SHRIRO
Annual Report 2020

AGM

Notice is given that the 2021 Annual General Meeting of Shriro Holdings Limited (**Shriro** or **the Company**) will be held at Level 1, 33 Erskine Street Sydney NSW 2000 Australia commencing at 2.00pm (AEST).

2020 HIGHLIGHTS

REVENUE

$191.3m

UP 11.3%

EBITDA

$32.3m

UP 79.4%

NET CASH

$17.6m

UP $23.6m

DIVIDEND

7.0cps

FULLY FRANKED

NETWORK

33

COUNTRIES TRADED IN

EMPLOYEES

265

FULL TIME EQUIVALENT

Shriro continues its global growth strategy

OUR BRANDS

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

BLANCO

Since 1925 we've had only one goal, and that's to deliver a premium experience by approaching all that we create with impeccable style and intelligence.

ROBINHOOD

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

BLANCO

Robinhood

everdure
by heston blumenthal

omega

EVERDURE.
EVER SO SIMPLE.

EVERDURE BY HESTON BLUMENTHAL

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

OMEGA

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

EVERDURE KITCHENS

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

OMEGA ALTISE

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

G-SHOCK

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

CASIO EMI

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

BABY-G

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

EDIFICE

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

CASIO CALCULATORS

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

CHAIRMAN'S REPORT

2020 will be remembered as one of the most challenging years in recent history on a number of fronts. The year started with the country recovering from an unprecedented bushfire season in terms of extent and intensity, only then to succumb to the sudden impact of COVID-19 which affected all of us in ways that much of the community could never have imagined. Shriro responded quickly to the Government enforced lock downs, with the health and safety of our people and our customers our primary concern.

After a period of unexpected and tenuous trading conditions, the Company's results were buoyed by customers diverting discretionary spend from travel into making their homes and lifestyle more functional and comfortable. The Australian and New Zealand Government's stimulus packages helped the economic recovery in certain market segments and the working and shopping from home routine has forced change, enhanced efficiency and created opportunity.

Results

The year was definitely a story of two halves with the first half to June significantly impacted by retail shutdowns, with the second half rebounding strongly. Revenue for the full year grew 11.2% over the prior corresponding period to $191.3 million. Trading Margins improved to 39.6% (pcp 39.1%) whilst Operating Expenses decreased by 11.8% to $43.5 million compared to the prior corresponding period of $49.3 million. Operating Expenses were positively impacted by substantial one-off items, those being Government Subsidies of $3.7 million and the Head Office Lease exit of $2.3 million.

In response to the initial business slow-down and the resultant revenue losses compared to the prior year, the Board, management and staff participated in a program of salary reductions. Subsequently, and because of the improved trading conditions and operating performance, staff, with the exception of the CEO, CFO & Board were fully re-imbursed those salary reductions.

Net Profit Before Tax increased to $25.2 million and Statutory Profit After Tax increased to $18.2 million being up 168.1% and 180.0%, respectively on the prior corresponding period.

Operating cash flows for the year was $22.2 million and the Balance Sheet as at December 31 was is a healthy position with $17.6 million of cash on hand and no debt.

A fully franked final dividend of 4.0 cents per share was declared bringing the full year dividend to 7.0 cents per share.

Outlook

With the JobKeeper subsidies having concluded at the end of March, there remains a level of uncertainty as to what impact that may have on the economy. However, we remain hopeful that a buoyant housing market and a continued deployment of discretionary spend into domestic consumer durables will have a positive impact on the market segments in which we trade, at least for the near term.

The Company is focussed on building a compelling BBQ category internationally and is seeing some positive early signs on this front. Whilst the U.S trade tariffs are causing some initial margin and therefore price pressure in that region, the growth emanating from the European market is encouraging.

After a period of cost consolidation, the Company has some investment to make in key management roles and information technology to ensure that it has the necessary expertise and systems in place to form the foundations necessary for sustainable long-term growth.

On behalf of the Board, I wish to thank Tim Hargreaves, the management team and all our staff for their agility, hard work and their ability to navigate swiftly through the change, challenge and regulation that the Government's response to COVID-19 generated.

Finally, I'd like to thank my fellow Directors and Company Secretary, along with our customers, suppliers and our shareholders for your ongoing support and I look forward to seeing you at our forthcoming AGM.

STEPHEN HEATH
Chairman

MANAGING DIRECTOR'S REPORT

"A record financial result driven by consumers increased discretionary spend on home, electrical and hobby market segments and a resilient and nimble management team."

Challenging does not seem to adequately describe the past 12 months. It certainly challenged Shriro and many who work for us and with us, personally and professionally. Ultimately, however, we successfully navigated 2020 and have come out stronger.

In 2020 life changed

For many, last year focussed us on our local environment and the importance of our homes. Most of us spent more time there than ever before. Normally, a large number of our Australian and New Zealand consumers would travel and eat out, but they had to adjust. We changed the way we used our homes, who and how we inhabited them. Many people spent more time at home with their families, adopting hobbies such as learning to play an instrument or baking sourdough.

This change in the daily routine led to increased demand for many of Shriro's product categories. The Company achieved record sales in Casio electronic musical instruments and Everdure by Heston Blumenthal barbeques.

Focusing on financial strength

Shriro's revenue increased by 11.2 per cent to $191.3 million and net profit after tax increased to $18.2 million (with $4.2 million in head office lease savings and government subsidies), up 180 percent when compared to the prior year.

The Company started 2020 with a strong balance sheet and net cash of $6.0 million. The Company paid $5.7 million in dividends during the year and concluded 2020 with a net cash balance of $17.6 million. With the strong balance sheet, government subsidies and solid sales result, Shriro was able to ensure that all current staff members, excluding myself, the CFO and directors, were fully reimbursed by year end for any reductions in hours, leave taken or salary cuts extended during the lockdowns.

Shriro heads into the current year with no debt, cash of $17.6 million and a strategic plan in the making to best support growth initiatives and optimal deployment of capital over the coming years.

Negotiating uncertain times

Although the company benefited from stronger consumer demand, from an operational perspective, 2020 presented us with product supply challenges. When COVID-19 hit, manufacturers scaled back production at a time when demand for consumer durables increased significantly which led to product supply shortages. In addition to the supply challenges, delays with port logistics led to late arrivals of products only added to the inventory management challenges.

Despite these headwinds, it was a credit to our supply chain team to be able to continue to secure stock to ensure our customer orders were ultimately fulfilled.

Customer focus driving technology strategy

Last year saw the finalisation of the three-year program to rationalise our operating cost base.

The Company is now well placed to strategically invest in additional technology platforms including digital marketing and customer relationship management programmes to engage with customers better, improve our value proposition and by using data and insights, to also enhance our overall customer experience. Technology will enable Shriro to be future fit, able to adapt quickly and innovate as effectively as possible.

Expanding our markets

The Company's international expansion continued. Scandinavia, UK and Germany grew significantly over the period through our expanding dealer network. South Africa, Israel and Russia also reported good penetration despite the COVID-19 lockdowns. The established network has laid the distribution foundation for the continued growth of the Everdure by Heston barbecue range and an avenue to export new product lines such as the award-winning 'Aura' air movement product, which is now also available in the UK, Germany and USA.

Overall, international barbecue sales increased 65 percent compared to the prior year. Even with travel restrictions remaining in place for the upcoming northern hemisphere summer, Shriro expects sales of barbecues to grow at a similar rate as in 2021.

Having established a USA subsidiary in 2019, the Company is anticipating 2021 to be a year of growth on the prior period, with specialty retailers adjusting well to COVID-19 restrictions and our e-commerce strategy starting to take effect. The Company is beginning to see the benefits of the marketing investment in our key e-commerce channels, with both Amazon and Best Buy sales increasing tenfold, (off a low base) YTD on PCP.

Shriro will continue to increase its investment in consumer-focused digital marketing activities, particularly in key European markets where the product has been received well and sales traction continues to gain momentum. As our retail networks in each market are now much larger, the Company is shifting the focus from trade-driven campaigns to consumer-focused marketing efforts.

The Company's supply teams continue to work closely with the manufacturing partners to ensure production meets the relatively short supply window for summer-related goods and the expected increase in consumer demand. Our 2021 plans involve establishing a 3PL warehouse overseas to hold additional stock to ship promptly to key markets such as Germany and the UK.

Investing in our future

The Company will continue to invest in bringing innovative design and technology to its products, such as barbecues and air-movement products, to drive revenue growth. We will seek to bring technology from inside the house to outdoor into our entertainment spaces.

The new financial year will see our head office move to Chatswood, while the New Zealand office has been recently upgraded. Shriro is implementing a more flexible, hybrid working model for head office staff and a number of other programmes for staff such as employee assistance programmes and professional learning and development.

Finally, I would like to take this opportunity to thank the Shriro team for its professionalism, spirit and sheer hard work during what has been a particularly trying 12 months. I would also like to express my appreciation to the Board for its ongoing support and counsel.

TIM HARGREAVES
Chief Executive Officer

AUSTRALIA

BUSINESS REVIEW AUSTRALIA

- EBITDA improving to $24.3 million – up 58.8% from the prior year
- Reduced footprint of the head office lease and exited the showrooms
- Most categories sales grew, with electronic keyboards being a stand-out category with sales growing 94.7% on the prior year
- Strong growth in Australian BBQ sales up 44.7%

BUSINESS REVIEW NEW ZEALAND

- EBITDA improving to $8.5 million – up 52.1% from the prior year
- Sold Thing Thing apparel business for $377k profit and temporarily shut-down the Auckland airport store
- Strong sales in musical instruments and DJ equipment an increase of 67.7%
- Secured distribution of Blanco Sinks and Taps into the New Zealand market for 2021 onwards


Pioneer DJ
Pioneer DJ
CDJ-3000

NEW ZEALAND


CASIO
SHOCK RESIST
PROTECTION

INTERNATIONAL

BUSINESS REVIEW INTERNATIONAL

- EBITDA loss of $0.5 million improving from a $2.9 million loss in the prior year
- Sales grew 65.2% with European growth being the strongest international region
- US showed growth of 64.1%, however heavily disrupted by Covid-19
- Distribution base set-up for 33 countries, with consumer engagement now being the focus

BOARD OF DIRECTORS

STEPHEN HEATH
Chairman

Member of the Audit, Risk and Compliance Committee

Member of the Remuneration and Nomination Committee

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

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

Member of the Audit, Risk and Compliance Committee

Member of the Remuneration and Nomination Committee

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

TIM HARGREAVES
Chief Executive Officer

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

VASCO FUNG
Non-Executive Director

Member of the Audit, Risk and Compliance Committee

Member of the Remuneration and Nomination Committee

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

CHERYL HAYMAN
Non-Executive Director

Member of the Audit, Risk and Compliance Committee

Chairman of the Remuneration and Nomination Committee

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

ABIGAIL CHEADLE
Independent Non-Executive Director

Chairman of the Audit, Risk and Compliance Committee

Member of the Remuneration and Nomination Committee

- Independent Non-Executive Director
- Director since 9 June 2020
- Abigail currently sits on the board and chairs the ARC of ASX-listed Isentia Group Limited. She is also on the board and chairs the Risk Committee of Indue Limited as well as being a member of the Queensland Department of Transport and Mains Roads ARC committee.
- Abigail is a Chartered Accountant with nearly 30 years' experience working in Australia, Singapore, Indonesia, Thailand, Vietnam, India, Malaysia, Jordan and Russia. Before embarking on a non-executive career Abigail was CEO of a technology platform and grew practices for KROLL, KordaMentha, Deloitte and Ernst & Young working principally in the areas of restructuring, forensic accounting, data analytics, risk management consulting, and professional services management.

SHANE BOOTH
Chief Financial Officer and Company Secretary

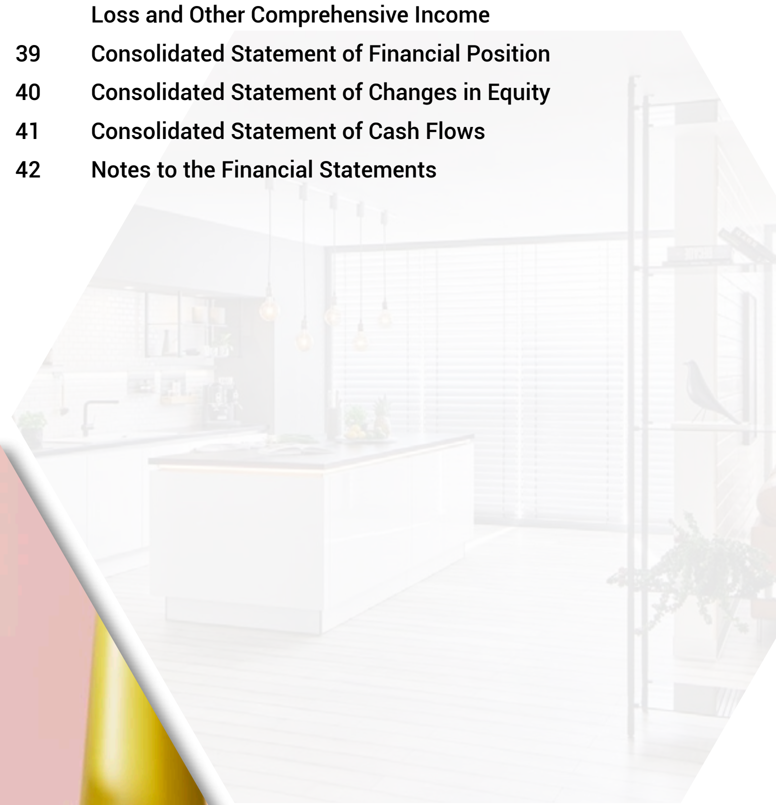
- Shane Booth joined Shriro in March 2010.
- Prior to joining Shriro, Shane was a Senior Executive of Allomak Limited for two years and Senior Executive of Objective Corporation Limited for three years. In these roles, Shane undertook restructuring activities and drove efficiencies.
- Shane prior to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


CASIO


BLANCO

FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020



CORPORATE GOVERNANCE STATEMENT

The board and management of the Company are committed to conducting the Group's business in an ethical manner and in accordance with the highest standards of corporate governance. The Company has adopted and has substantially complied with the ASX Corporate Governance Principles and Recommendations (Fourth Edition) ('the Recommendations') to the extent appropriate to the size and nature of the Group's operations.

The Company has prepared a statement which sets out the corporate governance practices that were in operation through the financial year for the Company, identifies any Recommendations that have not been followed and provides reasons for not following such Recommendations (Corporate Governance Statement).

The Corporate Governance Statement approved by the board will be lodged prior to the lodgement of the Company's Annual Report with the ASX and can also 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 with details listed at Note 5.1 (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 2020.

DIRECTORS

Directors of Shriro Holdings Limited during and since the year ended 31 December 2020 unless otherwise stated below are:

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

John Ingram – Independent Chairman (retired 27 February 2020)

Tim Hargreaves – Non-independent Managing Director

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

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

Cheryl Hayman – Independent non-executive Director

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

As there are now three independent non-executives and the Chairman has the casting vote, the Board is considered independent through its control by independent non-executive Directors.

COMPANY SECRETARY

Shane Booth held the position of Company Secretary from 14 April 2015 and also serves as Chief Financial Officer. Shane is a Chartered Accountant who has previously held senior finance roles at Objective Corporation Limited and AMA Group Limited. Shane resigned as Company Secretary on 27 January 2021, to allow him to focus on financial management, business operations and strategy.

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

PRINCIPAL ACTIVITIES

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

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

REVIEW OF OPERATIONS

A summary of the results is as follows:

Results summary	2020 $ million	2019 $ million	Change %
Revenue	191.3	172.1	11.2%
Gross Margin	39.6%	39.1%	
Operating Expenses	43.5	49.3	(11.7%)
EBITDA	**32.3**	**18.0**	**79.4%**
Depreciation and amortisation	5.6	6.3	(11.1%)
Interest	1.5	2.3	(34.8%)
Profit Before Tax	25.2	9.4	168.1%
Profit After Tax	**18.2**	**6.5**	**180.0%**

DIRECTORS' REPORT

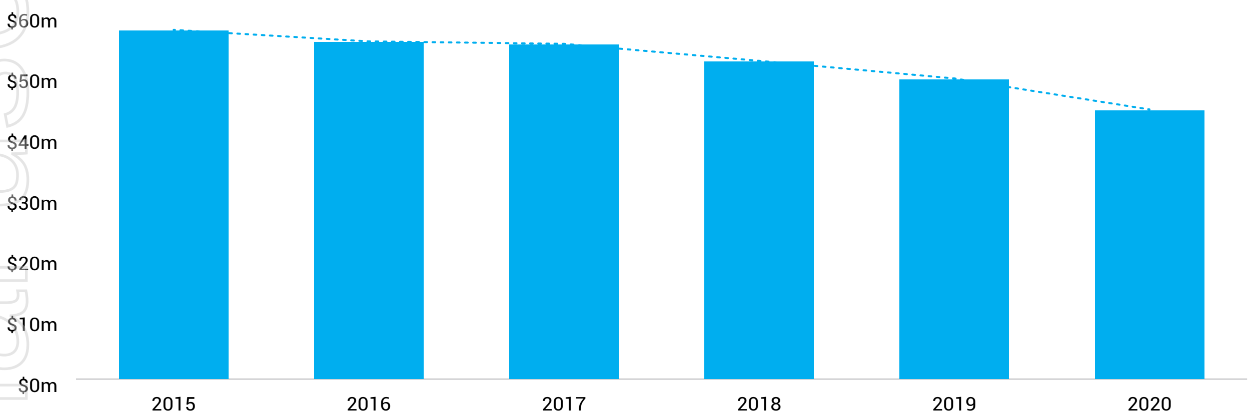
Operating and Financial Review

Net Profit after Tax for the year ended 31 December 2020 increased 180.0% to $18.2 million. Net profit before tax increased 168.1% to $25.2 million, compared with the previous year (pcp), of $9.4 million.

Group revenue performance was subdued in the first half due to lock-downs in Australia and New Zealand, however it rebounded in the second half with growth of 22.4% pcp. The majority of the Group's divisions performed well as the COVID-19 travel restrictions resulted in consumers spending more on household items.

During the period, the revenue of the Australian Appliances Commercial Division, which sells appliances to developers, declined moderately as a result of the subdued housing development cycle. This Division should benefit from growing building approvals, but circumstances with COVID-19 remain uncertain.

Operating Expenses: ($ million)



The Group has undertaken a three-year operating costs optimisation plan to 31 December 2020. Operating expenses reduced by 10.3% pcp (or decreased by 4.32.8% if the Government subsidies of $3.7 million are excluded). A reduction in showroom capacity reduced costs by approximately $1.92 million per year, as compared to CY18 when the cost rationalisation began.

The reduced operating costs, combined with revenue growth have resulted in EBITDA of $32.3 million, up 79.4% pcp.

Shriro will continue to conserve cash until the uncertainty created by COVID-19 has passed. Shriro has no debt apart from lease liabilities and as at 31 December 2020 had $17.6 million cash on hand.

The Company continues to invest in its Workplace, Health and Safety (WHS) processes and engaged external advisors to audit Shriro's Workplace, Health and Safety environment and to recommend improvements to ensure it operates at best practice. The Company continues its record of having no major workplace injuries.

The mental health and well-being of staff remains a high priority for the business. An Employee Assistance Program (EAP) has been rolled out supporting all staff. This program forms part of a longer-term strategy to ensure all staff are adequately equipped to deal with emotional and mental health challenges personally and professionally.

Outlook

The outlook for the business is influenced by the uncertainty associated with COVID-19 as well as global trade, geo-political and economic factors and the manner in which developments in any of these areas may affect business and investment confidence and continued lower expenditure on travel and services may continue to positively impact demand for household goods. The COVID-19 impact and timing of the vaccine is still uncertain and the impact on the next financial period cannot be accurately quantified or determined. Management will update the market should it foresee any material impact on business operations.

Notwithstanding these external influences, the following factors are expected to have a bearing on CY21 outlook for the Group:

- The Group is performing well across most of its product categories and this will continue into the first quarter of 2021 unless disrupted by further COVID-19 related lockdowns. The Group intends to reinstate its marketing expenditure in line with previous levels.
- Management will add additional resources to its Australian Appliances Divisions in order to capture market share and continue its success with the new Omega range rolled out to retailers in the first quarter of CY20.
- The Group is conducting a strategic review of the business to drive transformative growth and maximise capital deployment for new opportunities.

Employees

During this financial year, the number of employees ranged between 224 and 242 and was 224 at year end (2019: 239).

Earnings per share

The basic and diluted earnings per share are calculated using the weighted average number of shares. The basic earnings per share is 19.1 cents (2019: 6.8 cents) and diluted earnings per share is 18.9 cents for CY20 (2019: 6.7 cents).

DIVIDENDS

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

On 23 September 2020, the Group paid an interim dividend for the half year ended 30 June 2020 of 3.0 cents per share fully franked.

On 26 February 2021 the Directors declared a final dividend of 4.0 cents per share fully franked with an ex-dividend date of the 16 March 2021, record date of the 17 March 2021 and payable on 7 April 2021.

DIRECTORS' ATTENDANCE AT MEETINGS

Attendance at Meetings

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

	Directors' Meetings		Audit, Risk and Compliance Committee Meetings		Remuneration Committee Meetings	
	Held	Attended	Held	Attended	Held	Attended
Stephen Heath	15	15	4	4	3	3
John Ingram	1	1	1	1	1	1
Tim Hargreaves	15	15	4	4	3	3
Vasco Fung	15	15	4	4	3	3
Greg Laurie	1	1	1	1	1	1
Cheryl Hayman	15	15	4	4	3	3
Abigail Cheadle	6	6	2	2	1	1

DIRECTORS' REPORT

BUSINESS STRATEGIES AND RISK

Strategies

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

The Group aims to continue to grow through:

- continual product development and range extensions
- geographic expansion
- channel diversification
- mergers and acquisitions, e-commerce and channel diversification.

Risks

The key risks for the business are:

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

INFORMATION ON DIRECTORS

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

Directors	Qualifications, Experience and Special Responsibilities	Relevant Interest in Shares
Stephen Heath *Member of the Audit, Risk and Compliance Committee* *Member of the Remuneration and Nomination Committee*	Independent Non-Executive Director and Chairman Director since 24 October 2019 Stephen is Chair of Temple and Webster Limited & Glasshouse Fragrances. Non-Executive Directorships of Total Tools Pty Ltd and Redhill Education Limited. Stephen was CEO of Rebel Sport Limited, Godfrey's and Fantastic Holdings Limited.	–
Tim Hargreaves	Non-Independent Managing Director Director since 14 February 2019 Tim Hargreaves joined Shriro in 1990 as the Segmental Manager of Casio Australia. After eight years he briefly left the Group to join Canon Australasia as Head of Retail operation before re-joining Shriro as the General Manager in June 2001 overseeing all Casio segments (Office Products, Timepiece, Electronic Musical Instruments, Data Projectors, Electronic Cash Registers and Digital Cameras).	278,312

Directors	Qualifications, Experience and Special Responsibilities	Relevant Interest in Shares
Cheryl Hayman *Chairman of the Remuneration and Nomination Committee* *Member of the Audit, Risk and Compliance Committee*	Independent Non-Executive Director Director since 24 October 2019 Cheryl is currently a Non-Executive Board Director of both ASX listed Clover Corporation Ltd (retired in Nov 2020) and HGL Ltd as well as Chartered Accountants Australia and New Zealand, Peer Support Australia and The Darlinghurst Theatre Company. Cheryl is a member of the Digital Experts Advisory Committee formed by the Dept of PM and Cabinet. Cheryl had a successful global executive career in FMCG multi-national organisations Unilever, Yum Restaurants, Time Warner and George Weston Foods. Cheryl brings a focus on brand building, communications and digital transformation gained through developing new products across manufacturing and supply chain consumer businesses.	–
Abigail Cheadle *Chairman of the Audit, Risk and Compliance Committee* *Member of the Remuneration and Nomination Committee*	Independent Non-Executive Director Director since 9 June 2020 Abigail currently sits on the board and chairs the ARC of ASX-listed Isentia Group Limited. She is also on the board and chairs the Risk Committee of Indue Limited as well as being a member of the Queensland Department of Transport and Mains Roads ARC committee. Abigail is a Chartered Accountant with nearly 30 years' experience working in Australia, Singapore, Indonesia, Thailand, Vietnam, India, Malaysia, Jordan and Russia. Before embarking on a non-executive career Abigail was CEO of a technology platform and grew practices for KROLL, KordaMentha, Deloitte and Ernst & Young working principally in the areas of restructuring, forensic accounting, data analytics, risk management consulting, and professional services management.	–
Vasco Fung *Member of the Audit, Risk and Compliance Committee* *Member of the Remuneration and Nomination Committee* *(resigned 11 February 2021)*	Non-Independent Non-Executive Director Director since 14 April 2015 Vasco has also been a director of Shriro Australia Pty Ltd 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 *(vale 23 March 2020)*	Independent Non-Executive Director Director since 14 April 2015 Greg had extensive experience in a number of manufacturing and distribution industries. He was an independent Non-Executive Director and Chairman of the Audit Committee of Nick Scali Limited and was Chairman of ASX listed Big River Industries Limited until 1 August 2019. Greg held a Bachelor of Commerce Degree from the University of New South Wales and an advanced management qualification from the University of Pittsburgh.	N/A
John Ingram *(retired 27 February 2020)*	Independent Non-Executive Chairman Director since 14 April 2015 Currently serves as Chairman of ASX listed Nick Scali Limited. Previously John was a Non-Executive Director of United Group Limited and a Trustee Director of Australian Super. Mr Ingram is an Emeritus Councillor of the Australian Industry Group and a past National President.	N/A

DIRECTORS' REPORT

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 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.

Remuneration and Nomination Committee

To assist the Board in the remuneration framework objective, a Remuneration and Nomination Committee is 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.

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

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

Key Management Personnel

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

Tim Hargreaves	Chief Executive Officer and Managing Director, and
Shane Booth	Chief Financial Officer, Company Secretary (resigned as Company Secretary 27 January 2021).

Non-Executive Director Remuneration

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

Stephen Heath – Chairman

Cheryl Hayman

Abigail Cheadle

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 Remuneration and Nomination Committee, on behalf of the Board, engaged Guerdon Associates Pty Ltd to support a review of the LTI framework. The cost of this review was $23,095.

The non-executive Directors do not participate in the Company's LTIP.

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. In line with best remuneration practice, the Board intends, in the future, to ensure remuneration is competitive with comparable companies and may undertake external evaluations, from time to time, to ensure market competitiveness with a view to ensuring it attracts and retains the best people. The salary package contains a fixed 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 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 2020 was structured on the following basis:

In CY20, Tim Hargreaves was entitled to an STI award equivalent to 60% of his total fixed annual employment cost ($360,000) for target performance or up to 120% of his total fixed annual employment cost ($720,000) for stretch performance, measured against the CY20 financial year's budgeted profit after tax. Shane Booth was entitled to an STI award equivalent to 40% of his total fixed annual employment cost ($156,000) for target performance or up to 80% of his total fixed annual employment cost ($312,000) for stretch performance, measured against the CY20 financial year's budgeted profit after tax.

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

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

STI awards will be paid in cash following the Board's approval of the Company's financial statements for the relevant year. The impact of government subsidies received during the financial year, such as the Job Keeper allowance, have been excluded from all STI calculations.

Subsequent to year end the Director's approved the payment to the STI awards for the CEO of $720,000 and for the CFO $312,000. This was achieved without including Government subsidies.

Long-Term Incentive

A Long-Term Incentive Plan (LTIP) has been implemented in accordance with Shriro's Employee Share Scheme Rules. As it stands at 31 December 2020, the LTIP allows participants to be issued with Performance Rights (Rights) which have associated performance hurdles that are tested at the end of three years from the effective issue date to determine vesting.

DIRECTORS' REPORT

Tim Hargreaves has been issued with 359,281 Rights in respect of the 2020 year with an effective date of 1 January 2020 (2019: 415,225; 2018: 150,000). Testing for achievement of the performance hurdle follows Board approval of the Company's financial statements three years after the Rights effective issue date. On exercise the Board will decide whether to settle the exercised Rights in cash or via an on-market purchase of Shares. Where shares are to be allocated, this will be achieved by an on-market purchase of the relevant number of shares and will not be by way of an issue of new shares.

Shane Booth has been issued with 175,150 Rights in respect of the 2020 year (2019: 202,422; 2018: 73,125). Testing for achievement of the performance hurdle follows Board approval of the Company's financial statements three years after the Rights effective issue date.

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

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

The impact of government subsidies received during the financial year, such as the JobKeeper allowance, have been excluded from all LTIP calculations.

The participant must not sell, transfer, encumber, hedge or otherwise deal with performance rights. The participant will be free to deal with any shares allocated on vesting of the performance rights, subject to the requirements of the Company's policy for dealing in securities.

Key Terms of Employment Contracts

CEO

The Company entered into an executive service agreement with Tim Hargreaves as Managing Director and CEO effective 1 January 2018. The remuneration component of the agreement is appropriate and in line with relevant industry comparables. For the 2020 year, the short-term variable component (STI) can range between 0% and 120% of the fixed component, based on performance measured against a profit after tax target, set annually by the Directors. The long-term variable component (LTIP) can range between 0% and 40% of the fixed component based on performance measured against an EPS CGAR compound annual growth rate target over a three year period set by the Directors.

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

CFO

The Company entered into an executive service agreement with Shane Booth as Company Secretary and CFO effective 23 June 2015. The remuneration component of the agreement is considered to be appropriate and in line with relevant industry comparables. For the 2020 year, the short-term variable component (STI) can range between 0% and 80% of the fixed component, based on performance measured against a profit after tax target, set annually by the Directors Based on the initial issue of Rights, the long term variable component (LTIP) can range between 0% and 30% of the fixed component based on the achievement of a performance hurdle that is measured after three years, as determined by the Board and included in any invitation to apply for participation in the LTIP.

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

Relationship between Remuneration Policy and Group Performance

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

Particulars of Key Management Personnel interests during the year ended 31 December 2020

Fully paid ordinary shares of Shriro Holdings Limited

	31 December 2019	Received on exercise of rights during 2020	Net other changes during 2020	31 December 2020
	Number	Number	Number	Number
Non-executive Directors				
Stephen Heath	–	–	–	–
Vasco Fung[4]	3,321,937	–	–	3,321,937
Cheryl Hayman	–	–	–	–
Abigail Cheadle	–	–	–	–
Greg Laurie[1]	20,000	–	–	N/A[1]
John Ingram[2]	210,000	–	–	N/A[2]
TOTAL	**3,551,937**	**–**	**–**	**3,321,937**
Executive Officers				
Tim Hargreaves	278,312	–	–	278,312
Shane Booth[3]	2,303,125	–	–	2,303,125
TOTAL	**2,581,437**	**–**	**–**	**2,581,437**

1. Greg Laurie – Independent non-executive Director (vale 23 March 2020).
2. John Ingram, Independent Chairman (retired 27 February 2020).
3. Shane Booth's immediate family hold his shares.
4. Vasco resigned 11 February 2021.

	Short-term Benefits			Post-employment Benefits	Long-term Benefits			
2020	Cash Fees/Salary	Cash Bonus	Termination Benefits	Super-annuation	Long service leave	Share rights[1]	Total	Percentage of remuneration related to performance
	$	$	$	$	$	$	$	%
Non-executive Directors								
Stephen Heath[2]	118,349	–	–	7,918	–	–	126,267	–
Vasco Fung[2]	93,100	–	–	–	–	–	93,100	–
Cheryl Hayman[2]	86,454	–	–	8,213	–	–	94,667	–
Abigail Cheadle[3]	50,232	–	–	–	–	–	50,232	–
Greg Laurie[4]	23,820	–	–	2,263	–	–	26,083	–
John Ingram[4]	21,309	–	–	2,024	–	–	23,333	–
TOTAL	**393,264**	**–**	**–**	**20,418**	**–**	**–**	**413,682**	**–**
Executive Officers								
Tim Hargreaves	586,539[5]	720,000[6]	–	25,000	10,150	(123,460)	1,218,229	49.0%
Shane Booth	376,151[5]	312,000[6]	–	21,349	6,408	(60,187)	655,721	38.4%
TOTAL	**962,690**	**1,032,000**	**–**	**46,349**	**16,558**	**(183,647)**	**1,873,950**	**45.2%**

1. Performance rights as an LTIP award in respect of the 2020 financial year is recognised in accordance with AASB 2. These rights will vest subject to the satisfaction of performance conditions. Note the 2018 performance rights vesting calculation excluded Government subsidies which resulted in KMPs not achieving the LTIP hurdles which they otherwise would have satisfied. The KMPs agreed with this approach.
2. The non-executive Directors forewent 20% of their Director and Committee fees during the months of April, May and June 2020.
3. Abigail Cheadle was appointed to the Board 9 June 2020. Abigail Cheadle forewent 20% of her Director and Committee fees during the month of June 2020.
4. John Ingram retired 27 February 2020 and Greg Laurie passed away on 23 March 2020.
5. The KMPs took a 40% reduction in salary during April and May 2020. The KMPs used annual leave for these 16 days over 1 April 2020 and 31 May 2020 which is included in the above salary. Of the 16 days, the Group reimbursed 5 days in December 2020 which is included in the above.
6. Government subsidies have been excluded from all executive STI and LTI calculations.

DIRECTORS' REPORT

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

1. Performance rights as an LTIP award in respect of the 2019 financial year is recognised in accordance with AASB 2. These rights will vest subject to the satisfaction of performance conditions.
2. Stephen Heath and Cheryl Hayman were appointed to the Board effective from 24 October 2019.

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

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

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

Employee Long-Term Incentive plan

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

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

Performance rights have been granted to the CEO, CFO and other members of senior management of the Company in accordance with the rules of the employee long term incentive plan. It is expected that an invitation to apply for performance rights in respect of the 2021 year will be approved by the Board.

Tim Hargreaves was granted 359,281 performance rights to be settled, at the Board's discretion, either in cash or via an on-market purchase of the relevant number of shares and will not be by way of an issue of new shares (2019: 415,225). Shane Booth was granted 175,150 performance rights (2019: 202,422) under the LTIP during the financial year ended 31 December 2020.

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

Shriro Holdings Limited has not issued any options.

The key terms of the awards under the employee LTIP 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 grants have a performance period ending on 31 December three years after the effective issue date.

The grants of performance rights are subject to a performance condition (hurdle) based on the achievement of a target of 10% compound annual growth rate (CAGR) of EPS over three years from the effective date of the performance review.

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 three-year period	% of performance rights that vest
Less than threshold performance (less than 5%)	Nil
Threshold performance (5%)	50%
Between threshold and target performance (5%–10%)	50–100% on a straight-line pro rata basis
Target performance (10% or above)	100%

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

The Board has chosen this LTIP structure, as it believes it provides an appropriate management incentive, it is within management's achievable control, and is of a timespan relevant to the Company's industry.

Testing of the CAGR EPS Hurdle will occur shortly after the end of the Performance Period and release of the Company's full year audited results for the preceding financial year. The number of Rights that vest (if any) will be determined at that point. Any Rights that remain unvested will lapse immediately.

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 any shares allocated on vesting of the performance rights, subject to the requirements of the Company's policy for dealing in securities.

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.

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.

DIRECTORS' REPORT

Name	Number Granted	Financial Year	Commencement date of performance measurement period	Effective grant date	Percentage of grant Vested %	Percentage of grant forfeited %	Future financial years that Grant will be payable	Grant date fair value $
Tim Hargreaves	150,000	2018	01/01/2018	01/01/2018	Nil	Nil	Lapsed	187,424
Shane Booth	73,125	2018	01/01/2018	01/01/2018	Nil	Nil	Lapsed	91,369
Tim Hargreaves[1]	415,225	2019	01/01/2019	01/01/2019	Nil	Nil	2022	157,612
Shane Booth	202,422	2019	01/01/2019	01/01/2019	Nil	Nil	2022	76,836
Tim Hargreaves	359,281	2020	01/01/2020	01/01/2020	Nil	Nil	2023	161,175
Shane Booth	175,150	2020	01/01/2020	01/01/2020	Nil	Nil	2023	78,573
Total								**752,989**

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

CHANGES IN STATE OF AFFAIRS

COVID-19 had an impact on the business. The trading was restricted early in the financial year then benefited from the increased consumer demand for household products later in the financial year. There were no other significant changes in the state of affairs of the Group during the financial year.

SUBSEQUENT EVENTS

After the year ended 31 December 2020, the Board approved an uncommitted revolving debt facility of $14 million with the non-cash facility remaining in place. There were no material changes to the terms and conditions.

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

FUTURE DEVELOPMENTS

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

INDEMNIFICATION OF OFFICERS AND AUDITORS

The Directors and Officers of the Company are indemnified by the Company against losses or liabilities which they may sustain or incur in their role or in the proper performance of their duties. During the financial year, the Company paid premiums in respect of contracts to insure the Directors and the officers against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premiums. The Group has not otherwise, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Group against a liability incurred as the auditor.

NON-AUDIT SERVICES

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

In accordance with the recommendation from the audit, risk and compliance committee of the Company and the Directors are satisfied that the provision of non-audit services by the auditor (or by another person or firm on the auditor's behalf) during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

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

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration (which forms part of the Directors' report) has been received and is included on page 30 of the annual report.

EXTENSION OF AUDIT ROTATION PERIOD

The Directors, via a company resolution, granted approval in accordance with section 324DAA of the Corporations Act to extend the tenure of Xenia Delaney as the lead Audit Partner for a sixth consecutive year to 31 December 2020. The Directors considered the Board renewal during the 2019 financial year and the benefit of retaining knowledge to maintain audit quality during this period.

The Board is satisfied that the approval is consistent with maintaining the quality of the audit and did not give rise to any conflicts of interest.

ROUNDING OFF OF AMOUNTS

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

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

On behalf of the Directors

STEPHEN HEATH
Director
Sydney, 26th of February 2021

TIM HARGREAVES
Director
Sydney, 26th of February 2021

AUDITOR'S INDEPENDENCE DECLARATION

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060
Eclipse Tower
60 Station Street
Parramatta
Sydney, NSW, 2150
Australia

Phone: +61 2 9840 7000
www.deloitte.com.au

The Board of Directors
Shriro Holdings Limited
2-34 Davidson Street
Chullora, NSW 2190

26 February 2021

Dear Board Members

Auditor's Independence Declaration to Shriro Holdings Limited

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

As lead audit partner for the audit of the financial statements of Shriro Holdings Limited for the year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Delaney

X Delaney
Partner
Chartered Accountants

INDEPENDENT AUDITOR'S REPORT

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060
Eclipse Tower
60 Station Street
Parramatta
Sydney, NSW, 2150
Australia

Phone: +61 2 9840 7000
www.deloitte.com.au

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Shriro Holdings Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

(i) giving a true and fair view of the Group's financial position as at 31 December 2020 and of their financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

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

Key Audit Matters

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

INDEPENDENT AUDITOR'S REPORT

Deloitte.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Provision for rebates As at 31 December 2020, the total value of the Group's provision for rebates is $5.3 million as disclosed in Notes 1.1 and 2.1. Shriro has rebate agreements with certain customers in line with industry practice. The provision for volume and stretch rebates has a direct impact on revenue recognition. Accounting for these rebates is complex, requiring an understanding of the contractual arrangements, complete and accurate source data to which the arrangements apply, including consideration of the timing of recognition and the presentation thereof.	Our procedures included, but were not limited to: • Inquiries of management and other company personnel to understand the rebate structures in place and the manner in which the system processes and accounts for the rebates; • Obtaining an understanding and testing controls relevant to the recording of rebates; • Challenging the appropriateness of management's rebate policy to assess if they are in accordance with the relevant accounting standards; • Comparing the rates relevant to volume and stretch rebates within the computations to those included in sales contracts and agreements with third parties (retail and wholesale customers); • Inspecting a sample of rebate invoices received from customers and credit notes issued during the year in order to assess the accuracy of management's estimate for rebates; • Recalculating on a sample basis the rebate provision to test the accuracy of the formula by reference to actual and forecast sales volumes; and • Performing a retrospective review of the balance to assess management's methods and assumptions used in the determination of the estimates. We also assessed the appropriateness of the disclosures in Notes 1.1 and 2.1 to the financial statements.
Provision for warranty claims As at 31 December 2020 the provision for warranty claims is $2.7 million as disclosed in Note 2.5. Significant judgement is required in determining the appropriate level for the warranty claims provision. This is estimated by management using a cost accrual approach based on historical actual payment data, historical relationship to gross sales, estimated time to failure and a prediction period for future settlement.	Our procedures included, but were not limited to: • Obtaining an understanding and testing controls relevant to the recording of warranty claims; • Assessing whether the warranty claims provision was consistent with the prior year, and if there were any changes to statutory and/or contractual obligations; • Testing on a sample basis the inputs in the formula/model used to calculate the warranty claims provision to assess the accuracy of the computation; • Challenging management's policy to assess if they are in accordance with the relevant accounting standards, statutory and/or contractual obligations; • Developing an independent estimate of the provision utilising historic warranty claims settled as a proportion of related sales; • Performing a sensitivity analysis by varying key inputs and assumptions within the formula; and • Performing a retrospective review of the balance to assess the historical accuracy of management's estimation of the warranty provision. We also assessed the appropriateness of the disclosures in Note 2.5 to the financial statements.

Deloitte.

Provision for inventory obsolescence	Our procedures included, but were not limited to:
As at 31 December 2020 the provision for inventory obsolescence is $2.5 million as disclosed in Note 2.2. Significant judgement is involved in determining the appropriate level for the provision for inventory obsolescence and slow-moving stock. This is estimated by reference to inventory ageing and consideration of historical inventory losses, recent sales experience, and other factors that affect inventory obsolescence.	• Obtaining an understanding and testing controls relevant to the recording of the provision for inventory obsolescence; • Assessing the adequacy of the inventory obsolescence provision as a proportion of stock on hand; • Challenging management's methods, assumptions, and judgements regarding the slow-moving inventory provision; • Assessing historical accuracy of inventory provisioning with reference to inventory write-offs during the year; and • Assessing whether inventory items with specific recoverability concerns have been provided for appropriately based on recent sales information. We also assessed the appropriateness of the disclosures in Note 2.2 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises Appendix 4E, the Directors' Report and the Additional ASX Information, which we obtained prior to the date of this auditor's report, and also includes the following information which will be included in the Group's annual report (but does not include the financial report and our auditor's report thereon): 2020 Highlights, Our Brands, Chairman's Letter, CEO's Report, Corporate Governance Statement, Business at a Glance, Business review - Australia, Business review – New Zealand and Business review - Export, which is expected to be made available to us after that date.

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

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

When we read the 2020 Highlights, Our Brands, Chairman's Letter, CEO's Report, Corporate Governance Statement, Business at a Glance, Business review - Australia, Business review – New Zealand and Business review - Export, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action.

Responsibilities of the Directors for the Financial Report

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

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

INDEPENDENT AUDITOR'S REPORT

Deloitte.

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

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

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

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

Deloitte.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 14 of the Directors' Report for the year ended 31 December 2020.

In our opinion, the Remuneration Report of Shriro Holdings Limited, for the year ended 31 December 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Delaney

X Delaney
Partner
Chartered Accountants
Parramatta, 26 February 2021

DIRECTORS' DECLARATION

The Directors declare that:

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

At the date of this declaration, the company is within the class of companies affected by ASIC Corporations (Wholly owned Companies) Instrument 2016/785. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.
In the Directors' opinion, there are reasonable grounds to believe that the company and the companies to which *ASIC Corporations (Wholly owned Companies) Instrument 2016/785* applies, as detailed in note 5.1 to the financial statements will, as a Group, be able to meet any obligations or liabilities to which they are, or may become, subject because of the deed of cross guarantee.

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

On behalf of the Directors

STEPHEN HEATH
Director
Sydney, 26th of February 2021

TIM HARGREAVES
Director
Sydney, 26th of February 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	2020 $'000	2019 $'000
Revenue from ordinary activities	1.1	191,258	172,101
Raw materials and consumables used		(115,457)	(104,818)
Employee benefits expense[1]		(21,712)	(24,062)
Advertising and promotion expenses		(4,034)	(6,168)
Freight and delivery expenses		(8,477)	(7,167)
Depreciation and amortisation expenses	1.2	(5,583)	(6,342)
Net gain from lease exit		2,304	–
Rental costs		(926)	(1,600)
Finance costs	1.2	(1,636)	(2,426)
Other expenses		(10,576)	(10,119)
Profit before tax		25,161	9,399
Income tax expense	1.6	(6,965)	(2,915)
Profit for the year		**18,196**	**6,484**
Earnings per share			
Basic (cents per share)	4.2	19.1	6.8
Diluted (cents per share)	4.2	18.9	6.7

1. Employee benefits expense for the financial year ended 31 December 2020 has been offset by the receipt of $3,679,000 of Australian and New Zealand government subsidies (2019: $nil).

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	2020 $'000	2019 $'000
Profit for the year	**18,196**	**6,484**
Items that may be reclassified subsequently to profit or loss		
Net change in the fair value of cash flow hedges taken to equity	(1,591)	(775)
Exchange differences on translation of foreign operations	(255)	158
Other comprehensive income for the year, net of tax	(1,846)	(617)
Total comprehensive income for the year attributable to the owners of Shriro Holdings Limited	**16,350**	**5,867**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Note	31 December 2020 $'000	31 December 2019 $'000
Current assets			
Cash and cash equivalents	1.5	17,569	5,970
Trade and other receivables	2.1	34,079	26,179
Inventories	2.2	36,868	34,761
Other assets	2.3	480	753
Current tax receivable		–	975
Derivative receivable		75	240
Total current assets		**89,071**	**68,878**
Non-current assets			
Right-of-use assets		8,758	17,151
Property, plant and equipment	3.1	4,621	6,843
Deferred tax assets	1.6	6,272	6,937
Total non-current assets		**19,651**	**30,931**
Total assets		**108,722**	**99,809**
Current liabilities			
Trade and other payables	2.4	23,522	16,476
Borrowings	3.3	–	–
Lease liability	3.2	3,231	3,454
Current tax liabilities		1,412	–
Provisions	2.5	5,327	5,162
Derivative payable		2,478	963
Total current liabilities		**35,970**	**26,055**
Non-current liabilities			
Borrowings	3.3	–	–
Lease liability	3.2	9,138	20,617
Provisions	2.5	2,374	2,560
Total non-current liabilities		**11,512**	**23,177**
Total liabilities		**47,482**	**49,232**
Net assets		**61,240**	**50,577**
Equity			
Issued capital	4.1	94,617	94,617
Reserves	4.5	(79,089)	(77,261)
Retained earnings	4.4	45,712	33,221
Total equity		**61,240**	**50,577**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Issued capital $'000	Group Reorganisation Reserve $'000	Cash Flow Hedging Reserve $'000	Foreign Currency Translation Reserve $'000	Equity Settled Benefits Reserve $'000	Retained Earnings $'000	Total $'000
Balance at 1 January 2019	94,617	(78,585)	408	1,877	(503)	33,393	51,207
Profit for the year	–	–	–	–	–	6,484	6,484
Other comprehensive income for the year	–	–	(775)	158	–	–	(617)
Total comprehensive income	–	–	(775)	158	–	6,484	5,867
Dividends paid	–	–	–	–	–	(6,656)	(6,656)
Share-based payments reserve (net of tax)	–	–	–	–	159	–	159
Balance at 31 December 2019	**94,617**	**(78,585)**	**(367)**	**2,035**	**(344)**	**33,221**	**50,577**
Profit for the year	–	–	–	–	–	18,196	18,196
Other comprehensive income for the year	–	–	(1,591)	(253)	–	–	(1,844)
Total comprehensive income	–	–	(1,591)	(253)	–	18,196	16,352
Dividends paid	–	–	–	–	–	(5,705)	(5,705)
Share-based payments reserve (net of tax)	–	–	–	–	16	–	16
Balance at 31 December 2020	**94,617**	**(78,585)**	**(1,958)**	**1,782**	**(328)**	**45,712**	**61,240**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	2020 $'000	2019 $'000
Cash flows from operating activities			
Receipts from customers		202,107	196,057
Payments to suppliers and employees		(174,354)	(167,437)
Finance costs paid		(1,616)	(2,408)
Income taxes paid		(3,912)	(2,742)
Net cash provided by operating activities	1.5.2	22,225	23,470
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		267	102
Payment for property, plant and equipment		(2,039)	(2,491)
Net cash inflow from sale of brand	1.1	377	–
Net cash used in investing activities		(1,395)	(2,389)
Cash flows from financing activities			
Payments for the principal portion of lease liabilities		(3,499)	(2,468)
Repayment of borrowings		–	(7,344)
Dividends paid		(5,705)	(6,656)
Net cash used in financing activities		(9,204)	(16,468)
Net increase in cash and cash equivalents		11,626	4,613
Cash and cash equivalents at the beginning of the financial year		5,970	1,372
Effects of exchange rate changes on cash		(27)	(15)
Cash and cash equivalents at the end of the financial year	1.5.1	17,569	5,970

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

NOTES TO THE FINANCIAL STATEMENTS

1. TRADING OPERATIONS

1.1 Revenue

	2020 $'000	2019 $'000
Revenue from continuing operations consisted of the following items:		
Sales of goods	189,874	171,037
Advertising and marketing contributions	1,007	1,064
Net gain on sale of brand[1]	377	–
	191,258	172,101

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

Accounting policies

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

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

Sale of goods

Revenue from the sale of goods is recognised when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Revenue will be recognised at the point in time when control over the corresponding goods is transferred to the customer. Revenue in the months prior and subsequent to year end is recognised after reviewing freight supplier proof of delivery documentation and expected customer delivery times.

Rebates

Revenue from the sale of goods is recorded after deducting any variable consideration for future rebates payable in relation to each sale.

1.2 Profit for the year

	2020 $'000	2019 $'000
Profit before tax has been arrived at after charging the following expenses:		
Depreciation of property, plant, equipment	2,565	3,083
Depreciation of right-of-use assets	3,018	3,259
(Decrease)/increase in inventory obsolescence provision	(612)	1,198
Increase/(decrease) in warranty provision	221	(412)
Employee benefits expense:		
LTIP share-based payments	16	159
Termination benefits	293	63
Other employee benefits	21,403	23,840
Impairment/(write back) of trade receivables	3	(43)
Impairment of right-of-use asset	172	–
Finance costs		
Interest on bank overdrafts and loans	198	309
Bank charges	126	152
Interest expense on lease liabilities	1,312	1,965

1.3 Segment information

1.3.1 Primary operating segments

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

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

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

No single customer represents greater than 10% of the Group's revenue (2019: one customer).

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 2020	Australia $'000	New Zealand $'000	Export Markets[1] $'000	Total $'000
Revenue from ordinary activities	141,175	44,455	5,628	191,258
Earnings before Interest, Tax, Depreciation and Amortisation	24,325	8,460	(531)	32,254
Depreciation and amortisation expense	(4,431)	(1,101)	(51)	(5,583)
Profit before interest and income tax	19,894	7,359	(582)	26,671
Interest expense				(1,510)
Profit before income tax				25,161
Income tax expense				(6,965)
Net profit after income tax				18,196

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

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

NOTES TO THE FINANCIAL STATEMENTS

1.4 COVID-19 impact on operations

Australia

- A number of retail customers were closed or operated in a reduced capacity during the period of March 2020 to April 2020. This negatively impacted watch sales particularly.
- Staff hours were reduced by 40% in April and May. The Company resolved to fully reimburse existing staff for any shortfall in salary and wages, this excludes the Directors, CEO and CFO. The costs associated with this decision are included in the results.
- Eligible for JobKeeper which resulted in an after-tax Government subsidy of $3,286,000 for CY20.

New Zealand

- New Zealand went into lock-down for a month from 26 March 2020. During this period the New Zealand operations were shut down. Staff were stood down during this period.
- Staff hours were also reduced by 40% in April and May. The Company has resolved to fully reimburse existing staff for any shortfall in salary and wages, this excludes the Directors, CEO and CFO. The costs associated with this decision are included in the results.
- Eligible for the wages subsidy which resulted in an after-tax Government subsidy equivalent to AUD $393,000 for CY20.

Export

- The Company's target state in the USA was California, which went into lock-down on several occasions during the first half. In response, the Company accelerated its sales strategy and shifted to an online digital go to market strategy which didn't require any staff in the USA.
- European sales did not appear to be materially impacted by COVID-19.

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

1.5 Notes to the Statement of Cash Flows

1.5.1 Cash and cash equivalents

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

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

	2020 $'000	2019 $'000
Cash and bank balances	17,569	5,970

Accounting policies

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

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

	2020 $'000	2019 $'000
Profit for the year	18,196	6,484
Add non-cash and non-operating cash items		
Depreciation and amortisation	5,583	6,342
Impairment of right-of-use asset	172	–
Net (gain)/loss on disposal of assets	732	153
Net gain on exit of lease	(2,304)	–
LTIP rights share-based payments expense	16	159
Changes in assets and liabilities:		
Increase/(decrease) in trade payables and other payables	5,229	(1,246)
Decrease in provisions	(22)	(681)
(Increase)/decrease in inventory	(2,107)	4,108
(Increase)/decrease in trade receivables	(8,277)	6,745
Decrease in other current and financial assets	1,953	1,231
Increase in tax assets/liabilities	3,054	175
Net cash provided by operating activities	22,225	23,470

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

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

1.6 Income tax

Income taxes relating to continuing operations:

1.6.1 Income tax recognised in profit or loss

	2020 $'000	2019 $'000
Current tax		
In respect of the current year	6,430	3,777
In respect of prior years	(449)	2
	5,981	3,779
Deferred tax		
In respect of the current year	1,087	(611)
In respect of prior years	(103)	(253)
Total tax expense	984	(864)
Total income tax expense recognised in the current year relating to continuing operations	6,965	2,915

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

	2020 $'000	2019 $'000
Profit before tax from continuing operations	25,161	9,399
Income tax expense calculated at 30% (2019: 30%)	7,548	2,820
Effect of expenses that are not deductible in determining taxable profit	129	200
Effect of different tax rates of subsidiaries operating in other jurisdictions	(144)	(79)
Other	(16)	(28)
Total tax expense	7,517	2,913
Adjustments recognised in the current year in relation to the tax of prior years	(552)	2
Income tax attributable to profit	6,965	2,915

Accounting policies

Current Tax

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

Deferred Tax

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

Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

Offsetting tax balances

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

1.6.2 Deferred Tax Balances

The deferred tax expense above is itemised as follows:

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

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

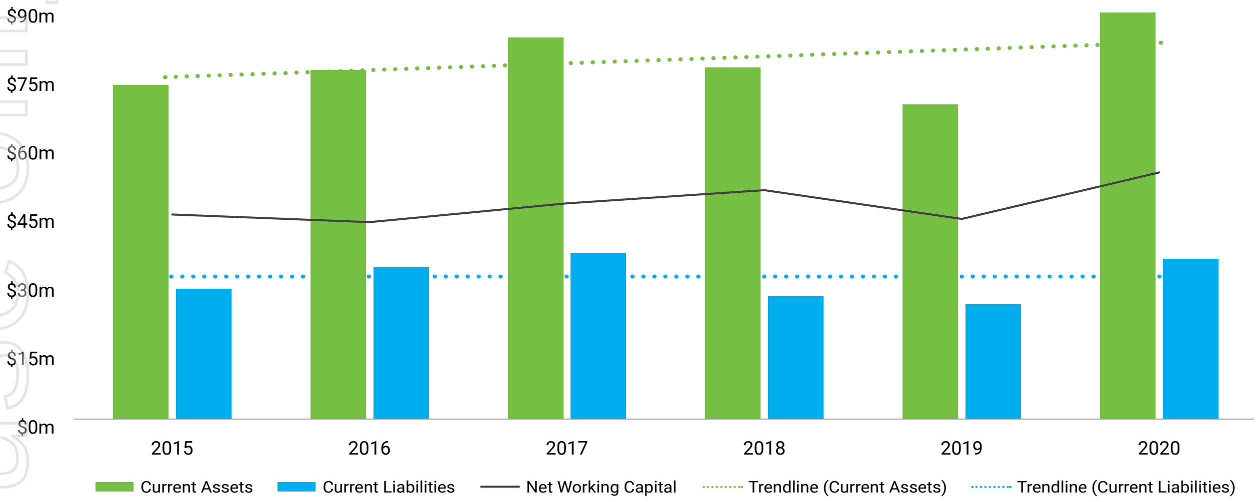
2019	Opening balance $'000	Recognised in total comprehensive income $'000	Closing balance $'000
Deferred tax assets			
Property, plant and equipment	(6)	25	19
Prepayments	(9)	(4)	(13)
Superannuation payable	44	(3)	41
Provisions	5,980	834	6,814
Credit loss allowance	55	21	76
Net deferred tax asset	6,064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

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.

NOTES TO THE FINANCIAL STATEMENTS

2. WORKING CAPITAL

Working Capital: Total Current Assets versus Total Current Liabilities: ($ million)



Net Working capital is the total current assets less the total current liabilities.

2.1 Trade and other receivables

	2020 $'000	2019 $'000
Trade receivables (net of discounts and rebates)	34,035	26,063
Credit loss allowance	(220)	(268)
	33,815	25,795
Other debtors	264	384
Trade receivables	34,079	26,179
Age of receivables that are past due		
60–90 days	54	66
90–120+ days	182	169
Total	236	235

The average credit period on sales of goods is 45 days. No interest is charged on trade receivables. The Group has applied the expected credit loss model under AASB 9 which requires expected lifetime losses to be recognised from initial recognition of the receivables. The calculation of impairment losses under this approach impacts the allowance for doubtful debts, now termed the credit loss allowance.

A provision matrix is determined based on historic credit losses, adjusted for any material expected changes to the future credit risk. On this basis the credit loss allowance as at 31 December 2020 was determined as follows:

	Receivables $'000	Allowance based on historic credit losses	Adjustment for expected changes in credit risk	Credit loss allowance $'000
Current	2,772	0.1%	0.2%	6
Sum of 0–30 days	17,645	0.1%	0.2%	47
Sum of 31–60 days	12,375	0.2%	0.4%	67
Sum of 61–90 days	1,101	1.6%	4.0%	66
Sum of 90+ days	186	4.4%	11.0%	34
Total receivables	**34,079**			220

The adjustment for expected changes in credit risk is determined based on management's knowledge of its customers and analysis of the market risk, specifically the ageing of the debtor and history of losses.

A provision matrix is determined based on historic credit losses, adjusted for any material expected changes to the future credit risk. On this basis the credit loss allowance as at 31 December 2019 was determined as follows:

	Receivables $'000	Allowance based on historic credit losses	Adjustment for expected changes in credit risk	Credit loss allowance $'000
Current	3,718	0.1%	0.1%	7
Sum of 0–30 days	11,834	0.1%	0.1%	24
Sum of 31–60 days	9,505	0.2%	0.2%	38
Sum of 61–90 days	986	3.5%	2.9%	63
Sum of 90+ days	136	28.6%	71.4%	136
Total receivables	**26,179**			268

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

Movement in the credit loss allowance	2020 $'000	2019 $'000
Balance at beginning of the year	(268)	(197)
Impairment loss recognised	–	(105)
Amounts written off during year as uncollectable	39	74
Amounts recovered during the year	9	(40)
Balance at the end of the year	(220)	(268)

Accounting policies

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

A rebate accrual is maintained for rebates not yet paid to customers and forms part of the trade and other receivables balance. Based on historical data and analysis the accrual is reviewed at the end of each reporting period.

Key estimates and judgements

Rebates provision

The provision for rebates requires a degree of estimation and judgement in relation to whether the customer will achieve the hurdles required to earn a rebate. The level of the provision is assessed by considering past rebates payment history, forecast sales and contractual arrangements.

NOTES TO THE FINANCIAL STATEMENTS

2.2 Inventories

	2020 $'000	2019 $'000
Finished goods	25,443	30,404
Stock in transit	13,951	7,495
Allowance for inventory obsolescence	(2,526)	(3,138)
Balance at the end of the year	36,868	34,761

The cost of inventories recognised as an expense during the year in respect of continuing operations was $115,497,000 (2019: $104,818,000).

Stock aged over 3 years amount to 2.6% (2019: 2.7%) of the inventory balance.

Accounting policies

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

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

Key estimates and judgments

In the preparation of the financial report the Directors are required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis.

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

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

2.3 Other assets

	2020 $'000	2019 $'000
Prepayments	480	753

2.4 Trade and other payables

	2020 $'000	2019 $'000
Current		
Trade payables	13,927	9,126
GST Payable	1,109	956
Employee-related payables	2,083	647
Sundry creditors	6,403	5,747
	23,522	16,476

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

Accounting policies

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

2.5 Provisions

	2020 $'000	2019 $'000
Employee benefits[i]	3,812	3,723
Other provisions (see below)	3,889	3,999
	7,701	7,722
Current	5,327	5,162
Non-current	2,374	2,560
	7,701	7,722

Other Provisions	Provision for warranty[ii] $'000	Make good[iii] $'000	Total $'000
Balance as at 1 January 2020	2,468	1,531	3,999
(Reduction)/additional provision recognised	221	(331)	(110)
	2,689	1,200	3,889

Accounting policies

Employee benefits

(i) The provision for employee benefits represents annual leave and long service leave entitlements accrued. A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required, and they are capable of being measured reliably.

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

Liabilities recognised in respect of long-term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date. The discount rate adopted at 31 December 2020 and 31 December 2019 is the High Quality Corporate Bond Rate.

Warranty

(ii) The provision for warranty claims represents the present value of the directors' best estimate of the future sacrifice of economic benefits that will be required under the Group's warranty program as outlined in the below accounting policies. The estimate has been made on the basis of historical warranty trends and other events affecting product quality discounted to present value with the exclusion of net margin on spares sold.

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

The Group provides warranties ranging from two to five years.

Make good

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

Key estimates and judgements

In the preparation of the financial report the Directors are required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis.

Warranty provision

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

NOTES TO THE FINANCIAL STATEMENTS

2.6 Financial instruments

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

a. Cash and cash equivalents

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

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

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

c. Bank guarantees and letters of credit

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

d. Foreign currency forward contracts

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

Categories of financial instruments

	2020 $'000	2019 $'000
Financial assets		
Cash and cash equivalents	17,569	5,970
Trade and other receivables	34,079	26,179
Forward exchange contracts receivable	75	240
Current Tax Receivable	**–**	**975**
Financial liabilities		
Trade payables and other payables	23,522	16,476
Bank loans	–	–
Forward exchange contracts payable	2,478	963
Current Tax Liabilities	1,412	–

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

Loans and receivables

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

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

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

Financial risk management objectives

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

Key sensitivities

	Impact on NPAT $'000	Impact on NPAT %
Sales (+/– 1%)	322	1.8%
Gross profit margin (+/– 1%)	1,380	7.7%
Other operating costs (+/– 1%)	362	2.0%
*AUD/NZD (+/– 5%)	264	1.5%

Foreign currency risk management

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

It is the policy of the Group to enter into forward foreign exchange contracts to manage the risk associated with anticipated purchase transactions out to 9 months with 80% of the expected exposure hedged and to increase this to 100% where there are specific foreign currency payments and receipts.

Forward foreign exchange contracts

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

Outstanding contracts maturity profile	2020 $'000	2019 $'000
Buy Currency:		
Less than 3 months	4,447	7,053
3 to 6 months	9,646	14,201
Greater than 6 months	32,504	13,620
Sell Currency:		
Less than 3 months	79	206
3 to 6 months	–	48
6 to 9 months	1,944	–
Buy Currency:		
AUD	2,285	1,217
EURO	9,262	4,849
JPY	6,626	16,125
USD	28,425	12,683
Sell Currency:		
USD	79	254
NZD	1,944	–

NOTES TO THE FINANCIAL STATEMENTS

Liquidity risk management

There is 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. There were no borrowings as at 31 December 2020 (2019: nil).

2020	Weighted average effective interest rate %	Less than 1 month $'000	1 to 3 months $'000	3 months to 1 year $'000	1 to 5 years $'000	Total $'000
Variable interest rate instruments	1.19%	–	–	–	–	–
2019						
Variable interest rate instruments	2.47%	–	–	–	–	–

Interest rate sensitivity analysis

The sensitivity analysis has been determined based on exposure to interest rates for cash and cash equivalents that were subject to interest rate fluctuations at the reporting date. At reporting date, if interest rates had been 1% higher or lower and all other variables were held constant, the Company's profit or loss before tax would increase or decrease by $18,000 (2019: $125,000).

Capital Management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2017. The capital structure of the Group consists of net debt (borrowings as detailed in note 3.3 offset by cash and bank balances) and equity of the Group (comprising issued capital, reserves, retained earnings as detailed in notes 4.1, 4.4 and 4.5). The Group is not subject to any externally imposed capital requirements.

Accounting policies

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

2.6.1 Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

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

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Loans and receivables

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

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

Impairment of financial assets

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

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

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

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

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

Derecognition of financial assets

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

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

2.6.2 Financial liabilities

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

Derivative financial instruments

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

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

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

Hedge accounting

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

Cash flow hedge

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

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

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

Hedge Strategy

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

3. INVESTMENT AND FINANCING

3.1 Plant and equipment

	2020 $'000	2019 $'000
Leasehold improvements	142	985
Plant and equipment	1,583	2,674
Fixtures and fittings	51	228
Office equipment	330	572
Motor vehicles	586	794
Display Assets	1,391	1,408
Total capitalised plant and equipment	4,083	6,661
Capital work in progress	538	182
Total Plant and Equipment	**4,621**	**6,843**

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 2019	4,054	5,861	631	4,804	1,558	9,012	25,920
Additions	8	510	–	176	72	1,087	1,853
Disposals	(3,050)	(2,251)	(333)	(856)	(206)	(615)	(7,311)
FX Translation gain	(9)	(10)	(7)	(25)	(21)	(32)	(104)
Balance at 31 December 2020	**1,003**	**4,110**	**291**	**4,099**	**1,403**	**9,452**	**20,358**

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 2019	(3,069)	(3,187)	(403)	(4,232)	(764)	(7,604)	(19,259)
Additions	(304)	(761)	(34)	(252)	(251)	(963)	(2,565)
Disposals	2,504	1,415	192	691	187	484	5,473
FX Translation loss	8	6	5	24	11	22	76
Balance at 31 December 2020	**(861)**	**(2,527)**	**(240)**	**(3,769)**	**(817)**	**(8,061)**	**(16,275)**

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

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

NOTES TO THE FINANCIAL STATEMENTS

Accounting policies

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

Plant and equipment are measured at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributed to the acquisition. The carrying amount of plant and equipment is reviewed annually to ensure it is not in excess of the recoverable amount from those assets.

Depreciation

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

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

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

Impairment

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

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

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

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

3.2 Lease arrangements

3.2.1 The Group as lessee

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

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

3.2.2 Payments recognised as an expense

	2020 $'000	2019 $'000
Depreciation charge for right-of-use assets	3,018	3,259
Interest expense on lease liabilities	1,312	1,965
Variable lease payments not included in the measurement of lease liabilities	–	–

3.2.3 Right-of-use assets

Cost	2020 $'000	2019 $'000
Opening balance	31,112	30,462
Additions	290	650
Disposals	(10,094)	–
Impairment	(172)	(55)
FX Translation gain	(167)	55
Closing balance	**20,969**	**31,112**

Accumulated depreciation and impairment	2020 $'000	2019 $'000
Opening balance	(13,961)	(10,672)
Additions	(3,018)	(3,259)
Disposals	4,681	–
FX Translation loss	87	(30)
Closing balance	**(12,211)**	**(13,961)**

Carrying amount	2020 $'000	2019 $'000
Opening balance	17,151	19,790
Closing balance	**8,758**	**17,151**

3.2.4 Lease commitments

Maturity profile of lease liability	2020 $'000	2019 $'000
Less than 1 year	3,908	3,454
1–2 years	3,156	3,735
2–5 years	1,896	8,651
5–10 years	3,409	8,231
Greater than 10 years	–	–

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

The Group's strategy to rationalise lease costs resulted in the exit of the Kingsgrove, New South Wales head office lease, the Western Australia Showroom lease and the Queensland showroom lease during 2020. Significant disposal and revaluation costs resulting from this initiative can be seen in the above note.

Shriro has also committed to a new head office lease post year end at Chatswood, New South Wales. This lease is not included in the above note, however the total minimum rent commitment over 5 years is $2.1 million.

NOTES TO THE FINANCIAL STATEMENTS

Accounting policies

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

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

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

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

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

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

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

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

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

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

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

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

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

For personal use only

3.3 Borrowings

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

3.3.1 Facility

During the financial year ended 31 December 2020, the Group had the following banking facilities:

(i) The Group has a trade finance facility available to meet working capital requirements. To account for seasonality in working capital requirements, on the 1st September each year, the facility limit for the combination of the overdraft facility and trade finance facility increases to $21,000,000 and reduces back to $16,000,000 between 1 January and 31 August each year.

(ii) The Group has a non-cash guarantees facility of $11,000,000. Under the terms of this facility, financial institutions provide guarantees to the Group's suppliers and property owners in the form of Letters of Credit and Bank Guarantees. These Letters of Credit and Bank Guarantees act like insurance and provide assurance to suppliers and property owners that payment up to the amount of the guarantees will be made if certain documentary conditions are met. The Group has no obligation to make any payments under this non-cash facility.

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

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

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

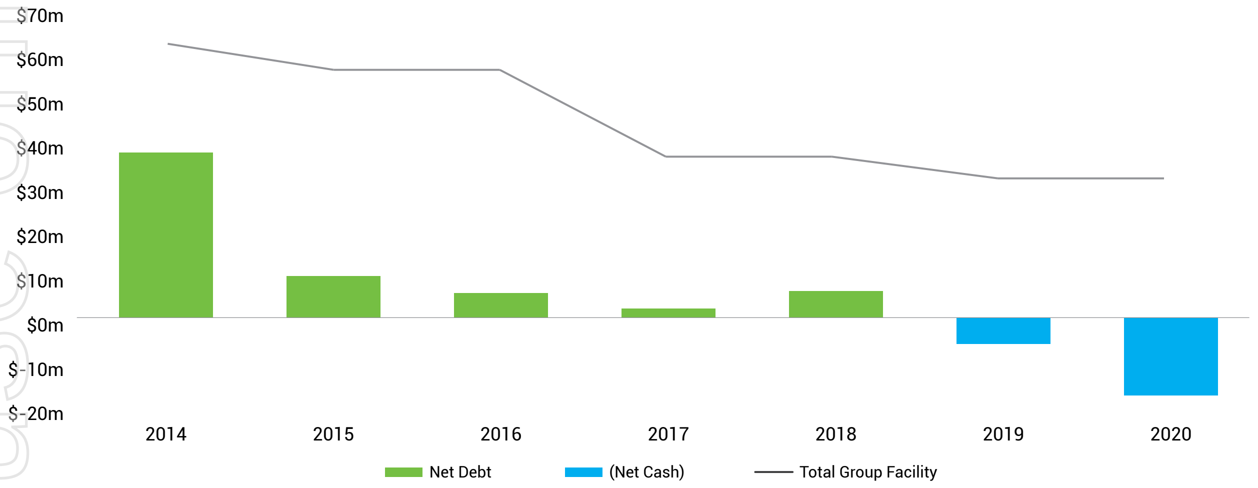
	2020 $'000	2019 $'000
Borrowing facility		
Overdraft facility[i]	15,000	15,000
Trade finance facility[ii]	6,000	6,000
Total borrowing facility	21,000	21,000
Non-cash guarantees facility[ii]	11,000	11,000
Total Group facility	**32,000**	**32,000**

	2020 $'000	2019 $'000
Usage of borrowing facility		
Drawn – cash	–	–
Less cash and bank balances	(17,569)	(5,970)
Undrawn limit available for use	38,569	26,970
Total borrowing facility	21,000	21,000
Utilisation of non-cash guarantees facility		
Utilised – non-cash	6,735	7,392
Unutilised limit available for use	4,265	3,608
Total non-cash guarantees facility	11,000	11,000
Total Group facility	32,000	32,000

NOTES TO THE FINANCIAL STATEMENTS

After the year ended 31 December 2020, the Board approved an uncommitted revolving debt facility of $14 million with the non-cash facility remaining in place. There were no material changes to the conditions.

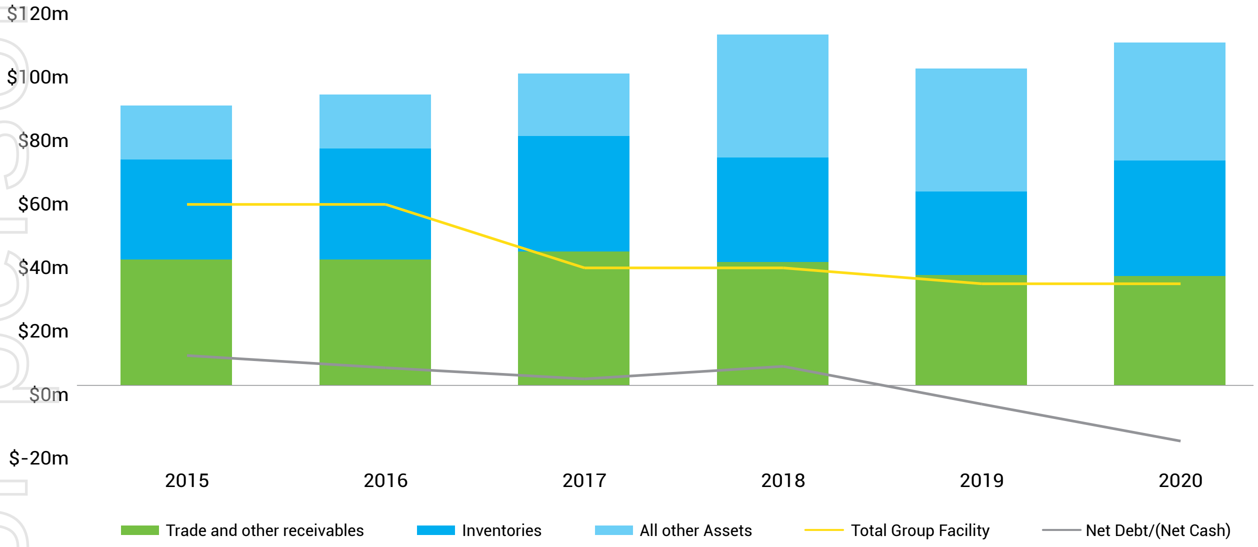
Net Debt/(Net Cash): ($ million)[1]



1. Net Debt is accumulation of cash and cash equivalents less current and non-current borrowings (excludes lease liabilities).

Due to the Group's favourable net debt positions over the past 6 years the total Group facility limits have been reduced by 49% since 31 December 2014. The ability to reduce the facility limit has resulted in cost savings for the Group. As at 31 December 2020, the Group does not have any debt other than lease liabilities.

Banks Security: ($ million)



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

Accounting policies

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

4. SHAREHOLDER EQUITY

4.1 Issued capital

	2020 $'000	2019 $'000
95,087,500 fully paid ordinary shares (2019: 95,087,500)	94,617	94,617

Date	Details	Value of Shares $'000	Number of Shares
1 January 2020	Opening balance	94,617	95,087,500
31 December 2020	Closing Balance	94,617	95,087,500

4.2 Earnings per share

	2020 Cents per share	2019 Cents per share
Basic earnings per share	19.1	6.8
Diluted earnings per share	18.9	6.7

Reconciliation of earnings used in calculating earnings per share

	2020 $'000	2019 $'000
Net profit	18,196	6,484

Reconciliation of shares used in calculating earnings per share

	2020 No.	2019 No.
Opening balance of shares for the financial year	95,087,500	95,087,500
Closing balance of shares for the financial year	95,087,500	95,087,500
Weighted average number of ordinary shares used in the calculation of basic earnings per share	95,087,500	95,087,500
Shares deemed to be issued for no consideration in respect of:		
Employee performance rights	1,352,905	1,196,327[1]
Closing number of shares deemed to be issued for the financial year	96,440,405	96,283,827
Number of ordinary shares used in the calculation of diluted earnings per share	96,440,405	96,349,781

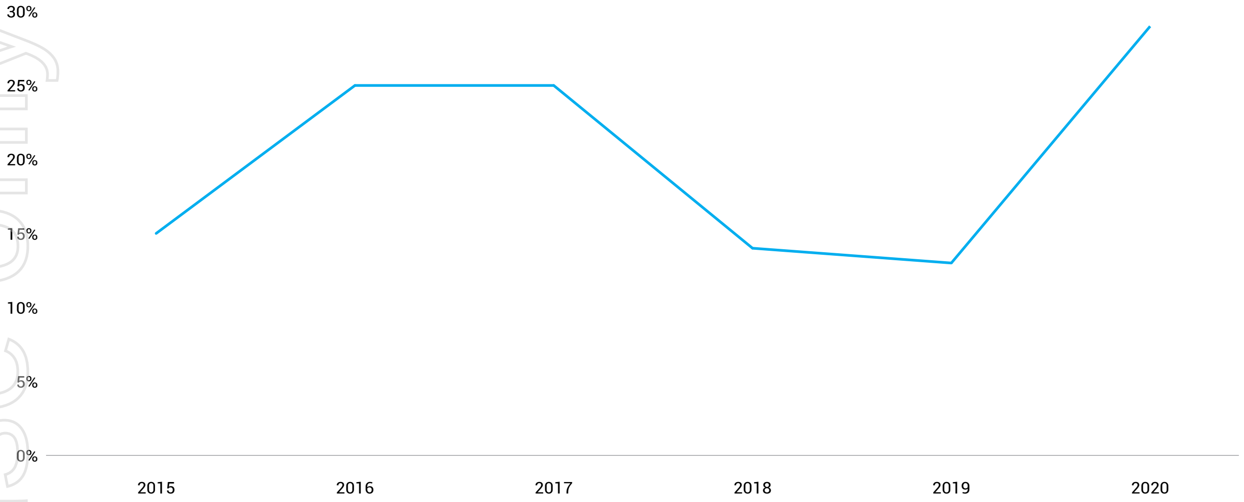
1. Note, Tim Hargreaves performance rights for 2019 are excluded from the calculation, as they are only able to be settled, at the Board's discretion, in cash or by an on-market purchase of the relevant number of shares and will not be by way of an issue of new shares. Performance rights which have not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

Accounting policies

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

NOTES TO THE FINANCIAL STATEMENTS

Return on Equity (%)



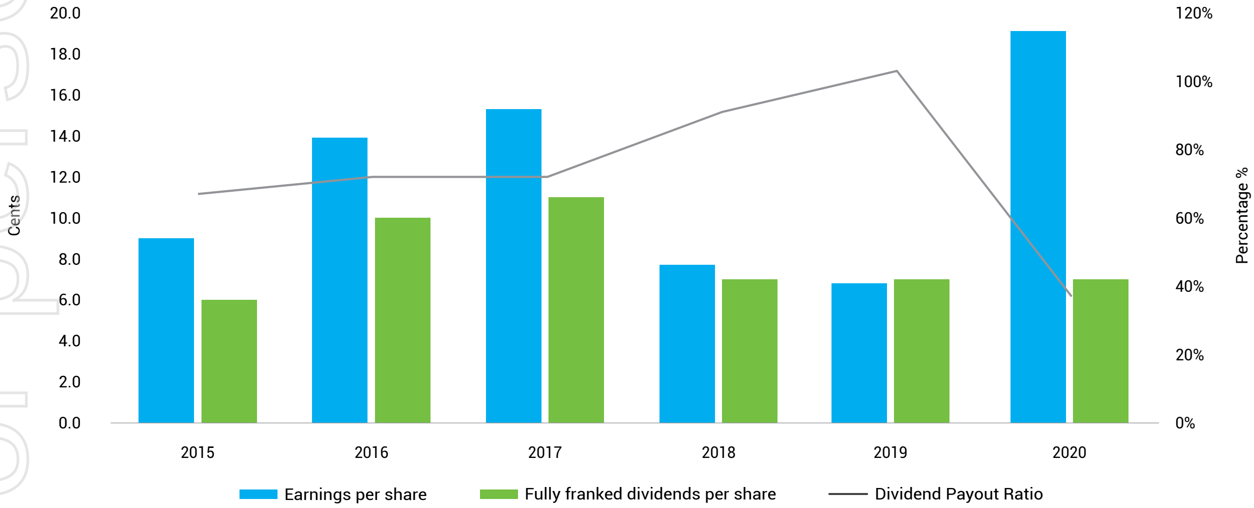
Return on equity % is the net profit after tax divided by the total equity.

4.3 Dividends

On 26 February 2021, the Directors declared a final dividend of 4.0 cents per share fully franked with an ex-dividend date of 16 March 2021, record date of 17 March 2021 and payable on 7 April 2021.

	2020 $'000	2019 $'000
Franking account balance	5,401	3,410

Shareholder returns



Dividend Payout Ratio is dividend paid divided by Basic Earnings Per Share.

4.4 Retained earnings

	2020 $'000	2019 $'000
Balance at beginning of financial year	33,221	33,393
Profit for the year	18,196	6,484
Dividends paid	(5,705)	(6,656)
Balance at end of financial year	45,712	33,221

4.5 Reserves

	2020 $'000	2019 $'000
Cash flow hedging reserve	(1,958)	(367)
Foreign currency translation reserve	1,782	2,035
Equity settled employee benefits reserve	(328)	(344)
Group reorganisation reserve	(78,585)	(78,585)
Balance at end of financial year	(79,089)	(77,261)

4.5.1 Cash flow hedging reserve

Balance at the beginning of the financial year	(367)	408
Forward exchange contracts	(1,591)	(775)
Balance at end of financial year	(1,958)	(367)

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

4.5.2 Foreign currency translation reserve

	2020 $'000	2019 $'000
Balance at the beginning of the financial year	2,035	1,877
Exchange differences arising on translating the foreign operation	(253)	158
Balance at end of financial year	1,782	2,035

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

4.5.3 Equity-settled employee benefits reserve

	2020 $'000	2019 $'000
Balance at the beginning of the financial year	(344)	(503)
Arising on share-based payments	16	159
Balance at end of financial year	(328)	(344)

Accounting policies

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

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

NOTES TO THE FINANCIAL STATEMENTS

4.5.4 Group reorganisation reserve

	2020 $'000	2019 $'000
Balance at beginning of financial year	(78,585)	(78,585)
Balance at end of financial year	(78,585)	(78,585)

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

5. GROUP STRUCTURE AND KEY MANAGEMENT

5.1 Subsidiaries

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group 2020	2019
Shriro Australia Pty Limited[1]	Wholesaler of consumer goods and appliances	Australia	100%	100%
Monaco Corporation Limited	Wholesaler of consumer goods and appliances	New Zealand	100%	100%
Shriro USA, INC[1]	Wholesaler of consumer goods and appliances	USA	100%	100%

1. This wholly-owned subsidiary is a member of the tax-consolidated group and has entered into a deed of cross guarantee with Shriro Holdings Limited pursuant to ASIC Corporations (Wholly owned Companies) Instrument 2016/785 and are relieved from the requirement to prepare and lodge an audited financial report.

Accounting policies

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

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

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

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see note 2.6.2 for hedging accounting policies); and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

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

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

Statement of Profit or Loss and Other Comprehensive Income	2020 $'000	2019 $'000
Revenue from ordinary activities	152,542	134,042
Raw materials and consumables used	(87,737)	(78,799)
Employee benefits expense	(16,851)	(18,635)
Advertising and promotion expenses	(3,278)	(5,160)
Freight and delivery expenses	(6,398)	(5,376)
Depreciation and amortisation expenses	(4,441)	(5,096)
Net gain from lease exit	2,304	–
Rental costs	(504)	(946)
Finance costs	(1,404)	(1,944)
Other expenses	(9,049)	(8,166)
Profit before tax	25,184	9,920
Income tax expense	(5,350)	(1,801)
Profit for the year	19,834	8,119
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	(742)	(619)
Exchange differences on translation of foreign operations	–	–
Other comprehensive income for the year, net of tax	(742)	(619)
Total comprehensive income for the year attributable to the owners of Shriro Holdings Limited	19,092	7,500

NOTES TO THE FINANCIAL STATEMENTS

Consolidated Statement of Financial Position	2020 $'000	2019 $'000
Current assets		
Cash and bank balances	15,306	2,819
Trade and other receivables	25,861	19,090
Inventories	27,404	25,085
Loan to related entities	1,778	1,906
Other current assets	275	407
Current tax receivable	–	424
Derivative receivable	73	238
Total current assets	70,697	49,969
Non-current assets		
Right-of-use assets	5,709	13,802
Property, plant and equipment	3,387	5,730
Deferred tax assets	5,429	5,956
Investments	12,553	12,553
Total non-current assets	27,078	38,041
Total assets	97,775	88,010
Current liabilities		
Trade and other payables	18,320	11,542
Borrowings	–	–
Current tax payable	489	–
Lease liabilities	2,461	2,735
Provisions	4,640	4,496
Derivative payable	1,287	665
Total current liabilities	27,197	19,438
Non-current liabilities		
Borrowings	–	–
Lease liabilities	5,582	16,685
Provisions	2,013	2,308
Total non-current liabilities	7,595	18,993
Total liabilities	34,792	38,431
Net assets	62,983	49,579
Equity		
Issued capital	94,617	94,617
Reserves	(79,731)	(79,005)
Retained earnings	48,097	33,967
Total equity	62,983	49,579

5.2 Related party transactions

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

Significant Influence

In accordance with AASB 128 Shriro Pacific Limited was deemed to have significant influence in the Group as it held 20% or more of the voting power in Shriro Holdings Limited during the financial year ended 31 December 2020. Shriro Pacific Limited ceased to have significant influence in Shriro Holdings on the 23 December 2020.

5.3 Parent entity information

Financial Position	2020 $'000	2019 $'000
Assets		
Current Assets	–	424
Non-current assets	88,481	88,585
Total assets	88,481	89,009
Liabilities		
Current liabilities	533	1,061
Non-current liabilities	–	–
Total liabilities	533	1,061
Net assets	87,948	87,948
Equity		
Issued capital	94,617	94,617
Reserves	(345)	(345)
Accumulated losses	(6,324)	(6,324)
Total equity	87,948	87,948

Financial Performance	2020 $'000	2019 $'000
Profit for the year	5,705	11,206
Total comprehensive income	5,705	11,206

5.4 Directors and key management personnel compensation

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

Remuneration of Directors and Key Management Personnel

	2020 $'000	2019 $'000
Short-term employee benefits	2,388	1,399
Long-term employee benefits	(167)	137
Post-employment benefits	67	70
	2,288	1,606

NOTES TO THE FINANCIAL STATEMENTS

Accounting policies

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

Liabilities recognised in respect of long-term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date. The discount rate adopted at 31 December 2020 is the High Quality Corporate Bond Rate.

5.5 Share-based payments

5.5.1 LTI Plan

The Company established an equity incentive plan (LTI Plan) to assist in the motivation, retention and reward of senior management. The Plan is designed to align the interests of employees and senior management with the interests of Shareholders by providing an opportunity for employees to receive an equity interest in the Company. Long term incentives are established under the Plan.

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

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

No non-executive director holds any performance rights over the shares in Shriro Holdings Limited. Tim Hargreaves has been issued with 359,281 performance rights (2019: 415,225). Shane Booth was granted 175,150 performance rights (2019: 202,422) under the LTIP during the financial year ended 31 December 2020. Other senior management have been issued with 283,835 of performance rights in respect of the 2020 year (2019: 332,217) in line with the long-term incentives plan during the financial year ended 31 December 2019. The amortised LTIP performance rights recognised in consolidated statement of profit or loss for the financial year ended 31 December 2020 was $408,000 (2019: $159,000).

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

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

Performance rights series	Effective grant date	Grant date fair value	Number Granted	Expiry date	Vesting Testing
Series 1	01/01/2018	$460,149	368,268	31/12/2020	31/12/2020
Series 2	01/01/2019	$360,551	949,864	31/12/2021	31/12/2021
Series 3	01/01/2020	$367,078	818,266	31/12/2022	31/12/2022

Accounting policies

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

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

5.5.2 Fair value of performance rights granted

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

Performance rights series	Grant date fair value	Rights life	Dividend yield	Risk-free interest rate
Series 1	$1.49	3 years	6.88%	3.44%
Series 2	$0.50	3 years	12.64%	3.44%
Series 3	$0.59	3 years	11.97%	3.44%

5.5.3 Performance rights outstanding at the end of the year

The performance rights outstanding at the end of the year had no exercise price and a weighted average remaining contractual life of 0.96 years.

6. OTHER NOTES

6.1 Remuneration of auditor

	2020 $'000	2019 $'000
Audit and review	219	190
Other services:		
Consulting services	50	–

The auditor of Shriro Holdings Limited is Deloitte Touche Tohmatsu.

6.2 Events after the reporting date

After the year ended 31 December 2020, the Board approved an uncommitted revolving debt facility of $14 million with the non-cash facility remaining in place. There were no material changes to the conditions.

Shriro Pacific Limited who is Shriro's largest shareholder at 19.89% is now controlled by D2A Holdings HK Ltd. Mark Shriro previously controlled Shriro Pacific.

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

6.3 Statement of accounting policies

Statement of Compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) 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. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board (IASB). Consequently, this financial report has been prepared in accordance with and complies with IFRS as issued by the IASB.

The financial statements were authorised for issue by the Directors on 26th February 2021.

Basis of preparation

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group considers the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2 'Share-based Payment', leasing transactions that are within the scope of AASB 16 'Leases', and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 2 'Share-based Payment' or value in use in AASB 136 'Impairment of assets'.

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:

NOTES TO THE FINANCIAL STATEMENTS

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

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

Basis of consolidation

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

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

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

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

Tax consolidation

The company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 23 June 2015 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Shriro Holdings Limited. The members of the tax-consolidated group are Shriro Australia Pty Limited and Shriro USA inc.

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

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

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

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

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

Accounting policy adopted for government grants

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

Changes in accounting policies and disclosures

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

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

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

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

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

Standards and interpretations in issue not yet effective

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

Standard/Interpretation	Effective for Annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current and AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date	1 January 2022[1]	30 June 2022
AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments	1 January 2022	30 June 2022
AASB 2020-4 Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions*	1 June 2020	30 June 2021
AASB 2020-8 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2	1 June 2021	30 June 2022

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

6.4 Additional company information

General Information

Shriro Holdings Limited is incorporated and operates in Australia.

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

Registered office and Principal place of business

2-34 Davidson Street

Chullora NSW 2190

Tel: +61 2 9415 5000

Shriro Holdings Limited's Annual General Meeting will be held on 24 May 2021.

NOTES TO THE FINANCIAL STATEMENTS

6.5 Shareholder information

Listing Information

Shriro Holdings Limited is listed and our listed shares are quoted on the Australian Securities Exchange (ASX) under the code: SHM. Unless otherwise stated, all information set out below is current as at 7 April 2021.

The Company has on issue 95,087,500 ordinary fully paid shares and a total of 1,888 shareholders.

Substantial Shareholders

The following organisations have a substantial shareholding in Shriro Holdings Limited based on substantial shareholder notices lodged on or before 12 April 2021.

Name	Notice Date	Shares held	Issued capital %
Shriro Pacific Group	18 March 2021	18,915,987	19.89%
Australian Ethical Investment	4 December 2019	13,558,788	14.26%
Ariadne Australia Limited (and related entities)	23 August 2018	4,760,185	5.01%

20 largest ordinary fully paid shareholders

Rank	Name	Shares held	Issued capital %
1	NATIONAL NOMINEES LIMITED	17,668,788	18.58
2	SHRIRO PACIFIC	13,970,932	14.69
3	D2A HOLDINGS PTE LTD	4,945,055	5.20
4	PORTFOLIO SERVICES PTY LTD	4,587,779	4.82
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	4,016,568	4.22
6	MISS AMANDA BERNADETTE DE ANGELIS	2,303,125	2.42
7	CITICORP NOMINEES PTY LIMITED	1,749,582	1.84
8	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	1,543,090	1.62
9	HORRIE PTY LTD	1,410,000	1.48
10	NEWECONOMY COM AU NOMINEES PTY LIMITED	1,023,688	1.08
11	CS FOURTH NOMINEES PTY LIMITED	878,870	0.92
12	MORGAN STANLEY AUSTRALIA SECURITIES (NOMINEE) PTY LIMITED	863,855	0.91
13	BNP PARIBAS NOMINEES PTY LTD	720,233	0.76
14	MAST FINANCIAL PTY LTD	650,000	0.68
14	MR DAMIEN HEFFRON	650,000	0.68
15	BRISPOT NOMINEES PTY LTD	641,275	0.67
16	HILLMORTON CUSTODIANS PTY LTD	633,000	0.67
17	MOAT INVESTMENTS PTY LTD	600,000	0.63
18	MR DERMOT FRANCIS MCGARRY & MRS CHRISTINE MCGARRY	576,292	0.61
19	UBS NOMINEES PTY LTD	525,220	0.55
20	DMX CAPITAL PARTNERS LIMITED	500,000	0.53
Total		**60,457,352**	**63.58**
Balance of register		34,630,148	36.42
Grand total		**95,087,500**	**100.00**

Holding distribution

Range	Securities	%	No. of holders	%
100,001 and Over	72,753,615	76.51	81	4.29
10,001 to 100,000	18,256,210	19.20	587	31.07
5,001 to 10,000	2,201,266	2.31	268	14.19
1,001 to 5,000	1,527,779	1.61	502	26.57
1 to 1,000	348,630	0.37	451	23.88
Total	**95,087,500**	**100.00**	**1,889**	**100.00**

There were 110 shareholders holding less than a marketable parcel of shares.

Voting rights

On a show of hands, every member present in person or proxy shall have one vote, and upon each poll, each share shall have one vote.

Unquoted Equity Securities

The Company has a total of 1,767,519 unquoted performance rights issued pursuant to the Company's Long Term Incentive Plan as further described in the remuneration report. There were a total of 7 holders of unquoted performance rights.

Corporate Governance Statement

Shriro has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (4th edition) published by the ASX Corporate Governance Council (***ASX Recommendations***).

Shriro's 2020 corporate governance statement and key governance documents such as charters, policies and Shriro's Appendix 4G Key to Disclosures under the ASX Recommendations for the year ending 31 December 2020 can be viewed at https://www.shriro.com.au/investor/corporate_governance.

This page has been left blank intentionally.

CORPORATE DIRECTORY

Directors

Stephen Heath
Non-Executive Chairman

Tim Hargreaves
Managing Director

Abigail Cheadle
Independent Non-Executive Director

Cheryl Hayman
Non-Executive Director

Company Secretary

Lisa Jones
Company Secretary

Registered Office and Principal Place of Business

Level 7,
67 Albert Street
Chatswood NSW 2067
P. (02) 9415 5000

Auditors

Deloitte Touche Tohmatsu

Share Registry

Link Market Services
Level 12
680 George Street
Sydney NSW 2000

SHRIRO