SHRIRO HOLDINGS LIMITED

ACN 605 279 329

FINANCIAL REPORT

for the year ended

31 December 2015

Shriro Holdings Limited

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Appendix 4E

Results for announcement to market

	2015 $million	2014 $million	Movement %
Revenue from ordinary activities	186.3	177.0	5.3%
Pro forma EBITDA (non – IFRS [1])	22.1	18.7	18.2%
Pro forma NPAT (non – IFRS [1])	12.4	8.9	39.3%
Profit from ordinary activities before tax	11.8	10.1	16.8%
Profit from ordinary activities after tax attributable to members	7.1	5.8	22.4%
Basic earnings per share (cents per share) [2]	9.0	9.3	
Diluted earnings per share (cents per share)	8.9	9.3	

[1] Pro forma EBITDA and pro forma NPAT are arrived at by adding back IPO related costs totalling $5,658,000 (2014: $3,042,000) pre tax to the statutory EBITDA and NPAT figures. Reconciliation between statutory and pro forma has been provided on page 4.The "non-IFRS" information is unaudited.

[2] Basic and diluted earnings per share is calculated on profit after taxation attributable to members of Shriro Holdings Limited and the weighted average number of shares on issue during the year. The proportional number of shares prior to listing used in the weighted average calculation was 62,009,500.

	2015 $	2014 $
Net tangible assets per share (cents per share) [3]	45.2	37.5
Diluted net tangible assets per share (cents per share)	44.8	37.5

[3] The calculation of net tangible assets per share is based on the consolidated statement of financial position and the closing number of issued shares, for 31 December 2015. The number of shares used for the 31 December 2014 comparative was 62,009,500.

The Directors have declared a final dividend for the financial year of 6.0 cents per share fully franked with an ex-dividend date of the 16th March 2016, record date of the 17th March 2016 and payable on 31st March 2016.

Shriro Holdings Limited recorded an after tax profit of $7,118,000 during the year ended 31 December 2015. During the year Shriro Holdings Limited undertook an initial public offering ("IPO"). The 2015 year end profit includes the historical management equity plan expense, employee gift offer costs and other costs, all directly related to the IPO totalling $5,658,000.

Prior to the IPO the newly incorporated company Shriro Holdings Limited acquired Shriro Pty Limited which resulted in Shriro Holdings Limited gaining control over the following entities:

Shriro Pty Limited – 16 June 2015
Shriro Australia Pty Limited - 16 June 2015
Monaco Corporation Limited - 16 June 2015

These consolidated financial statements reflect a continuation of the existing Shriro Pty Limited consolidated financial statements as the acquisition by Shriro Holdings Limited of Shriro Pty Limited and its subsidiaries was accounted for as a group reorganisation.

Shriro Holdings Limited
Corporate Governance Statement

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

Directors' Report

The Directors present their report in compliance with the provisions of the Corporations Act 2001 on the consolidated entity (referred to hereafter as the "Group") consisting of Shriro Holdings Limited ("Shriro" or the "Company") and the entities it controlled at the end of, or during, the year ended 31 December 2015.

DIRECTORS

The following persons are Directors of Shriro Holdings Limited and have been during the financial year and until the date of this report, unless otherwise noted.

John Ingram – Chairman (appointed 14 April 2015)

Mike Westrup – Executive Director (appointed 14 April 2015)

Vasco Fung – Non-executive Director (appointed 14 April 2015)

Greg Laurie – Non-executive Director (appointed 14 April 2015)

Stuart Nash – Alternate Director for Vasco Fung (appointed 28 April 2015)

COMPANY SECRETARY

Shane Booth is Company Secretary (appointed 14 April 2015).

PRINCIPAL ACTIVITIES

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

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

REVIEW OF OPERATIONS

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

Pro forma results summary

	Actual 2015 $million	Actual 2014 $million	Change %	Prospectus CY15 $million	Difference %
Revenue	186.3	177.0	5.3%	187.0	-0.4%
Gross Margin	42.6%	41.9%		42.1%	
Operating Expenses	(57.3)	(55.4)	3.4%	(58.8)	-2.6%
EBITDA	**22.1**	**18.7**	**18.2%**	**19.9**	**11.1%**
Depreciation	(3.4)	(3.3)	3.0%	(3.6)	-5.6%
Interest	(1.4)	(2.7)	-48.1%	(2.1)	-33.3%
Profit Before Tax	17.4	12.7	37.0%	14.2	22.5%
Profit After Tax	**12.4**	**8.9**	**39.3%**	**10.0**	**24.0%**

Statutory results summary

	Actual 2015 $million	Actual 2014 $million
Revenue	186.3	177.7
Profit before income tax and IPO related expenses	17.5	13.2
IPO related expenses	(5.7)	(3.1)
Profit before income tax	11.8	10.1
Income tax expense	(4.7)	(4.3)
Profit attributable to the member of Shriro Holdings Limited	7.1	5.8

Pro forma bridge entries - NPAT

	Actual CY15 $million	Prospectus CY15 $million
NPAT Statutory	7.1	4.8
IPO Costs	5.0	4.8
Employee Share Plan	0.2	0.3
MEP	0.4	0.4
ASX Costs	(0.2)	(0.2)
Interest	0.2	0.2
Property	0.0	0.0
Tax	(0.3)	(0.3)
NPAT Pro Forma	**12.4**	**10.0**

Operating and Financial Review

During the 2015 financial year, Shriro's revenue was $186.3 million. This represents a 5.3% increase on the prior year (2014: $177.0 million). The increase in revenue was attributable to the majority of categories across the business; however watches, sinks and taps were particularly strong. The statutory net profit after tax increased by 22.4% to $7.1 million (2014: $5.8 million)

Pro Forma EBITDA increased by 18.2% to $22.1 million (2014: $18.7 million)

Basic earnings per share was 9.0 cents, a 3.9% decrease on 2014 (9.3 cents)

Cash Flows from operating activities were $24.0 million, a 118.2% increase on 2014 ($11.0M).

The Directors consider the Company to be in a strong financial position at year end with a net debt of $9.4 million representing 0.4X the pro forma EBITDA. Net debt balance as at 31 December 2014 was $37.3 million. Net funds received from the IPO of $6.7 million contributed towards reducing the net debt which was down $27.9 million in CY15.

Outlook

Seasonal influences result in the Company's financial performance being heavily biased toward the second half of the calendar year and so visibility on the likely results for CY16 is unclear at this stage. Overall however, it is currently expected that growth in customer demand will be modest through CY16. Whilst Shriro will be introducing a number of new marketing initiatives in the current year they are more likely to have their full beneficial impact in CY17.

In this environment, the Directors currently believe that net profit after tax for CY16 will be modestly above CY15.

REVIEW OF OPERATIONS (CONT'D)

Employees

During this financial year, the number of employees ranged between 266 and 288 and was 272 at year end. (2014:265)

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

Earnings per share

The basic and diluted earnings per share is calculated using the weighted average number of shares. This shows the basic earnings per share at 9.0 cents (2014: 9.3 cents) and diluted earnings per share at 8.9 cents (2014: 9.3 cents).

Pro forma earnings per share for the period was 13.1 cents (2014: 9.4 cents).

DIVIDEND

On 24th February 2016 the Directors declared a final dividend of 6.0 cents per share fully franked with an ex-dividend date of the 16th March 2016, record date of the 17th March 2016 and payable on 31st March 2016.

DIRECTORS' ATTENDANCE AT MEETINGS

Attendance at Meetings

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

	Directors Meetings		Audit and Risk Committee Meetings		Remuneration Committee Meetings	
	Held	**Attended**	**Held**	**Attended**	**Held**	**Attended**
John Ingram	5	5	2	2	1	1
Mike Westrup	5	5	2	2	1	1
Vasco Fung[1]	5	5	2	2	1	1
Greg Laurie	5	5	2	2	1	1
Stuart Nash[2]	5	5	2	2	1	1

[1] Vasco Fung attended some meetings via teleconference
[2] Stuart Nash is an alternate director for Vasco Fung

BUSINESS STRATEGIES AND RISK

Strategies

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

Shriro aims to continue to grow through:

- new product development and range extensions including:
  - new Neil Perry Kitchen by Omega range of premium kitchen appliances which was released in the last quarter of CY15;
  - new Everdure charcoal BBQ range; and
  - extending Robinhood into laundry appliances and small appliances;
- geographic expansion
- continued assessment of value enhancing acquisition opportunities targeting brand ownership, cost rationalisation opportunities and channel diversification.

Risks

The key risks for the business are:

- change in consumer spending patterns through the year;
- deterioration in economic conditions;
- foreign exchange movements; and
- reduced housing construction.

INFORMATION ON DIRECTORS

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

Directors	Qualifications, Experience and Special Responsibilities	Relevant Interest in Shares
John Ingram Member of the Audit, Risk and Compliance Committee Member of the Remuneration and Nomination Committee	Non-Executive Chairman Director since 14 April 2015 Currently serves as Chairman of ASX listed Nick Scali Limited and is a Trustee Director of Australian Super. Previously John was a Non-Executive Director of United Group Limited. Mr Ingram is an Emeritus Councillor of the Australian Industry Group and a past National President.	100,000
Mike Westrup	Managing Director Director since 14 April 2015 Mike joined Shriro Australia Pty Limited ("Shriro") as a Divisional Manager in 1991 and his outstanding performance and passion for Shriro saw him progress to the Chief Executive Officer role. Since 1995, Mike has been responsible for the transformation and development of the Group. Prior to joining Shriro, Mike held sales and marketing roles with Estee Lauder, Breville and Myer. Mike holds a Bachelor of Business.	4,630,250
Vasco Fung Member of the Audit, Risk and Compliance Committee Member of the Remuneration and Nomination Committee	Non-Executive Director Director since 14 April 2015 Vasco has been a director of Shriro since 30 December 1997 and has over 30 years experience in various industries. Vasco is the Group Chief Executive Officer of Shriro Pacific Ltd, an international investment group with distribution, manufacturing and retail businesses in Asia Pacific, North America and Europe. Vasco is a member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants.	3,321,937
Greg Laurie Chairman of the Audit, Risk and Compliance Committee Chairman of the Remuneration and Nomination Committee	Non-Executive Director Director since 14 April 2015 Greg has extensive experience in a number of manufacturing and distribution industries. He is currently an independent Non-Executive Director of Bradken Limited and Nick Scali Limited. He is Chairman of the audit and risk committees of both Bradken and Nick Scali. Greg holds a Bachelor of Commerce Degree from the University of New South Wales and an advanced management qualification from the University of Pittsburgh.	20,000
Stuart Nash	Alternate Non-Executive Director Alternate director since 28 April 2015 Stuart is a professional non-executive director and independent corporate advisor, assisting clients in relation to strategy, M&A, financing (debt and equity) and risk management. Stuart is currently a Non-Executive Director of Greens Foods Holdings Pty Ltd and is Chairman of Australian Affordable Housing Securities Limited. Stuart is a finance professional with over 20 years' experience in chartered accounting and investment banking. Stuart holds a Bachelor of Arts (Honours) from Cambridge University, is qualified as a Chartered Accountant with the Institute of Chartered Accountants in England and Wales, holds a post Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia and is a member of the Australian Institute of Company Directors.	30,000

Shriro Holdings Limited
Directors' Report (cont'd)
AUDITED REMUNERATION REPORT

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

Principles used to determine the nature and amount of remuneration

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

Remuneration and Nomination Committee

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

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

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

Key Management Personnel

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

Mike Westrup	Chief Executive Officer, and
Shane Booth	Company Secretary, Chief Financial Officer

Non-Executive Director Remuneration

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

John Ingram	Chairman,	(appointed 14 April 2015)
Vasco Fung		(appointed 14 April 2015)
Greg Laurie		(appointed 14 April 2015)
Stuart Nash	Alternate Non-Executive Director for Vasco Fung	(appointed 28 April 2015)

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 or in the employee gift offer.

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

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

The Chairman does not receive Committee fees.

Executive Remuneration

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

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

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

Short Term Incentive

A short term incentive (STI) forms a component of the remuneration of executive Directors and key management personnel in addition to their base remuneration. The STI for 2015 was structured on the following basis:

In 2015 Mike Westrup is entitled to an STI award of up to $390,000 for target performance or $780,000 for stretch performance and Shane Booth is entitled to an STI award of up to $140,000 for target performance or $280,000 for stretch performance, measured against the CY2015 Prospectus dated 27 May 2015 (the "Prospectus") Pro-forma forecast profit before tax.

STI targets are expected to be set by the Board for the 2016 year for both Mike Westrup and Shane Booth. STI awards are expected to be paid in cash following the Board's approval of the Company's financial statements for the relevant year.

Long Term Incentive

A Long Term Incentive Plan (LTIP) has been implemented in accordance with the outline included in the Prospectus dated 27 May 2015. The LTIP provides for participants to be issued with Performance Rights (Rights) which have associated performance hurdles that are tested at the end of three years from the date of issue to determine vesting. Subsequent to vesting, each Right can be exercised and converted to an equivalent number of shares of the Company.

As outlined in the Prospectus, Mike Westrup has been issued with 900,000 Rights that are in respect of the 2015, 2016 and 2017 years and testing for achievement of the performance hurdle will occur following Board approval of the Company's financial statements for the year ending 31 December 2017.

As outlined in the Prospectus, Shane Booth has been issued with 87,500 Rights in respect of the 2015 year. Testing for achievement of the performance hurdle will occur following Board approval of the Company's financial statements for the year ending 31 December 2017. It is expected that Shane Booth will be invited, at the Director's discretion, to apply for Rights in respect of the 2016 financial year.

The performance hurdle relating to the Rights issued to both Mike Westrup and Shane Booth is for the compound annual growth rate (CAGR) of the Company's earnings per share (EPS) to be no less than 5% for the three years for 50% of the Rights to vest (threshold performance) and 10% or higher for 100% of Rights to vest (target performance). EPS performance between 5% and 10% will result in a straight line proportion of Rights to vest between 50% and 100%. The Board has determined that achieving the Prospectus Pro-forma forecast net profit after tax for the 2015 year is deemed the achievement of the 10% EPS growth for the 2015 financial year.

As of the date of this report, the CEO and CFO also own a substantial number of shares in the Company. The breadth and depth of share ownership fosters an alignment of objectives between shareholders and Directors and management of the Company. These shares are in escrow until the release to the ASX of the financial statements of the Company for the 2015 year.

Key Terms of Employment Contracts

CEO

The Company entered into a new executive service agreement with Mike Westrup as Managing Director and CEO effective 23 June 2015. The remuneration component of the new agreement is considered to be appropriate and in line with relevant industry comparables. The short term variable component (STI) can range between 0% and 120% of the fixed component, based on performance measured against a profit before tax target, set annually by the Directors. The long term variable component (LTIP) can range between 0% and 46.15% of the fixed component based on performance measured against an EPS target, set by the Directors over a three year period.

Term:	Fixed term expiring on 31st May 2018
Annual Salary:	Total fixed remuneration of $650,000, subject to annual adjustment
Notice Period:	12 months' notice by either party at any time

CFO

The Company entered into a new executive service agreement with Shane Booth as Company Secretary and CFO effective 23 June 2015. The remuneration component of the new agreement is considered to be appropriate and in line with relevant industry comparables. For the 2015 year, the short term variable component (STI) can range between 0% and 80% of the fixed component, based on performance measured against a profit before tax target. Based on the initial issue of Rights, The long term variable component (LTIP) can range between 0% and 25% of the fixed component based on the achievement of a performance hurdle that is measured after three years, as determined by the Board and included in any invitation to apply for participation in the LTIP.

Term:	No fixed term
Annual Salary:	Total fixed remuneration of $350,000, subject to annual adjustment
Notice Period:	Six months' notice by either party

AUDITED REMUNERATION REPORT (CONT'D)

Relationship between Remuneration Policy and Company Performance

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

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

The tables below set out summary information about the Group's earnings for 31 December 2015.

	Pro forma (non – IFRS [1]) 31 December 2015 $'000	Pro forma (non – IFRS [1]) Prospectus Forecast 31 December 2015 $'000	Pro forma adjustments 31 December 2015 $'000	Statutory 31 December 2015 $'000
Revenue	186,263	187,000	(37)	186,300
Net profit before tax	17,403	14,200	5,592	11,811
Net profit after tax	12,413	10,000	5,295	7,118

[1] The "non-IFRS" information is unaudited.

	31 December 2015 cents	31 December 2014 cents
Share price at start of year	N/A	N/A
Share price at end of year	92.5	N/A
Basic earnings per share	9.0	9.3
Diluted earnings per share	8.9	9.3

Basic and diluted earnings per share is calculated on profit after taxation attributable to members of Shriro Holdings Limited and the weighted average number of shares on issue during the period. The proportional number of shares prior to listing used in the weighted average calculation was 62,009,500.

Particulars of Key Management Personnel interests during the year ended 31 December 2015

	Fully paid ordinary shares 31 December 2014	Fully paid ordinary shares held under historical management equity plan during 2015	Fully paid ordinary shares purchased during 2015	Fully paid ordinary shares issued under employee gift offer during 2015	Fully paid ordinary shares 31 December 2015
	Number	Number	Number	Number	Number
Non-executive Directors					
John Ingram	-	-	100,000	-	100,000
Vasco Fung	-	3,321,937	-	-	3,321,937
Greg Laurie	-	-	20,000	-	20,000
Stuart Nash[1]	-	-	30,000	-	30,000
TOTAL	**-**	**3,321,937**	**150,000**	**-**	**3,471,937**
Executive Officers					
Mike Westrup	-	4,429,250	200,000	1,000	4,630,250
Shane Booth	-	2,214,625	-	1,000	2,215,625
TOTAL	**-**	**6,643,874**	**200,000**	**2,000**	**6,845,874**

[1] Stuart Nash is the alternate director for Vasco Fung

Remuneration of Executive Officers and Key Management Personnel

2015	Short-term Benefits			Post-employment Benefits	Long-term Benefits				
	Cash Fees/Salary[1]	Cash Bonus	Non-monetary Benefit	Super-annuation	Long service leave	Non-monetary Benefit[2]	Share rights[3]	Total	Percentage of remuneration related to performance
	$	$	$	$	$		$	$	%
Non-executive Directors									
John Ingram	82,192	-	-	7,808	-	-	-	90,000	-
Vasco Fung	49,000	-	-	-	-	105,060	-	154,060	-
Greg Laurie	66,210	-	-	6,290	-	-	-	72,500	-
Stuart Nash	-	-	-	-	-	-	-	-	-
TOTAL	**197,402**	**-**	**-**	**14,098**	**-**	**105,060**	**-**	**316,560**	-
Executive Officers									
Mike Westrup	595,310	2,280,000	-	35,000	50,791	140,081	286,320	3,387,502	75.8%
Shane Booth	304,558	530,000	-	19,987	16,497	70,040	27,837	968,919	57.6%
TOTAL	**899,868**	**2,810,000**	**-**	**54,987**	**67,288**	**210,121**	**314,157**	**4,356,422**	**71.7%**

[1] These amounts include remuneration paid to John Ingram and Greg Laurie of $20,000 each for the work performed by them on behalf of the Company in the period prior to the Listing of the Company on the ASX..

[2] Relates to the remaining amortisation of the in substance options issued under the historical management equity plan which vested upon the IPO

[3] Performance rights as an LTIP award in respect of the 2015 financial year is recognised in accordance with AASB 2. These rights will vest subject to the satisfaction of performance conditions

2014	Short-term Benefits			Post-employment Benefits	Long-term Benefits				
	Cash Fees/Salary	Cash Bonus	Non-monetary Benefit[1]	Super-annuation	Long service leave	Non-monetary Benefit[2]	Share rights	Total	Percentage of remuneration related to performance
	$	$	$	$				$	%
Non-executive Directors									
John Ingram	-	-	-	-	-	-	-	-	-
Vasco Fung	-	-	-	-	-	376,859	-	376,859	-
Greg Laurie	-	-	-	-	-	-	-	-	-
Stuart Nash	-	-	-	-	-	-	-	-	-
TOTAL	**-**	**-**	**-**	**-**	**-**	**376,859**	**-**	**376,859**	**-**
Executive Officers									
Mike Westrup	530,444	765,430	-	188,712	12,775	502,478	-	1,999,839	37.9%
Shane Booth	241,088	139,085	34,578	45,703	14,823	251,239	-	726,516	19.1%
TOTAL	**771,532**	**904,515**	**34,578**	**234,415**	**27,598**	**753,717**	**-**	**2,726,355**	**32.9%**

[1] This relates to FBT in relation to Shane Booth's motor vehicle in the first 5 months of financial year 2014

[2] This relates to an 'insubstance' option per AASB2, which was the non-cash option value of the historical management equity plan

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

Non-executive Directors have no further entitlement to cash bonus or non-monetary benefits. Non-monetary benefits received during the 2014 financial year relates to an 'in-substance' option per AASB2, which was the non-cash option value of the historical management equity plan.

The key management personnel are also the senior managers of the Company

Shriro Holdings Limited

Directors' Report (cont'd)

AUDITED REMUNERATION REPORT (CONT'D)

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

Cash Bonuses
Mike Westrup was granted a cash bonus of $1,500,000 and Shane Booth was granted a cash bonus of $250,000 on 23 June 2015. The cash bonus was given on successful listing of the Company as recognition of their work in relation to the company's listing.

Both Mike Westrup and Shane Booth achieved 100% of their 2015 structured short term incentives. Mike Westrup was granted $780,000 for stretch performance and Shane Booth was granted $280,000 for stretch performance in relation to the 2015 financial year pro-forma forecast profit.

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

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

Performance rights have been initially granted to the CEO and CFO. Other members of senior management of the Company are expected to be invited by the Board to participate, subsequent to the release of the audited accounts of the Company for the year ended 31 December 2015. In accordance with the CEO's fixed term employment agreement, the CEO's LTIP award has been made in respect of the 2015, 2016 and 2017 financial years. Performance Rights have also been issued to the CFO in respect of the 2015 year in accordance with the Prospectus dated 27 May 2015. It is expected that an invitation for the CFO to apply for performance rights in respect of the 2016 year will be approved by the Board.

Mike Westrup was granted 900,000 performance rights and Shane Booth was granted 87,500 performance rights, under the LTIP during the financial year ended 31 December 2015.

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

Shriro Holdings Limited has not issued any options.

The key terms of the initial awards under the Plan are summarised in the table below

Performance conditions, performance period and vesting

Performance rights will vest subject to the satisfaction of performance conditions.

The performance period for LTIP awards will generally be 3 years. The initial grants have a performance period ending on 31 December 2017.

The initial grants of performance rights are subject to a performance condition (hurdle) based on the achievement of a target EPS growth over the three years to 31 December 2017. The target is calculated as the achievement of the Prospectus Pro forma 2015 forecast net profit after tax (deemed by the Board to be achievement of 10% growth in EPS for that year) plus subsequent compound annual growth rate (CAGR) of 10% per annum for the years 2016 and 2017.

The percentage of performance rights that vest, if any, will be determined by reference to the following vesting schedule, subject to any adjustments for abnormal or unusual profit items considered appropriate by the Board:

Target CAGR of the Company's EPS over the period from 1 January 2015 to 31 December 2017	% of performance rights that vest
Less than threshold performance (less than 5%)	Nil
Threshold performance (5%)	50%
Between threshold and target performance (5%-10%)	50-100% on a straight line pro rata
Target performance (10% or above)	100%

Any performance rights that remain unvested at the end of the performance period will lapse immediately.

Rights associated with performance rights

The performance rights do not carry dividends or voting rights prior to vesting.

Restrictions on dealing

The participant must not sell, transfer, encumber, hedge or otherwise deal with performance rights.

The participant will be free to deal with the Shares allocated on vesting of the performance rights, subject to the requirements of the Company's Policy for Dealing in Securities.

Bonuses and share-based payments granted as compensation for the current financial year (cont'd)

Cessation of employment	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. In addition, if the CFO ceases employment within 1 year of the grant, the Board has the discretion to lapse the performance rights. Where the participant ceases employment in any other circumstances, unless the Board determines otherwise: • a pro-rata portion of the performance rights (calculated by reference to the portion of the performance period that has elapsed up to the date of cessation) will remain on foot and will vest or lapse in due course, as though the participant had not ceased employment; and • the remaining portion of the performance rights will automatically lapse.

Name	Number Granted	Financial Year	Commencement date of performance measurement period	Grant date	Percentage of grant Vested %	Percentage of grant forfeited %	Future financial years that Grant will be payable	Grant date fair value $
Mike Westrup	900,000	2015	01/01/2015	23/06/2015	Nil	Nil	2018	858,960
Shane Booth	87,000	2015	01/01/2015	23/06/2015	Nil	Nil	2018	83,510
							Total	942,470

CHANGES IN STATE OF AFFAIRS

Shriro Holdings Limited was incorporated on 14 April 2015. On 16 June 2015 the shareholders of the Company and management undertook a corporate reorganisation process, through which Shriro Holdings Limited gained control over Shriro Pty Limited, Shriro Australia Pty Limited and Monaco Corporation Limited.

Under the principles of corporate reorganisation and in accordance with Australian Accounting Standards, the financial report of Shriro Holdings Limited includes the historical financial information of the above mentioned companies on a continuation basis as if Shriro Holdings Limited had always controlled these businesses.

The Company decided to pursue an IPO to increase its access to capital markets, provide an opportunity for existing shareholders to realise part of their investment, reduce the Group's existing debt levels, broaden the Group's shareholder base and provide a liquid market for its shares. The process was started in the second half of 2014 and was successfully completed on the 23 June 2015.

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

SUBSEQUENT EVENTS

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

FUTURE DEVELOPMENTS

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

Shriro Holdings Limited

Directors' Report (cont'd)

INDEMNIFICATION OF OFFICERS AND AUDITORS

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

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

NON-AUDIT SERVICES

Details of amounts paid or payable to the auditor for non-audit services are outlined in note 6 to the financial statements.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 14 of the annual report.

ROUNDING OFF OF AMOUNTS

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors' report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

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

On behalf of the Directors

John Ingram
Director
Sydney, 24th of February 2016

Mike Westrup
Director
Sydney, 24th of February 2016

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Eclipse Tower
Level 19
60 Station Street
Parramatta NSW 2150

Tel: +61 (0) 2 9840 7000
Fax: +61 (0) 2 9840 7001
www.deloitte.com.au

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

24 February 2016

Dear Board Members

Shriro Holdings Limited

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

As lead audit partner for the audit of the financial statements of Shriro Holdings Limited for the year ended 31 December 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

X Delaney
Partner
Chartered Accountants

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Member of Deloitte Touche Tohmatsu Limited

Deloitte.

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

Report on the Financial Report

We have audited the accompanying financial report of Shriro Holdings Limited, which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 17 to 56.

Directors' Responsibility 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 Note 3(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the company's preparation of the financial report that gives a true and fair view, 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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Deloitte.

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

Auditor's Independence Declaration

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

Opinion

In our opinion:

(a) the financial report of Shriro Holdings Limited is in accordance with the *Corporations Act 2001*, including:

> (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the year ended on that date; and
>
> (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 3(a).

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 7 to 12 of the directors' report for the year ended 31 December 2015. 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.

Opinion

In our opinion the Remuneration Report of Shriro Holding Limited for the year ended 31 December 2015, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Delaney

X Delaney
Partner
Chartered Accountants
Parramatta, 24 February 2016

Shriro Holdings Limited
Directors' Declaration

The Directors declare that:-

(a) in the Directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

(b) in the Directors' opinion the attached financial statements are in compliance with International Financial Reporting Standard, as stated in note 3 to the financial statements;

(c) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the company, and

(d) the Directors have been given the declarations required by s.295A of the Corporations Act 2001.

At the date of this declaration, the company is within the class of companies affected by ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee. In the Directors' opinion, there are reasonable grounds to believe that the company and the companies to which the ASIC Class Order applies, as detailed in note 27 to the financial statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

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

On behalf of the Directors

John Ingram
Director
Sydney, 24th of February 2016

Mike Westrup
Director
Sydney, 24th of February 2016

Shriro Holdings Limited

Consolidated Statement of Profit or Loss

for the Financial Year Ended 31 December 2015

	Note	2015 $'000	2014 $'000
Revenue from ordinary activities	4	186,300	177,729
Changes in inventories of finished goods		(6,258)	(51)
Raw materials and consumables used		(954)	(1,433)
Cost of purchased distribution inventory		(99,432)	(101,420)
Employee benefits expense		(27,123)	(25,341)
Advertising and promotion expenses		(5,263)	(3,939)
Freight and delivery expenses		(7,938)	(8,144)
Depreciation and amortisation expenses	5	(3,386)	(3,524)
Rental costs		(5,413)	(6,076)
Finance costs	5	(1,876)	(3,465)
Other expenses		(11,188)	(11,161)
IPO related costs	7	(5,658)	(3,042)
Profit before tax		11,811	10,133
Income tax expense	8	(4,693)	(4,341)
Profit for the year		**7,118**	**5,792**
Earnings per share			
Basic (cents per share)	19	9.0	9.3
Diluted (cents per share)		8.9	9.3

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

Shriro Holdings Limited

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the Financial Year Ended 31 December 2015

	Note	2015 $'000	2014 $'000
Profit for the year		**7,118**	**5,792**
Items that may be reclassified subsequently to profit or loss			
Net change in the fair value of cash flow hedges taken to equity		(493)	(313)
Exchange differences on translation of foreign operations		(109)	595
Other comprehensive income for the year, net of tax		(602)	282
Total comprehensive income for the year attributable to the owners of Shriro Holdings Limited		6,516	6,074

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

Shriro Holdings Limited

Consolidated Statement of Financial Position

as at 31 December 2015

	Note	2015 $'000	2014 $'000
Current assets			
Cash and cash equivalents	23	1,040	2,105
Trade and other receivables	9	31,580	31,922
Inventories	10	39,576	46,260
Other assets	11	886	206
Derivative receivable		234	274
Total current assets		73,316	80,767
Non-current assets			
Property, plant and equipment	12	10,018	10,441
Deferred tax assets	8	4,718	5,271
Total non-current assets		14,736	15,712
Total assets		88,052	96,479
Current liabilities			
Trade and other payables	13	18,738	17,078
Borrowings	14	1,430	36,399
Current tax liabilities		1,204	1,580
Provisions	15	6,462	6,855
Derivative payable		685	228
Total current liabilities		28,519	62,140
Non-current liabilities			
Borrowings	14	9,000	3,000
Provisions	15	2,833	2,845
Total non-current liabilities		11,833	5,845
Total liabilities		40,352	67,985
Net assets		47,700	28,494
Equity			
Issued capital	16	94,541	4,000
Reserves	17	(74,990)	3,463
Retained earnings	18	28,149	21,031
Total equity		47,700	28,494

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

Shriro Holdings Limited

Consolidated Statement of Changes in Equity

for the Financial Year Ended 31 December 2015

	Issued capital $'000	Group Reorganisation Reserve (note 1) $'000	Cash Flow Hedging Reserve $'000	Foreign Currency Translation Reserve $'000	Equity Settled Benefits Reserve $'000	Retained Earnings $'000	Total $'000
Balance at 31 December 2013	4,000	-	342	1,147	-	19,097	24,586
Profit for the year	-	-	-	-	-	5,792	5,792
Other comprehensive income for the year	-	-	(313)	595	-	-	282
Total comprehensive income		-	(313)	595	-	5,792	6,074
Share based payments	-	-	-	-	1,692	-	1,692
Transactions with owners in their capacity as owners	-	-	-	-	-	-	-
Loss on debt forgiveness between commonly controlled entities	-	-	-	-	-	(3,858)	(3,858)
Balance at 31 December 2014	4,000	-	29	1,742	1,692	21,031	28,494
Profit for the year	-	-	-	-	-	7,118	7,118
Other comprehensive income for the year	-	-	(493)	(109)	-	-	(602)
Total comprehensive income	-	-	(493)	(109)		7,118	6,516
Shares issued, net of transaction costs and tax	90,541	(78,585)	-	-	-	-	11,956
Share-based payments reserve	-	-	-	-	734	-	734
Balance at 31 December 2015	94,541	(78,585)	(464)	1,633	2,426	28,149	47,700

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

Shriro Holdings Limited

Consolidated Statement of Cash Flows

for the Financial Year Ended 31 December 2015

	Note	2015 $'000	2014 $'000
Cash flows from operating activities			
Receipts from customers		205,271	192,817
Payments to suppliers and employees		(173,992)	(175,296)
Finance costs paid		(1,825)	(3,338)
Interest received		-	33
Income taxes paid		(4,517)	(2,981)
Net cash provided by operating activities	23.2	24,937	11,235
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		115	77
Payment for property, plant and equipment		(3,854)	(4,229)
Net cash used in investing activities		(3,739)	(4,152)
Cash flows from financing activities			
Repayment of loan to related entities		-	(3,500)
Repayment of from borrowings		(28,969)	(3,031)
Issue of capital		6,200	-
IPO related costs		(5,482)	(1,350)
Settlement of management loan		6,000	-
Net cash used in financing activities		(22,251)	(7,881)
Net decrease in cash and cash equivalents		(1,053)	(798)
Cash and cash equivalents at the beginning of the financial year		2,105	2,855
Effects of exchange rate changes on cash		(12)	48
Cash and cash equivalents at the end of the financial year	23.1	1,040	2,105

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

Shriro Holdings Limited
Notes to the Financial Statements

1. GROUP REORGANISATION – CRITICAL JUDGEMENT IN THE APPLICATION OF THE COMPANY'S ACCOUNTING POLICIES

Shriro Holdings Limited (the Company) was incorporated on 14 April 2015. On 16 June 2015 the shareholders of the Company, the Directors and management undertook a group reorganisation process, through which Shriro Holdings Limited became the legal parent of the following entities, conditional on the successful completion of the IPO:

- Shriro Pty Limited
- Shriro Australia Pty Limited
- Monaco Corporation Limited

The reorganisation was made in connection with the upcoming initial public offering which was successfully completed on 23 June 2015.

The Directors have elected to account for the restructure as a capital re-organisation rather than a business combination. In the Directors' judgement, the continuation of existing accounting values is consistent with the accounting which would have occurred if the assets and liabilities had already been in a structure suitable to IPO, and most appropriately reflects the substance of the internal restructure.

Accordingly the consolidated financial report of Shriro Holdings Limited for the year ended 31 December 2015 has been presented as a continuation of the pre-existing accounting values of assets and liabilities in the Shriro Pty Limited consolidated financial statements and includes the financial results for the consolidated group under Shriro Pty Limited for the period from 1 January 2015 to 15 June 2015 and the consolidated group under Shriro Holdings Limited from 16 June 2015 to 31 December 2015. The comparative information presented in the financial report represents the financial position and financial performance of Shriro Pty Limited for the year ended 31 December 2014. The difference between the cost of the transaction and the net assets of Shriro Pty Limited at the date of the restructure of $78,585,000 has been accounted for as a Group Reorganisation Reserve.

In adopting this approach the Directors note that there is an alternate view that such a restructure, which was conditional on the IPO completing, should be accounted for as a business combination, which follows the legal structure of Shriro Holdings Limited being the acquirer. If this view were taken, the net assets of the group would have been uplifted by $69 million to fair value, based on the market capitalisation at IPO of $95million, with consequent impacts on the Consolidated Statement of Profit or Loss and Other Comprehensive Income, and the Consolidated Statement of Financial Position. The Directors anticipate that the excess of the fair value compared with the book value of net assets would primarily be allocated to distribution network (estimated to be approximately $27.1 million), trademarks and brand names (estimated to be approximately $7.1 million), product designs (estimated at approximately $2.2 million) and software (estimated at approximately $1.4 million), with the balance of the excess of fair value over book value being allocated to goodwill. Had business combination accounting been adopted it is also possible that adjustments to the acquired net assets would have been required to recognise any deferred tax assets and liabilities arising from the uplifts in value to the extent that recognition of deferred tax assets and liabilities is required by Australian Accounting Standards. To the extent that any of the excess was allocated to finite life intangible assets (such as product designs and software), NPAT would be impacted by the annual amortisation of these intangible assets, which the Directors have estimated to be approximately $0.9 million per annum before consideration of any tax consequences.

2. ADOPTION OF AASB 1 'FIRST-TIME ADOPTION OF AUSTRALIAN ACCOUNTING STANDARDS

As explained in Note 1 these consolidated financial statements reflect a continuation of the existing Shriro Pty Limited's consolidated financial statements. The Group has previously prepared general purpose financial statements in accordance with Tier 2 Australian Accounting Standards – Reduced Disclosure Requirements.

As a disclosing entity the Group is now required to prepare IFRS compliant general purpose financial statements for the first time for the year ended 31 December 2015 (Tier 1 Reporting Requirements). In accordance with AASB 1 'First time adoption of Australian Accounting Standards', the Group has adopted all relevant IFRS standards with effect from the beginning of the comparative period, 1 January 2014. The adoption of AASB 1 has not resulted in any changes in recognition or measurement of amounts in the financial statements.

3. STATEMENT OF ACCOUNTING POLICIES

The following is a summary of the significant accounting policies adopted by the Group in the preparation of the financial report for the year ended 31 December 2015. The accounting policies have been consistently applied unless otherwise stated.

(a) Statement of Compliance

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

The financial statements were authorised for issue by the Directors on 24th February 2016.

(b) Basis of preparation

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

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

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

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

The company is a company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

(c) Basis of consolidation

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

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

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

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

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

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

3. STATEMENT OF ACCOUNTING POLICIES (CONT'D)

(d) Tax consolidation

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

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

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

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

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

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

(e) Income Tax

Current Tax

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

Deferred Tax

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

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

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

(e) Income Tax (cont'd)

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

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

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

(f) Foreign currencies

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

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

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

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

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

3. STATEMENT OF ACCOUNTING POLICIES (CONT'D)

(g) Borrowing Costs

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

(h) Inventories

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

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

(i) Plant and Equipment

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

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

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from those assets. Refer note 3(j) for impairment of assets.

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

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straightline 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 rates of depreciation are used in assessing the depreciation charge:

Furniture and Fittings	5% to 20%
Motor Vehicles	12.5% to 20%
Plant and Equipment	5% to 22.5%
Display assets	33.3%
Office Equipment	5% to 50%
Leasehold improvements	5% to 33.3%

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

(j) Impairment of assets

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

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

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

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

(k) Cash and cash equivalents

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

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

(l) Financial instruments

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

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

Financial assets

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

Effective interest method

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

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

3. STATEMENT OF ACCOUNTING POLICIES (CONT'D)

(l) Financial instruments (cont'd)

Impairment of financial assets

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

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

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

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables

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

Loans and receivables

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

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 recognized in profit or loss.

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

Financial Liabilities

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

3. STATEMENT OF ACCOUNTING POLICIES (CONT'D)

(m) Employee benefits

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

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

Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date. The discount rate adopted at 31 December 2015 is the High Quality Corporate Bond Rate, previously a risk free bond rate, and the change represents a change in accounting estimates. The impact is not significant.

Share based payments transactions of the Company

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

(n) Revenue recognition

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

Sale of goods

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, which generally occurs on receipt of goods by the customer.

Rebates

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

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3. STATEMENT OF ACCOUNTING POLICIES (CONT'D)

(o) Earnings per share

Basic and diluted earnings per share is calculated on profit after taxation attributable to members of Shriro Holdings Limited and the weighted average number of shares on issue during the year. The number of shares prior to listing used in the weighted average calculation has been based on the issue of shares at the time of the Group's reorganisation. Refer to note 19 for the calculation of the weighted average number of ordinary shares used in calculating basic and diluted earnings per share.

(p) Leasing

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

The company as lessor

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

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

The company as lessee

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

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

(q) Goods and services tax (GST)

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

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

3. STATEMENT OF ACCOUNTING POLICIES (CONT'D)

(r) Derivative financial instruments

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

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

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

Hedge accounting

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

Cash flow hedge

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

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

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

3. STATEMENT OF ACCOUNTING POLICIES (CONT'D)

(s) Provision for Warranty Claims

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

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

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

(t) Critical accounting estimates and judgments

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

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

Group reorganisation

The group undertook a capital reorganisation during the year. The critical judgements made in accounting for the group reorganisation are disclosed in note 1.

Provision for obsolescence

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

Warranty provision

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

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3. STATEMENT OF ACCOUNTING POLICIES (CONT'D)

(u) Application of new and revised accounting standards

Changes in accounting policies and disclosures

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

AASB 1031 'Materiality' (2013)

AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'

AASB 2013-9 'Amendments to Australian Accounting Standards' – Part B: 'Materiality'

AASB 2014-1 'Amendments to Australian Accounting Standards'

- Part A: 'Annual Improvements 2010-2012 and 2011-2013 Cycles'
- Part C: 'Materiality'

Interpretation 21 'Levies'

Standards and interpretations in issue not yet adopted

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

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 9 'Financial Instruments', and the relevant amending standards	1 January 2018	31 December 2018
• AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016	31 December 2016
• AASB 15 'Revenue from Contracts with Customers' and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15'	1 January 2017	31 December 2018
• AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2016	31 December 2016
• AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 1'	1 January 2016	31 December 2016
• AASB 2015-3 'Amendments to Australian Accounting Standards arising from the withdrawal of AASB 1031 'Materiality''	1 July 2015	31 December 2016
• AASB 2015-4 'Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent'	1 July 2015	31 December 2016
• IFRS 16 'Leases'	1 January 2019	31 December 2019
• Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)	1 January 2017	31 December 2017
• Disclosure Initiative (Amendments to IAS 7)	1 January 2017	31 December 2017

4. REVENUE

	2015 $'000	2014 $'000
Revenue from continuing operations consisted of the following items:		
Sales revenue	184,629	175,962
Rental income received	-	803
Interest received	41	33
Advertising and marketing contributions	1,630	931
	186,300	177,729

5. PROFIT FOR THE YEAR

	2015 $'000	2014 $'000
Profit before tax has been arrived at after charging the following expenses:		
Depreciation of property, plant, equipment	3,386	3,524
(Decrease)/ ncrease in stock obsolescence provision	(496)	141
Decrease in warranty provision provided	(238)	(691)
Employee benefits expense:		
LTIP share based payments	314	-
Termination benefits	209	104
Other employee benefits	26,600	25,237
Bad and doubtful debts (expense)/write back	(118)	153
Operating lease expense	5,297	5,514
Finance costs		
Interest on bank overdrafts and loans	1,558	3,165
Bank charges	318	300

6. REMUNERATION OF AUDITOR

	2015 $'000	2014 $'000
Audit and review	210	231
Other services – IPO related services	347	433
	557	664

7. IPO EXPENDITURE

IPO related costs of $6,117,000 were incurred in 2015 in preparing the Company for IPO, which included primarily investment bank fees, management bonus, professional advisory fees and prospectus printing, preparation and distribution costs, historical management equity plan and employee gift offer expense. In accordance with AASB 132, the proportion of costs that are directly attributable to raising new share capital, amounting to $459,000, have been capitalised against the newly raised equity, with the remaining balance of $5,658,000 being taken up in the consolidated statement of profit or loss and other comprehensive income.

	2015 $'000	2014 $'000
IPO related costs	5,023	1,350
Historical management equity plan expense (i)	420	1,692
Employee gift offer (ii)	215	-
	5,658	3,042

(i) The historical management equity plan expense represents the acceleration of vesting at the date of IPO of the in substance options issued under the historical management equity plan, refer note 26

(ii) Shares were issued to Eligible Employees under the Employee Gift Offer at the time of the IPO, in which eligible Employees were offered the opportunity to apply for up to $1,000 worth of Shares at no cost.

8. INCOME TAX

Income taxes relating to continuing operations	**2015 $'000**	2014 $'000
8.1 Income tax recognised in profit or loss		
Current tax		
In respect of the current year	4,365	4,452
In respect of prior years	(213)	(3)
	4,152	4,449
Deferred tax		
In respect of the current year	539	(282)
Tax losses not brought to account	2	174
Total tax expense	541	(108)
Total income tax expense recognised in the current year relating to continuing operations	4,693	4,341

Total income tax expense for the year can be reconciled to the accounting profit as follows:		
Profit before tax from continuing operations	11,811	10,133
Income tax expense calculated at 30% (2014:30%)	3,543	3,040
Effect of income that is exempt from taxation	-	(5)
Effect of expenses that are not deductible in determining taxable profit	1,866	962
Tax losses not brought to account	-	174
Effect of different tax rates of subsidiaries operating in other jurisdictions	(102)	(103)
Other	(401)	276
Total tax expense	4,906	4,344
Adjustments recognised in the current year in relation to the current tax of prior years	(213)	(3)
Income tax attributable to profit	4,693	4,341

Shriro Holdings Limited

8. INCOME TAX (CONT'D)

8.2 Deferred Tax Balances

The deferred tax expense above is itemised as follows:

2015	Opening balance $'000	Recognised in profit or loss $'000	Arising on disposals $'000	Closing balance $'000
Deferred tax assets				
Property, plant and equipment	45	(33)	-	12
Leases	(14)	(82)	-	(96)
Superannuation payable	66	9	-	75
Provisions	4,965	(296)	-	4,669
Allowance for Doubtful debts	89	(31)	-	58
Exchange difference on foreign operations	120	(120)	-	-
				-
Net deferred tax asset	5,271	(553)	-	4,718

2014	Opening balance $'000	Recognised in profit or loss $'000	Arising on disposals $'000	Closing balance $'000
Deferred tax assets				
Property, plant and equipment	60	(15)	-	45
Leases	(319)	(245)	550	(14)
Superannuation payable	99	(33)	-	66
Provisions	4,960	5	-	4,965
Allowance for Doubtful debts	83	6	-	89
Exchange difference on foreign operations	83	37	-	120
Net deferred tax asset	4,966	(245)	550	5,271

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

Shriro Holdings Limited

9. TRADE AND OTHER RECEIVABLES

	2015 $'000	2014 $'000
Trade receivables	31,775	32,217
Allowance for doubtful debts	(206)	(324)
	31,569	31,893
Other debtors	11	29
Trade receivables	31,580	31,922

The average credit period on sales of goods is 45 days. No interest is charged on trade receivables. Allowances for doubtful debts are estimated on debts deemed irrecoverable, determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position. The Group holds an active credit insurance policy which, as at the reporting date, provided coverage for 90% of debtors, including all debtors with a balance owing equal to or greater than $40,000. The maximum exposure under this policy is 10% of the irrecoverable amount.

Age of receivables that are past due but not impaired

60-90 days	290	139
90-120 days	124	306
Total	414	445

Movement in the allowance for doubtful debts

Balance at beginning of the year	(324)	(298)
Impairment losses recognised	100	(153)
Amounts w/o during year as uncollectable	16	125
Amounts recovered during the year	-	7
Other debtors	2	(5)
Balance at the end of the year	(206)	(324)

10. INVENTORIES

Raw materials	-	803
Finished goods	33,999	39,276
Stock in transit	7,538	8,639
Allowance for inventory obsolescence	(1,961)	(2,458)
Balance at the end of the year	39,576	46,260

The cost of inventories recognised as an expense during the year in respect of continuing operations was $106,644,000 (2014 $102,904,000)

11. OTHER ASSETS

Prepayments	886	206

12. PLANT AND EQUIPMENT

Leasehold improvements	3,183	3,356
Plant and equipment	779	1,025
Fixtures and fittings	443	499
Office equipment	1,325	1,614
Motor vehicles	976	1,256
Display Assets	2,370	2,512
Total capitalised plant and equipment	9,076	10,262
Capital work in progress	942	179
Total Plant and Equipment	10,018	10,441

12. PLANT AND EQUIPMENT (CONT'D)

Cost	Leasehold improvements $'000	Plant and equipment $'000	Fixtures and fittings $'000	Office equipment $'000	Motor vehicles $'000	Display assets $'000	Total $'000
Balance at 31 December 2014	4,294	3,331	1,152	5,111	2,080	7,136	23,104
Additions	467	11	63	425	246	1,743	2,955
Disposals	(7)	(10)	(201)	(953)	(338)	(2,512)	(4,021)
FX Translation gain	(7)	(23)	(10)	(28)	(18)	(6)	(92)
Balance at 31 December 2015	4,747	3,309	1,004	4,555	1,970	6,361	21,946

Accumulated depreciation and impairment	Leasehold improvements $'000	Plant and equipment $'000	Fixtures and fittings $'000	Office equipment $'000	Motor vehicles $'000	Display assets $'000	Total $'000
Balance at 31 December 2014	(939)	(2,306)	(653)	(3,496)	(824)	(4,624)	(12,842)
Additions	(633)	(247)	(104)	(696)	(411)	(1,294)	(3,385)
Disposals	6	10	189	942	234	1,926	3,307
FX Translation gain	2	13	7	20	7	1	50
Balance at 31 December 2015	(1,564)	(2,530)	(561)	(3,230)	(994)	(3,991)	(12,870)

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

Leasehold improvements	3 - 20 years
Plant and equipment	4 - 20 years
Fixtures and fittings	4 - 20 years
Office equipment	2 - 20 years
Motor vehicles	5 - 8 years
Display assets	2 - 3 years

Assets pledged as security

As detailed in note 14, all property, plant and equipment, along with all other assets of the Group, have been pledged to secure the borrowings of the Group with ANZ. The Group is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

13. TRADE AND OTHER PAYABLES

	2015 $'000	2014 $'000
Current		
Trade payables	12,934	10,840
GST Payable	1,247	1,550
Employee related payables	2,254	1,447
Sundry creditors	2,303	3,241
	18,738	17,078

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

14. BORROWINGS

	2015 $'000	2014 $'000
Secured – at amortised cost		
Overdraft facility (i)	1,430	7,794
Core debt facility	-	6,000
Trade finance facility (i)	9,000	25,605
	10,430	39,399

Current	1,430	36,399
Non-current	9,000	3,000
	10,430	39,399

14.1 Facility

(i) The Group has a trade finance facility available to meet working capital requirements. To account for seasonality in working capital requirements, on the 1st July each year, the facility limit for the combination of the overdraft facility and trade finance facility increases to $44,000,000 and reduces back to $39,000,000 between 1 February and 30 June each year. In the prior year the trade finance facility was classified as current due to the Group's trade finance loans having a maximum term of 180 days. The terms of this facility have been amended during 2015, in particular, the 180 day payment term has been removed and loan balances are not repayable until December 2017, provided that the amount owing under the facility does not exceed the level of approved trade payables of the Group. Amounts drawn on the trade finance facility have therefore been classified as non-current in 2015.

(ii) The Group has a non-cash guarantees facility of $13,000,000. Under the terms of this facility, financial institutions provide guarantees to the Group's suppliers and property owners in the form of Letters of Credit and Bank Guarantees. These Letters of Credit and Bank Guarantees act like insurance and provide assurance to suppliers and property owners that payment up to the amount of the guarantees will be made if certain documentary conditions are met. The Group has no obligation to make any payments under this non-cash facility.

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

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

	2015 $'000	2014 $'000
Borrowing facility		
Core debt facility	-	6,000
Overdraft facility (i)	15,000	15,000
Trade finance facility (i)	29,000	29,000
Total borrowing facility	44,000	50,000
Non-cash guarantees facility (ii)	13,000	13,000
Total Group facility	57,000	63,000
Usage of borrowing facility		
Drawn – cash	10,430	39,399
Less cash and bank balances	(1,040)	(2,105)
Undrawn limit available for use	34,610	12,706
Total borrowing facility	44,000	50,000
Utilisation of non-cash guarantees facility		
Utilised – non-cash	8,534	9,078
Unutilised limit available for use	4,466	3,922
Total non-cash guarantees facility	13,000	13,000
Total borrowing facility	57,000	63,000

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15. PROVISIONS

	2015 $'000	2014 $'000
Employee entitlements (i)	3,852	3,711
Other provisions (see below)	5,443	5,989
	9,295	9,700
Current	6,462	6,855
Non-current	2,833	2,845
	9,295	9,700

Other Provisions	Provision for warranty (ii) $'000	Lease incentives & make good (iii) & (iv) $'000	Total $'000
Balance as at 1 January 2015	3,144	2,845	5,989
Reductions arising from payments/other sacrifices of future economic benefits	(238)	(308)	(546)
Additional provisions recognised	-	-	-
	2,906	2,537	5,443

(i) The provision for employee benefits represents annual leave and long service leave entitlements accrued. The discount rate adopted at 31 December 2015 is the High Quality Corporate Bond Rate, previously a risk free bond rate, and the change represents a change in accounting estimates. The impact is not significant.

(ii) The provision for warranty claims represents the present value of the Directors' best estimate of the future sacrifice of economic benefits that will be required under the Group's warranty program as outlined in note 3(r). The estimate has been made on the basis of historical warranty trends and other events affecting product quality.

(iii) The lease incentives provision arises when incentives are received from landlords as part of the Group's operating leases. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(iv) The provision for make-good represents management's best estimate of future cash outlays required to refit leased premises in line with the requirements of each operating lease agreement.

16. ISSUED CAPITAL

	2015 $'000	2014 $'000
95,000,000 fully paid ordinary shares (2014: 9,690,183)	94,541	4,000

Date	Details	Value of Shares $	Number of Shares
1 January 2015	Opening balance	4,000,000	9,690,183
23 June 2015	Reclassified to Group Reorganisation reserve (Note 1)	(4,000,000)	(9,690,183)
	Exchange of shares at Group Reorganisation	62,009,500	62,009,500
	Issue of shares to management under the historical management equity plan	26,575,500	26,575,500
	Issue of shares to employees under share gift offer	215,000	215,000
	Issue of ordinary shares by Shriro Holdings Limited at IPO	6,200,000	6,200,000
	Capital raising costs	(459,071)	-
31 December 2015	Closing Balance	94,540,929	95,000,000

As part of the IPO process on 23 June 2015, of the above shares, 44,292,000 shares were sold to the public at $1 per share by existing shareholders.

17. RESERVES

	2015 $'000	2014 $'000
Cash flow hedging reserve	(464)	29
Foreign currency translation reserve	1,633	1,742
Equity settled employee benefits reserve	2,426	1,692
Group reorganisation reserve	(78,585)	-
Balance at end of financial year	(74,990)	3,463

17.1 Cash flow hedging reserve

	2015	2014
Balance at the beginning of the period	29	342
Forward exchange contracts	(493)	(313)
Balance at end of financial year	(464)	29

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

17. RESERVES (CONT'D)

17.2 Foreign currency translation reserve

	2015 $'000	2014 $'000
Balance at the beginning of the period	1,742	1,147
Exchange differences arising on translating the foreign operation	(109)	595
Balance at end of financial year	1,633	1,742

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

17.3 Equity settled employee benefits reserve

Balance at the beginning of the period	1,692	-
Arising on share-based payments	734	1,692
Balance at end of financial year	2,426	1,692

17.4 Group reorganisation reserve

Balance at the beginning of the period	-	-
Arising on Group reorganisation (note 1)	(78,585)	-
Balance at end of financial year	(78,585)	-

The Group reorganisation reserve arose as a result of the corporate restructure undertaken on 16 June 2015 and described in Note 1.

18. RETAINED EARNINGS

Balance at beginning of financial year	21,031	19,097
Profit for the year	7,118	5,792
Dividends provided for or paid	-	(3,858)
Balance at end of financial year	28,149	21,031

19. EARNINGS PER SHARE

	2015 Cents per share	2014 Cents per share
Basic earnings per share	9.0	9.3
Diluted earnings per share	8.9	9.3

Reconciliation of earnings used in calculating earnings per share

	2015 $'000	2014 $'000
Net profit	7,118	5,792

Reconciliation of shares used in calculating earnings per share

	2015 No.	2014 No.
Opening balance of shares for the period – adjusted for impact of group reorganisation	62,009,500	62,009,500
Shares issued during the period:		
23 June 2015	32,990,500	-
Closing balance of shares for the period (2014 adjusted for impact of group reorganisation)	95,000,000	62,009,500
Weighted average number of ordinary shares used in the calculation of basic earnings per share	79,273,022	62,009,500
Shares deemed to be issued for no consideration in respect of:		
Employee performance rights issue – 23 June 2015	987,500	-
Closing number of shares deemed to be issued for the period	95, 987,500	62,009,500
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	79,789,768	62,009,500

AASB 113.64 requires that where a share split occurs the calculation of basic and diluted EPS for all periods presented shall be adjusted retrospectively. 62,009,500 shares represents the proportion of shares at listing that were on hand at previous period end.

20. DIVIDENDS

On 24th February 2016 the Directors declared a final dividend of 6.0 cents per share fully franked with an ex-dividend date of the 16th March 2016, record date of the 17th March 2016 and payable on 31st March 2016.

	2015 $'000	2014 $'000
Franking account balance	4,566	3,361

Note that further to the above balance, there are an additional $15,208,644 franking credits which are quarantined as a result of the restructure and can only be used to frank dividends to Shriro Pacific as a consequence of the Historical management equity plan.

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21. SEGMENT INFORMATION

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

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

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

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

Full year ended 31 December 2015	Kitchen Appliances $'000	Consumer Products $'000	Total $'000
Revenue from external customers	86,077	98,593	184,670
Other revenue / income	83	1,547	1,630
Total revenue from ordinary activities	86,160	100,140	186,300
Earnings before Interest, Tax, Depreciation and Amortisation	5,652	16,761	22,413
Depreciation and amortisation expense			(3,386)
Segments result			19,027
Interest expense			(1,558)
IPO costs			(5,658)
Segment profit before income tax			11,811
Income tax expense			(4,693)
Net profit after income tax			7,118

21. SEGMENT INFORMATION (CONT'D)

Full year ended 31 December 2014	Kitchen Appliances $'000	Consumer Products $'000	Total $'000
Revenue from external customers	85,541	90,496	176,037
Other revenue / income	9	1,683	1,692
Total revenue from ordinary activities	85,550	92,179	177,729
Earnings before Interest, Tax, Depreciation and Amortisation	5,240	14,624	19,864
Depreciation and amortisation expense			(3,524)
Segments result			16,340
Interest expense			(3,165)
IPO costs			(3,042)
Segment profit before income tax			10,133
Income tax expense			(4,341)
Net profit after income tax			5,792

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

21.1 Geographical information

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

	2015 $'000	2014 $'000
Revenue from external customers		
Australia	149,472	142,241
New Zealand	36,056	34,996
Other	772	492
	186,300	177,729

21.2 Information about major customers

Included in kitchen appliances revenue from ordinary activities are revenues of approximately $19 million (2014: $23 million) which arose from sales to the Group's largest customer. No other single customer contributed 10% or more to the Group's revenue for both 2015 and 2014.

22. OPERATING LEASE ARRANGEMENTS

22.1 The Group as lessee

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

22.2 Payments recognised as an expense

	2015 $'000	2014 $'000
Lease and sub-lease payments recognised as an expense	5,285	5,514

22.3 Non-cancellable operating lease commitments

Not later than 1 year	5,183	5,030
Later than 1 year and not later than 5 years	13,681	15,732
Later than 5 years	6,822	7,411
	25,686	28,173

22.4 Liabilities recognised in respect of non-cancellable leases

Lease incentives		
Current	-	(236)
Non-current	-	(1,652)
	-	(1,888)
Make good provisions		
Current	-	(56)
Non-current	(2,537)	(901)
	(2,537)	(957)
	(2,537)	(2,845)

Operating lease commitments

The Group is not party to any finance lease liabilities. As at 31 December 2015 there were no other material liabilities.

23. NOTES TO THE STATEMENT OF CASH FLOWS

23.1 Cash and cash equivalents

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

Cash 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:

	2015 $'000	2014 $'000
Cash and bank balances	1,040	2,105

23. NOTES TO THE STATEMENT OF CASH FLOWS (CONT'D)

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

	2015 $'000	2014 $'000
Profit for the year	7,118	5,792
Add non-cash and non-operating cash items		
Depreciation	3,386	3,524
Net loss / (gain) on sale of assets	598	116
Lease incentive	-	(803)
Historical management equity plan and employee gift offer expense	635	1,692
LTIP rights issue	314	-
IPO Advisory costs	5,023	1,350
Changes in assets and liabilities:		
Increase / (decrease) in trade payables & other payables	1,071	(2,524)
(Decrease) / increase in provisions	(405)	704
Decrease / (increase) in inventory	6,684	(271)
Decrease / (increase) in trade receivables	342	(674)
(Increase) / decrease in other current assets	(6)	969
Decrease in tax assets/liabilities	177	1,360
Net cash provided by operating activities	24,937	11,235

24. FINANCIAL INSTRUMENTS

The Group has four significant categories of financial instruments which are described below together with the policies in note 3 and risk management processes which the Company utilises:

(a) Cash and cash equivalents

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

(b) Debtors and credit risk management

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

(c) Bank guarantees and letters of credit

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

(d) Foreign currency forward contracts

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

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24. FINANCIAL INSTRUMENTS (CONT'D)

Categories of financial instruments

Financial assets	2015 $'000	2014 $'000
Cash and cash equivalents	1,040	2,105
Trade and other receivables	31,580	31,922
Forward exchange contracts receivable	234	274
Financial liabilities		
Trade payables and other payables	18,738	17,078
Bank loans	10,430	39,399
Forward exchange contracts payable	685	228
Current Tax Liabilities	1,204	1,580

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

Financial risk management objectives

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

Key sensitivities

	Impact on NPAT $'000	Impact on NPAT %
Sales (+/- 1%)	257	3.6%
Gross profit margin (+/- 1%)	1,113	15.6%
Other operating costs (+/- 1%)	364	5.1%
Interest expense (+/- 1%)	9	0.1%
*AUD/NZD (+/- 5%)	173	2.4%

Foreign currency risk management

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

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

24. FINANCIAL INSTRUMENTS (CONT'D)

Forward foreign exchange contracts

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

Outstanding contracts maturity profile	2015 $'000	2014 $'000
Buy Currency:		
Less than 3 months	16,075	5,380
3 to 6 months	18,944	15,649
6 to 9 months	8,314	2,087
Sell Currency:		
Less than 3 months	100	344
3 to 6 months	-	-
6 to 9 months	-	-

Outstanding hedges	2015 $'000	2014 $'000
Buy Currency:		
USD	16,233	6,269
EURO	9,521	8,297
JPY	16,016	7,082
AUD	1,563	1,468
Sell Currency:		
USD	100	344

Liquidity risk management

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

Liquidity and interest risk tables

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

	Weighted average effective interest rate %	Less than 1 month $'000	1 to 3 months $'000	3 months to 1 years $'000	1 to 5 years $'000	Total $'000
2015						
Variable interest rate instruments	3.04%	1,430	-	-	9,000	10,430
2014						
Variable interest rate instruments	3.82%	9,680	13,295	13,424	3,000	39,399

24. FINANCIAL INSTRUMENTS (CONT'D)

Interest rate sensitivity analysis

The sensitivity analysis has been determined based on exposure to interest rates for cash and cash equivalents that were subject to interest rate fluctuations at the reporting date. At reporting date, if interest rates had been 1% higher or lower and all other variables were held constant, the Company's profit or loss would increase or decrease by $513,000 (2014: $749,000).

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 2014. The capital structure of the Group consists of net debt (borrowings as detailed in note 14 offset by cash and bank balances) and equity of the Group (comprising issued capital, reserves, retained earnings as detailed in notes 16, 17 and 18). The Group is not subject to any externally imposed capital requirements.

25. DIRECTORS AND KEY MANAGEMENT PERSONNEL COMPENSATION

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

Remuneration of Directors and Key Management Personnel

	2015 $'000	2014 $'000
Short-term employee benefits	3,907	1,711
Long-term employee benefits	697	1,159
Post-employment benefits	69	234
	4,673	3,103

26. SHARE-BASED PAYMENTS

26.1 Historical management equity plan

The historical management equity plan existed in Shriro Australia Pty Limited, a subsidiary of Shriro Pty Limited, under which management owned 30% of Shriro Australia Pty Limited. The shares were funded via a non-recourse loan from Shriro Australia Pty Limited. The number of management shares on issue in Shriro Australia Pty Limited as at 31 December 2014 was 3,568,948. The amount payable for each management share was $1.6812.

The historical management equity plan was accounted for as 'in substance options'. The main valuation method used was a Monte Carlo simulation model, which simulates the possible share price paths under two vesting scenarios. As a cross-check, the Black-Scholes model was also used by applying key assumptions consistent with the Monte Carlo simulation. The valuation using the Black Scholes model is broadly consistent with the values derived using the Monte Carlo simulation approach. The weighted average fair value per share of the option is $0.5916, valuing the total in substance option at an amount of $2,112,000 at grant date.

At 31 December 2014 the cumulative amortisation amounted to $1,691,759. The share plan vested upon the IPO which was an exit event, hence the remaining $420,241 was amortised at the IPO date.

26. SHARE-BASED PAYMENTS (CONT'D)

26.2 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 (including the CEO) with the interests of Shareholders by providing an opportunity for employees to receive an equity interest in the Company. Long term incentives will be 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 initially granted to the CEO and CFO. Other members of senior management of the Company are expected to be invited by the Board to participate, subsequent to the release of the audited accounts of the Company for the year ended 31 December 2015. In accordance with the CEO's fixed term employment agreement, the CEO's LTIP award is made in respect of the 2015, 2016 and 2017 financial years.

No non-executive director holds any performance rights over the shares in Shriro Holdings Limited. Mike Westrup was granted $900,000 of performance rights and Shane Booth was granted $87,500 in line with their long term incentives under the plan during the financial year ended 31 December 2015. The amortised LTIP performance rights recognised in consolidated statement of profit or loss for the financial year ended 31 December 2015 was $314,157.

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

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

Performance rights series	Grant date	Grant date fair value	Expiry date	Vesting Testing date
Series 1	23/06/2015	942,470	31/12/2017	31/12/2017

26.3 Fair value of performance rights granted in the year

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 share price	Rights life	Dividend yield	Risk-free interest rate
Series 1	$1.00	3 years	4.56%	3.23%

26.4 Performance rights outstanding at the end of the year

The performance rights outstanding at the end of the year had no exercise price and a weighted average remaining contractual life of 2 years.

27. SUBSIDIARIES

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the group	
			2015 $'000	2014 $'000 Note 1
Shriro Pty Limited (i)	Holding company	Australia	100%	100%
Shriro Australia Pty Limited (i)	Wholesaler of consumer goods and appliances	Australia	100%	100%
Monaco Corporation Limited	Wholesaler of consumer goods and appliances	New Zealand	100%	100%

(i) These wholly-owned subsidiaries are members of the tax-consolidated group and have entered into a deed of cross guarantee with Shriro Holdings Limited pursuant to ASIC Class Order 98/1418 and are relieved from the requirement to prepare and lodge an audited financial report.

27. SUBSIDIARIES (CONT'D)

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

Statement of Profit or Loss and Other Comprehensive Income	**2015 $'000**	2014 $'000
Revenue from ordinary activities	152,343	145,174
Changes in inventories of finished goods	(6,884)	(1,083)
Raw materials and consumables used	(953)	(1,433)
Cost of purchased distribution inventory	(76,753)	(80,089)
Employee benefits expense	(22,084)	(20,221)
Advertising and promotion expenses	(4,335)	(3,339)
Freight and delivery expenses	(6,542)	(6,948)
Depreciation and amortisation expenses	(2,677)	(2,953)
Rental costs	(4,535)	(5,229)
Finance costs	(1,796)	(3,358)
Other expenses	(9,529)	(9,669)
IPO related costs	(5,023)	(1,350)
Historical management equity plan expense	(635)	(1,692)
Profit before tax	10,597	7,810
Income tax expense	(3,109)	(2,889)
	-	
Profit for the year	7,488	4,921
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	(342)	(244)
Other comprehensive income for the year, net of tax	(342)	(244)
Total comprehensive income for the year attributable to the owners of Shriro Holdings Limited	7,146	4,677

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27. SUBSIDIARIES (CONT'D)

Consolidated Statement of Financial Position	2015 $'000	2014 $'000
Current assets		
Cash and bank balances	11	403
Trade and other receivables	24,471	23,849
Inventories	32,162	39,350
Other current assets	820	200
Current tax receivable	-	-
Derivative Receivable	219	273
Total current assets	57,683	64,075
Non-current assets		
Property, plant and equipment	8,165	8,428
Deferred tax assets	4,093	4,609
Investments	12,553	12,553
Total non-current assets	24,812	25,590
Total assets	82,495	89,665
Current liabilities		
Trade and other payables	15,402	13,025
Borrowings	1,430	33,399
Current tax liabilities	694	990
Provisions	6,033	6,436
Loan from related entity	-	-
Derivative payable	326	30
Total current liabilities	23,885	53,880
Non-current liabilities		
Borrowings	9,000	6,000
Provisions	2,833	2,845
Total non-current liabilities	11,833	8,845
Total liabilities	35,718	62,725
Net assets	46,777	26,940
Equity		
Issued capital	94,541	4,000
Reserves	(76,283)	1,910
Retained earnings	28,519	21,030
Total equity	46,777	26,940

28. RELATED PARTY TRANSACTIONS

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

Loans to related parties

	2015 $'000	2014 $'000
Loans to management under the historical management equity plan	-	6,000

The historical management equity plan shares were funded via an unsecured, non-recourse, interest free loan from Shriro Australia Pty Limited. This arrangement was accounted for as an "in substance" option and the shares were issued to management as part of the Group Reorganisation (refer to note 1). As part of the Group Reorganisation management settled the non-recourse loan for cash proceeds of $6,000,000.

Significant Influence

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

29. PARENT ENTITY INFORMATION

The comparative information presented in the financial report represents the financial position and financial performance of Shriro Pty Limited for the year ended 31 December 2014 (refer to note 1).

Financial Position	2015 $'000	2014 $'000
Assets		
Current Assets	6,175	2
Non-current assets	88,585	15,485
Total assets	94,760	15,488
Liabilities		
Current liabilities	2,379	8
Non-current liabilities	-	-
Total liabilities	2,379	8
Net assets	92,381	15,480
Equity		
Issued capital	94,541	4,000
Reserves	314	-
Retained earnings	(2,474)	11,480
Total equity	92,381	15,480

Financial Performance	2015 $'000	2014 $'000
Loss for the year	(2,474)	(24)
Total comprehensive income	(2,474)	(24)

Shriro Holdings Limited

30. EVENTS AFTER THE REPORTING DATE

No material events have arisen after the reporting period.

31. ADDITIONAL COMPANY INFORMATION

Principal activities

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

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

General Information

Shriro Holdings Limited is incorporated and operating in Australia.

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

Registered office and Principal place of business

104 Vanessa Street

Kingsgrove NSW 2208

Tel: 9415 5000

Shriro Holdings Limited's Annual General Meeting will be held on the 29th of April 2016.

32. ADDITIONAL ASX INFORMATION

Number of holders of equity securities

There are 95,000,000 fully paid ordinary shares are held by 1,099 individual shareholders.

Substantial share holders

	Fully Paid Ordinary Shares
Shriro Pacific	31,004,750

Shriro Holdings Limited

32. ADDITIONAL ASX INFORMATION (CONT'D)

Twenty largest holders of quoted equity securities

	Fully Paid Ordinary Shares	
	Number	Percentage
SHRIRO PACIFIC	31,004,750	32.63%
NATIONAL NOMINEES LIMITED	6,633,150	6.98%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	4,981,509	5.24%
MICHAEL WESTRUP	4,630,250	4.87%
J P MORGAN NOMINEES AUSTRALIA LIMITED	3,434,000	3.61%
VASCO FUNG	3,321,937	3.50%
BNP PARIBAS NOMS PTY LTD	2,311,606	2.43%
MR SHANE ANDREW BOOTH	2,215,625	2.33%
UBS NOMINEES PTY LTD	2,197,073	2.31%
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	1,500,000	1.58%
ACK PROPRIETARY LTD	1,341,792	1.41%
CITICORP NOMINEES PTY LIMITED	1,220,159	1.28%
CARL PAULING	1,108,312	1.17%
TIM HARGREAVES	1,108,312	1.17%
MAVER SIMS	1,108,312	1.17%
HORRIE PTY LTD	680,000	0.72%
MR IVAN TANNER & MRS FELICITY TANNER	600,000	0.63%
HILLMORTON CUSTODIANS PTY LTD	540,000	0.57%
RAPAKI PTY LTD	450,000	0.47%
WINCONLON PTY LTD	400,000	0.42%
	70,786,787	74.49%

Company secretary

Shane Booth

Share registry

Link Market Services Limited

Level 12

680 George Street

Sydney NSW 2000