	Rest of the world $'000	Total $'000
Revenue from ordinary activities	62,426	22,681	9,196	94,303
Earnings before interest, tax, depreciation and amortisation	8,689	3,332	242	12,263
Depreciation and amortisation expense	(1,853)	(518)	(20)	(2,391)
Profit before interest and income tax	**6,836**	**2,814**	**222**	**9,872**
Interest expense				(121)
Profit before income tax				**9,751**
Income tax expense				(2,983)
Net profit after income tax				**6,768**
Segment assets	81,813	24,591	1,749	**108,153**
Segment liabilities	31,703	9,376	891	**41,970**

12 months to 31 December 2020	Australia $'000	New Zealand $'000	Rest of the world $'000	Total $'000
Revenue from ordinary activities	141,175	44,455	5,628	191,258
Earnings before interest, tax, depreciation and amortisation	24,325	8,460	(531)	32,254
Depreciation and amortisation expense	(4,431)	(1,101)	(51)	(5,583)
Profit before interest and income tax	19,894	7,359	(582)	26,671
Interest expense				(1,510)
Profit before income tax				**25,161**
Income tax expense				(6,965)
Net profit after income tax				**18,196**
Segment assets	84,750	23,736	236	**108,722**
Segment liabilities	34,793	12,136	553	**47,482**

Accounting policy

Segment assets and liabilities

Segment assets and liabilities represent those working capital and non-current assets and liabilities which are located in the respective segments. If items of revenue and expense are not allocated to operating segments, then any associated assets and liabilities are not allocated to segments either.

Intersegment transactions

The price of an intersegment transaction is determined on an arm's length basis. These transactions are eliminated on consolidation and are not material to individual segments and have not been excluded from the segment revenue and profit before income tax.

Corporate charges

Corporate charges are reported in the Australian segment. Net finance costs are not allocated to segments as the Group's financing function is centralised through its Group finance function.

1.4 COVID-19 impact on operations

The decreased COVID-19 cases in Australia and New Zealand in the six months to 30 June 2021, resulted in fewer, and shorter, lockdowns and a return to more normal circumstances in both countries. In overseas markets, COVID-19 continued to have varying impacts with the UK being in region-based lockdown for much of the period. Vaccination programs in both the UK and USA have resulted in economies re-opening. There no was discernible impact on Shriro's results for the period as a result of the COVID-19 pandemic.

The group has evaluated its assets carrying value considering COVID-19 as an indicator of potential impairment, with no impairment noted, however, the outcome of COVID-19 and the impact of any future wave on results is uncertain.

Notes to the Financial Statements

1.5 Notes to the Statement of Cash Flows

1.5.1 Cash and cash equivalents

Accounting policy

Cash and cash equivalents consist of cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are considered to be financing activities as they are used interchangeably to fund the operations and are not repayable on demand.

	30 June 2021 $'000	31 December 2020 $'000
Cash and bank balances	**17,313**	**17,569**

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:

1.5.2 Reconciliation of profit for the period to net cash flows from operating activities

	6 months to 30 June 2021 $'000	12 months to 31 December 2020 $'000
Profit for the period	6,768	18,196
Add non-cash and non-operating cash items:		
Depreciation and amortisation	2,391	5,583
Impairment of right of use asset	-	172
Net (gain) / loss on disposal of assets	(10)	732
Net gain on exit of lease	-	(2,304)
LTIP rights share based payments expense	253	16
Other	(61)	-
Changes in assets and liabilities:		
(Decrease) / Increase in trade and other payables	(1,628)	5,229
Increase / (decrease) in provisions	185	(22)
Decrease / (increase) in inventory	2,305	(2,107)
Decrease / (increase) in trade receivables	2,027	(8,277)
(Increase) / decrease in other current and financial assets	(3,041)	1,953
(Decrease) / Increase in tax assets / liabilities	(1,915)	3,054
Net cash provided by operating activities	**7,274**	**22,225**

Overdraft facilities and working capital 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.

1.6 Income tax

1.6.1 Income tax recognised in profit or loss

Income taxes relating to continuing operations:

	6 months to 30 June 2021 $'000	12 months to 31 December 2020 $'000
Current tax		
In respect of the current period	2,807	6,430
In respect of prior years	-	(449)
	2,807	**5,981**
Deferred tax		
In respect of the current period	176	1,087
In respect of prior years	-	(103)
Total deferred tax (gain)/expense	176	**984**
Total income tax expense recognised in the current period relating to continuing operations	**2,983**	**6,965**

The total income tax expense as shown in the consolidated statement of profit or loss and other comprehensive income differs from the prima facie income tax attributable to earnings.

The differences are reconciled to the accounting profit as follows:

	6 months to 30 June 2021 $'000	12 months to 31 December 2020 $'000
Profit before tax from continuing operations	**9,751**	25,161
Prima facie income tax expense calculated at the Parent Entity's tax rate of 30% (2020:30%)	2,925	7,548
Tax effect of:		
Non-deductible expenditure	116	129
Foreign tax rate adjustment due to differences in tax rates	(55)	(144)
Other	(3)	(16)
Total tax expense	**2,983**	**7,517**
Adjustments recognised in the current period in relation to the tax of prior years	-	(552)
Income tax attributable to profit	**2,983**	**6,965**

Notes to the Financial Statements

Accounting policy

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 recognised for all deductible temporary differences to the extent that it is probable that future 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 Group 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 only if a legally enforceable right exists 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.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

1.6.2 Deferred Tax Balances

The deferred tax expense above is itemised as follows:

30 June 2021	Opening balance $'000	Recognised in total comprehensive income $'000	Closing balance $'000
Deferred tax assets			
Plant and equipment	277	(364)	(87)
Prepayments	(11)	23	12
Superannuation payable	62	(5)	57
Provisions	5,562	284	5,846
Credit loss allowance	63	(11)	52
Sub-total	**5,953**	**(73)**	**5,880**
Cash flow hedges[1]	319	(271)	48
Net deferred tax asset	**6,272**	**(344)**	**5,928**

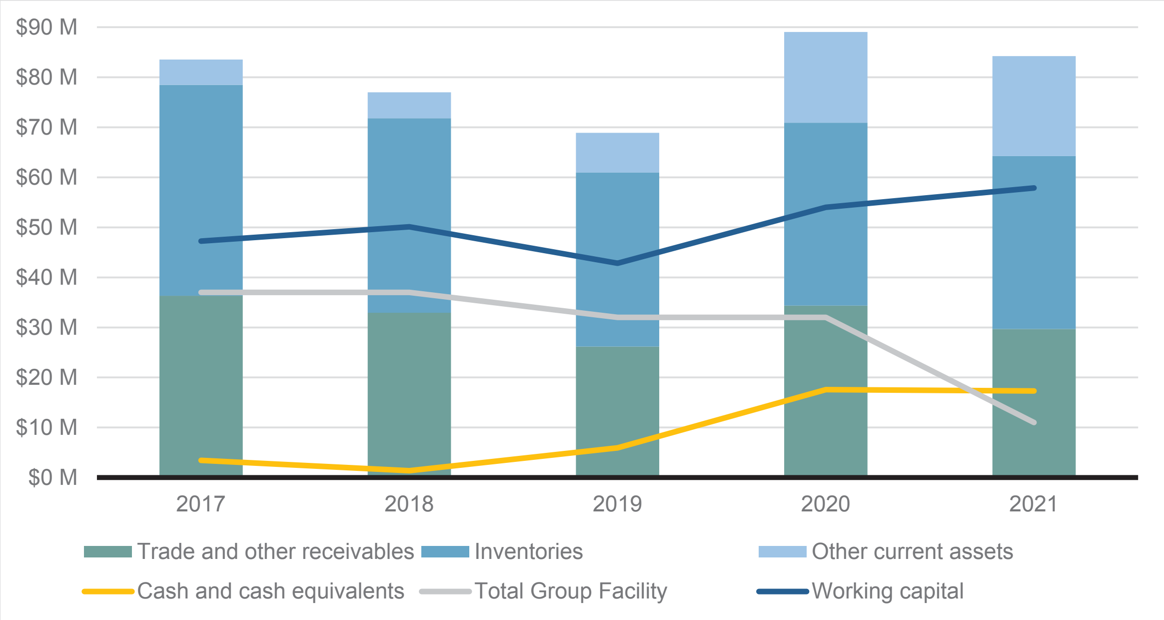
31 December 2020	**Opening balance $'000**	**Recognised in total comprehensive income $'000**	**Closing balance $'000**
Deferred tax assets			
Plant and equipment	19	258	277
Prepayments	(13)	2	(11)
Superannuation payable	41	21	62
Provisions	6,814	(1,252)	5,562
Credit loss allowance	76	(13)	63
Sub-total	**6,937**	**(984)**	**5,953**
Cash flow hedges[1]	-	319	319
Net deferred tax asset	**6,937**	**(665)**	**6,272**

[1] Australian cash flow hedges tax movement was recognised in other comprehensive income.

Notes to the Financial Statements

2. Working Capital

Working Capital: Total current assets versus total current liabilities



*Working capital is calculated as total current assets less total current liabilities.

2.1 Trade and other receivables

	30 June 2021 $'000	31 December 2020 $'000
Trade receivables (net of discounts and rebates)	29,807	34,035
Credit loss allowance	(184)	(220)
	29,623	33,815
Other debtors	51	264
Trade receivables	**29,674**	**34,079**
GST receivable	2,378	-
Trade and other receivables	**32,052**	**34,079**

Age of receivables that are past due:		
60-90 days	55	54
90+ days	113	182
Total	**168**	**236**

Movement in the allowance for credit loss

	30 June 2021 $'000	31 December 2020 $'000
Balance at beginning of the period	(220)	(268)
Impairment loss reversed	36	-
Amounts written off during period as uncollectable	-	39
Amounts recovered during the period	-	9
Balance at the end of the period	**(184)**	**(220)**

Accounting policy

Trade receivables are initially recognised at invoice value (fair value) and subsequently measure at amortised cost, less allowance for expected credit losses. Trade receivables are reduced by a provision for rebates not yet paid to customers, which forms part of the trade and other receivables balance. The rebate provision is reviewed at the end of each period based on historical data and analysis.

The average credit period on sales of goods is 45 days. No interest is charged on trade receivables. The Group has applied the expected credit loss model whereby expected lifetime losses are recognised from initial recognition of the receivables.

A provision matrix is calculated based on historic credit losses, adjusted for any material expected changes to the future credit risk. The adjustment for expected changes in credit risk is determined based on management's knowledge of the Group's customers and analysis of the market risk, specifically the ageing of debtors and history of losses.

The matrix used to calculate the allowance for credit loss at 30 June 2021 is as follows:

	Receivables $'000	Allowance based on historic credit losses	Adjustment for expected changes in credit risk	Credit loss allowance $'000
Current	1,781	0.03%	0.67%	12
0 - 30 days	13,672	0.03%	0.34%	51
31 - 60 days	10,638	0.07%	0.34%	44
61 - 90 days	2,779	0.64%	0.41%	29
90+ days	804	4.13%	1.42%	47
Total receivables	**29,674**			**184**

The matrix used to calculate the allowance for credit loss at 31 December 2020 is as follows:

	Receivables $'000	Allowance based on historic credit losses	Adjustment for expected changes in credit risk	Credit loss allowance $'000
Current	2,772	0.10%	0.20%	6
Sum of 0 - 30 days	17,645	0.10%	0.20%	47
Sum of 31 - 60 days	12,375	0.20%	0.40%	67
Sum of 61 - 90 days	1,101	1.60%	4.00%	66
Sum of 90+	186	4.40%	11.00%	34
Total receivables	**34,079**			**220**

2.2 Inventories

	30 June 2021 $'000	31 December 2020 $'000
Finished goods	29,912	25,443
Stock in transit	7,075	13,951
Allowance for inventory obsolescence	(2,424)	(2,526)
Total inventories	**34,563**	**36,868**

The cost of inventories recognised as an expense during the period in respect of continuing operations was $55,653,000 (2020: $115,497,000).

Stock aged over 3 years amounts to 3.2% (2020: 2.6%) 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

Determining the net realisable value of inventory requires the Directors to make an estimate of a future sale price of inventory. In making this estimate, judgements using recent sales experience, the aging of inventories and assessment of the salability of products are made to estimate the value of the inventory.

Notes to the Financial Statements

2.3 Other assets

	30 June 2021 $'000	31 December 2020 $'000
Prepayments	**979**	**480**

2.4 Trade and other payables

	30 June 2021 $'000	31 December 2020 $'000
Trade payables	13,912	13,927
Accrued liabilities	3,870	6,403
Employee related payables	1,908	2,083
GST Payable	487	1,109
	20,177	**23,522**

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 and for Europe, 90 days. The Group has financial risk management policies in place to ensure that all payables are paid as and when they fall due.

Accounting policy

Trade and other payables, including accruals, are recorded when the Group is required to make future payments as a result of purchases of goods or services. Trade and other payables are carried at amortised cost.

2.5 Provisions

	30 June 2021 $'000	31 December 2020 $'000
Employee benefits	3,607	3,812
Other provisions	4,279	3,889
	7,886	**7,701**
Current	5,530	5,327
Non-current	2,356	2,374
	7,886	**7,701**

Other Provisions	Provision for warranty $'000	Make good $'000	Total $'000
Balance at 31 December 2020	2,689	1,200	3,889
Additional provision recognised	286	107	393
Foreign exchange movement	(2)	(1)	(3)
Closing balance	**2,973**	**1,306**	**4,279**

Accounting policies

Provisions are recognised for present obligations (legal, equitable or constructive) to make future payments (or other transfer of value) to other entities due to past transactions or events. They are recognised only when it is probable the liability will arise and when a reliable estimate can be made of the amount. If the effect of time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax risk-free rate plus, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Employee benefits

A liability is recognised for benefits accruing to employees in respect of 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 is the high-quality corporate bond rate.

Warranty

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. 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 two to five years.

Make good

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 lease agreement.

Key estimates and judgments

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 make a warranty claim 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 risk management

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

(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) Trade and other receivables

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 credit risk is generally lower. New customers are assessed for credit risk using credit references and reports from credit agencies.

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

(c) Bank guarantees and letters of credit

The Group uses bank guarantees to customers, and letters of credit to suppliers in lieu of cash retention.

(d) Trade and other payables

Trade and other payables are denominated in Australian, US and New Zealand dollars, Euro and Yen. Exposure to exchange rate fluctuations are hedged through foreign currency forward contracts.

(e) Foreign currency forward contracts

The Group hedges its cash flows by using forward exchange contracts to minimise the impacts of currency movements. Foreign currency forward contracts, which are used in the normal course of day-to-day business to hedge exposure to fluctuations in foreign exchange fluctuations.

Foreign currency forward contracts are measured and recognised at fair value in accordance with level 2 of the fair value measurement hierarchy.

Notes to the Financial Statements

Categories of financial instruments

Financial assets	30 June 2021 $'000	31 December 2020 $'000
Cash and cash equivalents	17,313	17,569
Trade and other receivables	29,674	34,079
Forward exchange contracts receivable	527	75
Financial liabilities		
Trade and other payables	19,690	17,569
Forward exchange contracts payable	388	75

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

Loans and receivables

Trade receivables, loans, and other receivables that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and have contractual terms which give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are classified as 'loans and receivables'. Loans and receivables are recognised and derecognised on a trade date basis.

All loans and receivables are measured subsequently in their entirety at amortised cost. 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. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost.

Financial risk management objectives

The Group'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%)	141	0.8%
Gross profit margin (+/- 1%)	642	3.6%
Other operating costs (+/- 1%)	195	1.1%
AUD/NZD (+/- 5%)	137	0.8%

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 manage the risk associated with anticipated purchase transactions out to 9 months with 80% of the expected exposure hedged and to increase this to 100% where there are specific foreign currency payments and receipts.

Forward foreign exchange contracts

The Group's exposure through forward contract foreign currency hedges fair valued at the reporting date was as follows:

Outstanding contracts maturity profile

	30 June 2021 $'000	31 December 2020 $'000
Buy Currency:		
Less than 3 months	22,010	4,447
3 to 6 months	16,168	9,646
Greater than 6 months	13,056	32,504
Sell Currency:		
Less than 3 months	804	79
3 to 6 months	-	-
6 to 9 months	1,944	1,944
Buy Currency:		
AUD	1,812	2,285
EURO	13,101	9,262
JPY	18,776	6,626
USD	17,546	28,425
Sell Currency:		
USD	804	79
NZD	1,944	1,944

Forward foreign exchange contract derivatives are carried on the balance sheet at fair value and are included in level two of the fair value hierarchy (refer to note 6.3). There have been no transfers between the levels in the fair value hierarchy (2020: none).

Liquidity risk management

The Group is exposed to liquidity risk primarily from its core operating activities and the subsequent ability to meet its obligations to repay financial liabilities when they fall due. The Group's objective is to maintain liquidity within the outputs of core operations, without relying on external debt. The Group manages liquidity risk by continually monitoring cash balances, and as well as and maintaining access uncommitted banking facilities.

The following table details the Group's remaining contractual maturity of its non-derivative financial liabilities. The table summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments and the earliest date at which the Group can be required to pay and includes both interest and principal cash flows.

	Weighted average effective interest rate	Less than 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	> 5 years $'000	Total $'000
2021						
Trade payables	0.0%	17,682	2,008	-	-	**19,690**
Lease liabilities	3.8%	1,015	3,050	8,712	443	**13,220**
2020						
Trade payables	0.0%	22,413	-	-	-	**22,413**
Lease liabilities	4.0%	794	2,759	9,053	1,072	**13,678**

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 Group's profit or loss before tax would increase by $167,000 or decrease by nil (2020: $18,000).

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

Notes to the Financial Statements

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 policy

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

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. All recognised financial assets are measured subsequently in their entirety at amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

• the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

• the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

• the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

• the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Loans and receivables

All loans and receivables are measured subsequently in their entirety at either amortised cost. 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. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. Trade receivables are regularly reviewed, and the Group applies the simplified expected credit loss model as per AASB 9.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime expected credit losses (ECL) for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

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 placed 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, NZD or EUR.

Notes to the Financial Statements

3. Investment and Financing

3.1 Plant and equipment

	Leasehold improvement $'000	Plant and equipment $'000	Fixtures and fittings $'000	Office equipment $'000	Motor vehicles $'000	Display assets $'000	Total $'000
30 June 2021							
Cost	1,963	4,152	377	4,338	1,443	10,050	22,323
Accumulated depreciation and impairment	(934)	(2,723)	(288)	(3,876)	(907)	(8,274)	(17,002)
Plant and equipment	**1,029**	**1,429**	**89**	**462**	**536**	**1,776**	**5,321**
Capital work in progress							298
							5,619
Movement cost:							
At 31 December 2020	1,003	4,110	291	4,099	1,403	9,452	20,358
Additions	962	44	131	242	78	747	2,204
Disposals	-	-	(43)		(34)	(146)	(223)
Foreign exchange movement	(2)	(2)	(2)	(3)	(4)	(3)	(16)
At 30 June 2021	**1,963**	**4,152**	**377**	**4,338**	**1,443**	**10,050**	**22,323**
Movement in accumulated depreciation:							
At 31 December 2020	(861)	(2,527)	(240)	(3,769)	(817)	(8,061)	(16,275)
Additions	(75)	(197)	(14)	(110)	(118)	(435)	(949)
Disposals	-	-	41	-	26	143	210
Foreign exchange movement	2	1	2	3	2	2	12
At 30 June 2021	**(934)**	**(2,723)**	**(211)**	**(3,876)**	**(907)**	**(8,351)**	**(17,002)**

Accounting policy

Each class of plant and equipment is initially recorded at cost and subsequently reduced by accumulated depreciation and impairment losses.

Cost of plant and equipment includes the fair value of consideration paid, incidental costs directly attributable to bringing the asset to the location and condition necessary for operation, and an estimate of the cost to dismantle the asset.

The residual values, useful lives and depreciation methods of plant and equipment are reviewed, and adjusted if appropriate, at each financial year end.

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 sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

Depreciation

Plant and equipment is depreciated on a straight-line basis over the estimated useful life of the asset, commencing from the time the asset is held ready for use.

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

The following estimated useful lives are used in the calculation of depreciation:

Asset class	Useful life
Leasehold improvements	Over the lease period
Plant and equipment	2 - 14 years
Fixtures and fittings*	2 – 14 years
Office equipment	2 - 13 years
Motor vehicles	5 - 8 years
Display assets	3 years

*The Group holds a limited number of artworks which are depreciated over 100 years

Impairment

At the end of each reporting period, the Group reviews the carrying amounts of plant and equipment to determine whether there an indication an asset is impaired. If an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The 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.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

At the end of each reporting period an assessment is made as to whether a previously recognised impairment may no longer exit. When an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that it does not exceed the carrying amount that would have been determined had no impairment loss been recognised. A reversal of an impairment loss is recognised immediately in profit or loss.

3.2 Lease arrangements

The Group enters into leases for the use of warehouse and office space in Australia and New Zealand with lease terms of between 1 and 10 years. No lease includes the option to purchase the leased land or buildings at the expiry of the lease term. The Group does not have any short-term leases of less than 1 year.

The right of use assets and corresponding lease liabilities recognised by the Group are as follows:

	30 June 2021 $'000	31 December 2020 $'000
Right of use asset	22,710	20,969
Accumulated depreciation	(13,632)	(12,211)
	9,078	**8,758**
Movement in the cost of the right of use asset:		
Opening balance	20,969	31,112
Additions	1,478	290
Disposals	-	(10,094)
Lease modification	302	-
Impairment	-	(172)
Foreign exchange movement	(39)	(167)
Closing balance	**22,710**	**20,969**
Movement in accumulated depreciation and impairment:		
Opening balance	(12,211)	(13,961)
Additions	(1,442)	(3,018)
Disposals	-	4,681
Foreign exchange movement	21	87
Closing balance	**(13,632)**	**(12,211)**

Notes to the Financial Statements

Payments related to leases recognised as expenses

	30 June 2021 $'000	31 December 2020 $'000
Depreciation charge for right-of-use assets	1,442	3,018
Interest expense on lease liabilities	3	1,312

Lease commitments

Maturity profile of lease liability	30 June 2021 $'000	31 December 2020 $'000
Less than 1 year	3,643	3,908
1 - 2 years	2,682	3,156
2 - 5 years	5,506	1,896
5 – 10 years	441	3,409
Greater than 10 years	-	-

The Group's strategy to rationalise lease costs resulted in the exit of the Kingsgrove, New South Wales head office lease, and show room leases in Western Australia and Queensland during 2020. Disposal and revaluation costs resulting from these exits are reflected in the comparative period above. No lease exits occurred in the period to 30 June 2021.

Accounting policy

When the Group enters into a new contract an assessment is undertaken to determine if the contract is, or contains, a lease. 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.

Where a lease includes the option to extend the lease term, the Group assumes that options will be exercised at the inception of each lease based on the economic incentive of extending a lease as opposed to entering into a new lease. A number of the Group's leases have extension options.

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 borrowing rate for a similar asset over a similar term.

Lease payments included in the measurement of the Group's lease liabilities compose:

- Fixed lease payments less lease incentives
- Variable lease payments

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 lease liability, lease payments made at or before the commencement, initial direct costs and an estimate of the costs to return the asset to the condition as required by the lease contract (make good costs). Where a lease includes make good costs a provision is also recognised and measured in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

Right of use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

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. 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 plant and equipment accounting 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 occupancy costs in the statement of profit or loss.

The Group has elected not used the practical expedient included in AASB 16 *Leases* where a lessee may choose not to separate non-lease components and to account for leases as a single arrangement.

3.3 Borrowings

During the financial period ended 30 June 2021, the Group had the following banking facilities:

(i) A non-cash guarantee 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.

(ii) A trade finance facility available to meet working capital requirements which was cancelled on 25 June 2021. The facility limit was $16,000,000 which increased to $21,000,000 between 01 September and 31 December to account for seasonality in working capital requirements.

At 30 June 2021 the Group did not have a cash facility in place (2020: $21,000,000).

The Group's facilities are denominated in Australian dollars and variable interest rates apply. All assets of the Group have been pledged to secure the borrowings of the Group with ANZ.

The facilities have financial covenants relating to fixed charge cover ratio, borrowing base cover ratio and leverage ratio. The Group is compliant with all financial covenants.

Borrowing facility	30 June 2021 $'000	31 December 2020 $'000
Overdraft facility (i)	-	15,000
Trade finance facility (i)	-	6,000
Total borrowing facility	-	**21,000**
Non-cash guarantees facility (ii)	11,000	11,000
Total Group facility	**11,000**	**32,000**

	30 June 2021 $'000	31 December 2020 $'000
Utilisation of non-cash guarantees facility		
Utilised – non-cash	6,677	6,735
Unutilised limit available for use	4,323	4,265
Total non-cash guarantees facility	**11,000**	**11,000**

Accounting policy

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs are expensed in the period in which they occur unless they are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, they are capitalised as part of the cost of the asset.

Notes to the Financial Statements

4. Shareholder Equity

4.1 Issued capital

	30 June 2021 $'000	31 December 2020 $'000
95,087,500 fully paid ordinary shares (2020: 95,087,500)	94,617	94,617

Date	Details	Value of Shares $'000	Number of Shares
1 January 2021	Opening balance	94,617	95,087,500
30 June 2021	Closing Balance	94,617	95,087,500

4.2 Earnings per share

	6 months to 30 June 2021 Cents per share	12 months to 31 December 2020 Cents per share
Basic earnings per share	7.1	19.10
Diluted earnings per share	7.0	18.98

Reconciliation of input used to calculate earnings per share

	6 months to 30 June 2021	12 months to 31 December 2020
Net profit ($'000)	6,768	18,196
Opening balance of shares for the financial period	95,087,500	95,087,500
Closing balance of shares for the financial period	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**
Shares deemed to be issued for no consideration in respect of:		
Employee performance rights	1,352,905	1,352,905
Closing number of shares deemed to be issued for the financial period	**96,440,405**	**96,440,405**

[1]Tim Hargreaves performance rights for 2019 do not meet the definition of dilutive shares, 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 not by way of an issuance of new shares.

Accounting policy

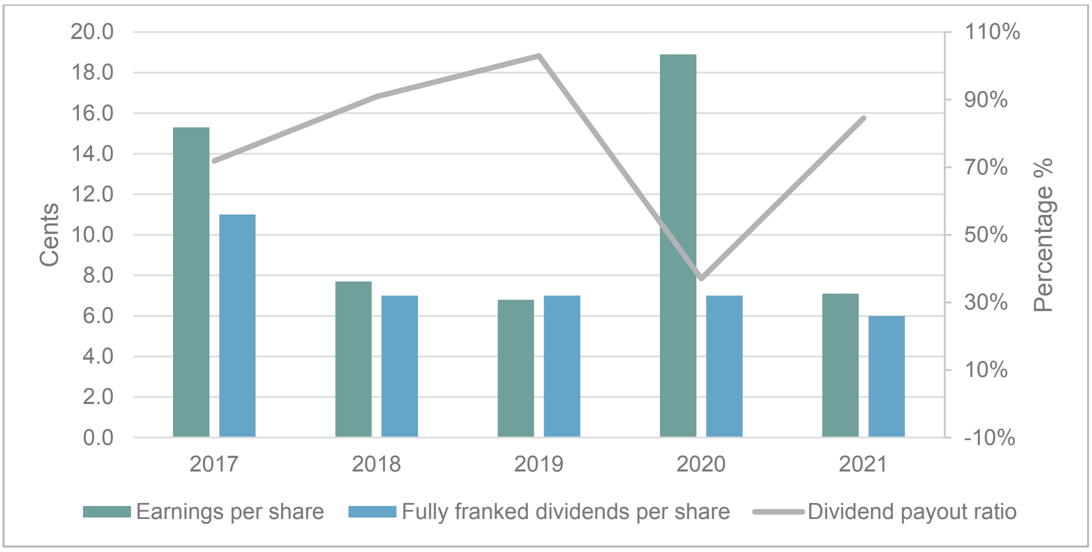
Basic and diluted earnings per share are calculated on profit after taxation attributable to members of Shriro Holdings Limited and the weighted average number of shares on issue during the period.

4.3 Dividends

On 31 August 2021 the Directors declared a final dividend of 6.0 cents per share fully franked with an ex-dividend date of 09 September 2021, record date of 10 September 2021 and payable on 30 September 2021.

	30 June 2021 $'000	31 December 2020 $'000
Franking account balance	5,896	5,401

Shareholder returns



Dividend payout ratio is calculated as dividend paid divided by basic earnings per share. The years 2017 to 2020 have been calculated based on an earnings per share over a twelve-month period while the 2021 balances have been calculated on a six month period due to Shriro's change in financial year end.

4.4 Retained earnings

	2021 $'000	2020 $'000
Balance at beginning of the financial period	45,712	33,221
Profit for the period	6,768	18,196
Dividends paid	(3,804)	(5,705)
Balance at end of financial period	**48,676**	**45,712**

4.5 Reserves

	30 June 2021 $'000	31 December 2020 $'000
Cash flow hedging reserve	(148)	(1,958)
Foreign currency translation reserve	1,698	1,782
Equity settled employee benefits reserve	(75)	(328)
Group reorganisation reserve	(78,585)	(78,585)
Balance at end of financial period	**(77,110)**	**(79,089)**

Notes to the Financial Statements

4.5.1 Cash flow hedging reserve

	30 June 2021 $'000	31 December 2020 $'000
Balance at the beginning of the financial period	(1,958)	(367)
Forward exchange contracts	1,810	(1,591)
Balance at end of financial period	**(148)**	**(1,958)**

The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of financial 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

	30 June 2021 $'000	31 December 2020 $'000
Balance at the beginning of the financial period	1,782	2,035
Exchange differences arising on translation of foreign operations	(84)	(253)
Balance at end of financial period	**1,698**	**1,782**

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 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

	30 June 2021 $'000	31 December 2020 $'000
Balance at the beginning of the financial period	(328)	(344)
Arising on share-based payments	253	16
Balance at end of financial period	**(75)**	**(328)**

Accounting policy

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 Director's estimate of equity instruments that will eventually vest with a corresponding adjustment to reserves.

4.5.4 Group re-organisation reserve

	30 June 2021 $'000	31 December 2020 $'000
Balance at beginning of financial period	(78,585)	(78,585)
Balance at end of financial period	**(78,585)**	**(78,585)**

The Group re-organisation reserve arose from re-organisation of the Group structure at the time of the Initial Public Offering.

5. Group Structure and Key Management

5.1 Subsidiaries

The Group owns 100% of the equity holding in the following entities (2020:100%) whose principal activities are as wholesalers of consumer goods and appliances. Along with the Company, they form the assets, liabilities and results of the consolidated financial statements.

	Country of incorporation and operation
Shriro Australia Pty Limited [1]	Australia
Monaco Corporation Limited	New Zealand
Shriro USA,INC [1]	USA

[1]This 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 Corporations (Wholly owned Companies) Instrument 2016/785 and are relieved from the requirement to prepare and lodge an audited financial report

Notes to the Financial Statements

5.2 Deed of Cross Guarantee

Under the terms of *ASIC Corporations (Wholly owned Companies) Instrument 2016/785*, certain wholly owned controlled entities have been granted relief from the requirement to prepare audited financial reports. It is a condition of the class order that the Company and each of the relevant subsidiaries enter into a Deed of Cross Guarantee whereby each company guarantees the debts of the companies party to the Deed. The member companies of the Deed of Cross Guarantee are regarded as the 'Closed Group' and identified in note 5.1.

The consolidated statement of profit or loss and other comprehensive income, retained earnings reconciliation and a consolidated statement of financial position, comprising the Company and those controlled entities which are a party to the Deed of Cross Guarantee, after eliminating all transactions between parties to the Deed are set out below.

Statement of Profit or Loss and Other Comprehensive Income	**6 months to 30 June 2021 $'000**	12 months to 31 December 2020 $'000
Revenue from ordinary activities	71,821	152,344
Raw materials and consumables used	(41,913)	(87,737)
Employee benefits expense	(10,378)	(16,851)
Advertising and promotion expenses	(2,886)	(3,278)
Freight and delivery expenses	(3,106)	(6,398)
Depreciation and amortisation expenses	(1,874)	(4,441)
Net gain from lease exit	-	2,304
Occupancy costs	(160)	(504)
Foreign exchange (loss) / gain	(186)	198
Finance costs	(40)	(1,404)
Other expenses	(4,344)	(9,049)
Other gains	10	-
Profit before tax	**6,944**	**25,184**
Income tax expense	(2,185)	(5,350)
Profit for the period	**4,759**	**19,834**
Other comprehensive income, net of income tax		
Items that may be reclassified subsequently to profit or loss		
Net change in the fair value of cash flow hedges taken to equity	706	(742)
Exchange differences on translation of foreign operations	(14)	-
Other comprehensive income for the period, net of tax	**692**	**(742)**
Total comprehensive income for the period attributable to the owners of Shriro Holdings Limited	**5,451**	**19,092**

Consolidated Statement of Financial Position	30 June 2021 $'000	31 December 2020 $'000
Current assets		
Cash and bank balances	13,357	15,306
Trade and other receivables	23,212	25,861
Inventories	25,794	27,404
Loan to related entities	573	1,778
Other current assets	935	275
Current tax receivable	2,094	-
Derivative receivable	401	73
Total current assets	**66,366**	**70,697**
Non-current assets		
Right of use assets	6,301	5,709
Property, plant and equipment	4,316	3,387
Deferred tax assets	4,773	5,429
Investments	12,553	12,553
Total non-current assets	**27,943**	**27,078**
Total assets	**94,309**	**97,775**
Current liabilities		
Trade and other payables	15,073	18,320
Lease liabilities	3,643	2,461
Current tax payable	0	489
Provisions	4,731	4,640
Derivative payable	210	1,287
Total current liabilities	**23,657**	**27,197**
Non-current liabilities		
Lease liabilities	4,575	5,582
Provisions	1,983	2,013
Total non-current liabilities	**6,558**	**7,595**
Total liabilities	**30,215**	**34,792**
Net assets	**64,094**	**62,983**
Equity		
Issued capital	94,617	94,617
Reserves	(78,712)	(79,731)
Retained earnings	48,189	48,097
Total equity	**64,094**	**62,983**

Notes to the Financial Statements

5.3 Related party transactions

The ultimate parent entity is Shriro Holdings Limited which is domiciled and incorporated in Australia, and all subsidiaries of the Company are disclosed in note 5.1.

Transactions between companies within the Group during the current and prior period included:

- Purchases and sales of goods and services; and
- Provision of accounting and administrative assistance.

Transactions with controlled entities are made on normal commercial terms and conditions and have been eliminated on consolidation and not disclosed in this note.

Compensation and remuneration of key management personnel has been disclosed in note 5.4.

During the period a close family member of the Chief Executive Office was employed by Shriro Australia Pty Limited to undertake administrative activities. The role did not report to, and the individual was not instructed by, the Chief Executive Officer and salaries and wages paid were calculated in accordance with Australian minimum wages. The total wages paid in the period totalled $3,197.

During the period the Group made sales to an entity wholly owned by a close family member of the Chief Executive Officer. Total sales for the period were $8,956 (2020: $2,513) with a balance owning to the customer at period end of $433 (2020: $689 owed to the Group). Customer terms and conditions are consistent with other customers of a similar size.

5.4 Parent entity information

The individual financial statements show the following aggregate amounts:

Financial Position	30 June 2021 $'000	31 December 2020 $'000
Current Assets	2,092	-
Total assets	90,677	88,481
Current liabilities	2,648	533
Total liabilities	2,648	533
Equity		
Issued capital	94,617	94,617
Reserves	(75)	(345)
Accumulated losses	(6,513)	(6,324)
Total equity	**88,029**	**87,948**

Financial Performance	6 months to 30 June 2021 $'000	12 months to 31 December 2020 $'000
Profit for the period	3,615	5,705
Total comprehensive income	**3,615**	**5,705**

Financial guarantees

Refer note 2.6 for financial guarantees to banks, financiers and other persons.

Capital commitments and contingent liabilities

There are no capital commitments or contingent liabilities recorded in the Company at 30 June 2021 (2020: nil).

5.5 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 limit and key management personnel with reference to the Group's performance and general compensation levels in equivalent companies and industries.

Remuneration of Directors and Key Management Personnel

	30 June 2021 $'000	31 December 2020 $'000
Short-term employee benefits	1,192	2,388
Long-term employee benefits	88	(167)
Post-employment benefits	28	67
	1,308	**2,288**

Accounting policy

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 30 June 2021 is the high quality corporate bond rate.

5.6 Share-based payments

5.6.1 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 Chief Executive Officer, Chief Financial Officer and other senior management.

No non-executive director holds any performance rights over the shares in Shriro Holdings Limited.

Due to the change in Shriro's financial year end, no LTIPs were issued in the period to 30 June 2021 as any future plans issued will be aligned with the new year end. During the year ended 31 December 2020, Tim Hargreaves was issued with 359,281 performance rights, Shane Booth was granted 175,150 performance rights and other senior management were issued with 283,835 of performance rights in accordance with LTIPs issued.

The amortised LTIP performance rights recognised in consolidated statement of profit or loss for the period ended 30 June 2021 was $253,000 (2020: $408,000).

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	01/01/2019	$360,551	949,864	31/12/2021	31/12/2021
Series 2	01/01/2020	$367,078	818,266	31/12/2022	31/12/2022

Accounting policy

Equity-settled share-based payments issued 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

5.6.2 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	$0.48	3 years	12.64%	3.44%
Series 2	$0.57	3 years	11.97%	3.44%

5.6.3 Performance rights outstanding at the end of the period

The performance rights outstanding at the end of the period had no exercise price and a weighted average remaining contractual life of 1.0 years.

6. Other Notes

6.1 Remuneration of auditor

	6 months to 30 June 2021 $'000	12 months to 31 December 2020 $'000
Amounts received or receivable by Deloitte Touche Tohmatsu for:		
Audit and review of the Group's financial statements	150	219
Non-audit services	-	50
Total auditor remuneration	**150**	**269**

The Group engages Deloitte when stringent independence requirements are satisfied to provide other non-audit services where their expertise and experience best qualifies them to provide the appropriate service. In the period ended 30 June 2021, Deloitte was not engaged to undertake non-audit services during the period.

6.2 Events after the reporting date

In July 2021 Shriro was subject to a cyber security incident involving unauthorised access to its operating systems. The cyber incident did not have any impact on the results for the period to 30 June 2021. The financial impact of the incident is not expected to be material to the Group's result for the 30 June 2022 financial year.

On 09 August 2021 Shriro entered into Heads of Agreement with Blanco APAC Pte Ltd to cease distributing Blanco branded products in Australia and New Zealand. Shriro will continue to distribute Blanco products in Australia and New Zealand until 01 May 2022. The contribution Blanco product made to the Group's revenue for the period ended 30 June 2021 was $9,067,000.

There has not been any other matter or circumstance, occurring subsequent to the end of the financial period 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.

6.3 Other accounting policies

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 USA inc.

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.

Fair value measurement

The Group measures financial instruments such as derivatives, at fair value at each balance sheet date. Transactions within the scope of AASB 2 *Share Based Payments* are measured at fair value in accordance with the guidance in that standard.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between

Notes to the Financial Statements

market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Foreign exchange

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 and the presentation currency for the consolidated financial statements.

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

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

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see 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 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. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

Government grants

Government grants are not recognised until there is reasonable assurance 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.

Changes in accounting policies and disclosures

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

AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business

AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material

AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework

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

Standards and interpretations in issue not yet effective

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 2021-3 Amendments to AASs –Covid-19-Related Rent Concessions beyond 30 June 2021	01 April 2021	30 June 2022
AASB 2020-8 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2	01 June 2021	30 June 2022
AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and AASB 2017-5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections	01 January 2022	30 June 2023
AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current and AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date	01 January 2022[1]	30 June 2023
AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments	01 January 2022	30 June 2023
AASB 2021-2 Amendments to AASs –Disclosure of Accounting Policies and Definition of Accounting Estimates: • Amendments to AASB 7, AASB 101, AASB 134 and AASB Practice Statement 2 • Amendments to AASB 108	01 January 2023	30 June 2024

[1]AASB 2020-6, although itself effective for annual reporting periods beginning on or after 1 January 2022 (the original effective date of AASB 2020-1), has the effect of deferring the mandatory application of those amendments to annual reporting periods beginning on or after 1 January 2023.

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 Standards, as stated in the notes to the financial statements.

(c) in the Directors' opinion, the attached financial statements, and notes thereto, have been prepared 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 section 295A of the *Corporations Act 2001*.

At the date of this declaration, the company is within the class of companies affected by ASIC Corporations (Wholly owned Companies) Instrument 2016/785. 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

Stephen Heath
Chairman
Sydney, 29 October 2021

Tim Hargreaves
Chief Executive Officer and Managing Director
Sydney, 29 October 2021

AUDITOR'S INDEPENDENCE DECLARATION

Deloitte Touche Tohmatsu
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29 October 2021

The Board of Directors
Shriro Holdings Limited
Level 7/67 Albert Avenue
Chatswood NSW 2067

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 audit of the financial report of Shriro Holdings Limited for the six-month period ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- The auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- Any applicable code of professional conduct in relation to the audit.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Helen Hamilton-James
Partner
Chartered Accountants

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Member of Deloitte Asia Pacific and the Deloitte Network

INDEPENDENT AUDITOR'S REPORT

Deloitte.

Deloitte Touche Tohmatsu

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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 30 June 2021, 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 six-months 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:

- Giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the six-month period then ended; and
- 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 & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (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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Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Provision for rebates As at 30 June 2021, the total value of the Group's provision for rebates is $5.82 million and is included in the Trade Receivables balance in Note 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. Accounting for stretch rebates is complex, requiring an understanding of the contractual arrangements, complete and accurate source data to which the arrangements apply, including consideration of the timing of recognition and the presentation thereof.	Our procedures included, but were not limited to: • Inquiries of 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; • Obtaining an understanding of controls relevant to 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); • Inspecting 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 management's methods and assumptions used in the determination of the estimates. We also assessed the appropriateness of the disclosures in Notes 1.1 and 2.1 to the financial statements.
Provision for warranty claims As at 30 June 2021 the provision for warranty claims is $2.97 million as disclosed in Note 2.5. Significant judgement is required in determining the appropriate level for the warranty claims provision. This is estimated by management following key assumptions: • Provision rate which is calculated as the total warranty claims for the last three financial years as a percentage of sales for the last three financial years; • The percentage of claims for each year of warranty which is determined based on claim history; • The rate of claims in each month of the warranty period and; • The discount rate.	Our procedures included, but were not limited to: • Obtaining an understanding of controls relevant to the recording of warranty claims; • Assessing whether the warranty claims 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 claims provision to assess the accuracy of the computation; • Challenging management's policy to assess if they are in accordance with the relevant accounting standards, statutory and/or contractual obligations; • Recalculated the provision utilising historic warranty claims settled as a proportion of related sales; • 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. We also assessed the appropriateness of the disclosures in Note 2.5 to the financial statements.

Independent Auditor's Report

Deloitte.

Provision for inventory obsolescence	
As at 30 June 2021 the provision for inventory obsolescence is $2.42 million as disclosed in Note 2.2. 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 affect inventory obsolescence.	Our procedures included, but were not limited to: • Obtaining an understanding and testing controls relevant to 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 methods, assumptions, and judgements regarding the slow-moving inventory provision; • Assessing historical accuracy of inventory provisioning with reference to inventory write-offs during the year; and • Assessing whether inventory items with specific recoverability concerns have been provided for appropriately based on recent sales information. We also assessed the appropriateness of the disclosures in Note 2.2 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report, Highlights for the six months to 30 June 2021, Our Brands, Chairman's Report, Managing Director's Report, Business review - Australia, and Business review – New Zealand and Business review – Rest of World, the Corporate Governance Statement, the ASX Information and Company 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), being the Board of Directors' information 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 express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information 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, 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 wereview the Board of Directors' information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action.

Responsibilities of the Directors for the Financial Report

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

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

Deloitte.

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.

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, actions taken to eliminate threats or safeguards applied.

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.

Independent Auditor's Report

Deloitte.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 19 to 27 of the Directors' Report for the six-month period ended 30 June 2021.

In our opinion, the Remuneration Report of Shriro Holdings Limited, for the six-month period ended 30 June 2021, 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

Helen Hamilton-James
Partner
Chartered Accountants
Parramatta, 29 October 2021

ASX INFORMATION

Listing information

Shriro Holdings Limited's shares are quoted on the Australian Securities Exchange ("ASX") under the code SHM.

Number of holders of equity securities

There are 95,087,500 fully paid ordinary shares held by 2,043 individual shareholders, as at 08 October 2021.

Substantial Shareholders

The following organisations have a substantial shareholding in Shriro Holdings Limited based on substantial shareholder notice on or before 08 October 2021.

	Notice Date	Shares held	Percentage
D2A Pte Ltd	25 June 2021	18,915,987	19.89
Australian Ethical Investment	04 December 2019	13,558,788	14.26
Ariadne Australia Limited (and related entities)	23 August 2018	4,760,185	5.01

Twenty largest holders of quoted equity securities

	Fully Paid Ordinary Shares	
	Shares held	Percentage
National Nominees Limited	17,768,788	18.69
Citicorp Nominees Pty Limited	15,230,901	16.02
Shriro Pacific	5,695,547	5.99
Portfolio Services Pty Ltd	4,587,779	4.82
HSBC Custody Nominees (Australia) Limited - A/C 2	3,758,101	3.95
Miss Amanda Bernadette De Angelis	2,303,125	2.42
Horrie Pty Ltd	1,410,000	1.48
J P Morgan Nominees Australia Pty Limited	1,080,599	1.14
NewEconomy Com Au Nominees Pty Limited	1,034,007	1.09
BNP Paribas Nominees Pty Ltd	994,622	1.03
Morgan Stanley Australia Securities (Nominee) Pty Limited	866,422	0.91
HSBC Custody Nominees (Australia) Limited	667,981	0.70
Mr Damien Heffron	658,000	0.69
Mast Financial Pty Ltd	650,000	0.68
Hillmorton Custodians Pty Ltd	633,000	0.67
BNP Paribas Noms Pty Ltd	619,218	0.65
Cs Third Nominees Pty Limited	600,566	0.63
Moat Investments Pty Ltd	600,000	0.63
Mr Dermot Francis McGarry & Mrs Christine McGarry	500,000	0.53
DMX Capital Partners Limited	500,000	0.53
Total top 20 shareholders	**60,606,714**	**63.74**
Balance of register	34,480,786	36.26
Total	**95,087,500**	**100.00**

ASX Information

Category – Number of shares	Shares held	Percentage	Number of holders	Distribution of shares
1 - 1000	72,083,769	75.81	79	3.87
1,001 – 5,000	18,484,273	19.44	605	29.61
5,001 – 10,000	2,454,065	2.58	300	14.68
10,001 – 100,000	1,684,094	1.77	559	27.36
100,001 and over	381,299	0.40	500	24.47
Total	**95,087,500**	**100.00**	**2,043**	**100.00**

Voting rights

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.

Unquoted Equity Securities

As at 08 October 2021 there were 1,767,519 performance rights over unissued ordinary shares, held by seven individuals. There were no unquoted options over unissued ordinary shares.

Shareholders with less than a marketable parcel

As at 08 October 2021, there were 89 shareholders holding less than a marketable parcel of 500 ordinary shares in the Company totalling 18,210 ordinary shares.

Dividend

On 31 August 2021, the Directors declared a dividend relating to the period ending 30 June 2021 of 6.0 cents per share fully franked with an ex-dividend date of 09 September 2021, record date of 10 September 2021. The dividend was paid on 30 September 2021.

Corporate Governance Statement

A copy of the Corporate Governance Statement can be found on our website at https://www.shriro.com.au/investor/corporate_governance.

COMPANY INFORMATION

Directors

Stephen Heath
Non-Executive Chairman

Tim Hargreaves
Chief Executive Officer and Managing Director

Abigail Cheadle
Independent Non-Executive Director

Cheryl Hayman
Independent Non-Executive Director

Cornelia Meyer
Independent Non-Executive Director
(appointed 13 September 2021)

Kim Slater
Independent Non-Executive Director
(appointed 01 October 2021)

Company Secretary

Lisa Jones

Registered office and principal place of business

Level 7, 67 Albert Avenue
Chatswood NSW 2067

Tel: +61 2 9415 5000
Website: shriro.com.au

ABN

Shriro Holdings Limited 29 605 279 329

Share registry

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

Auditors

Deloitte Touche Tohmatsu
Level 19 Eclipse Tower, 60 Station Street
Parramatta NSW 2150

Bankers

Australia and New Zealand Banking Group Limited

SHRIRO