

SHRIRO HOLDINGS LIMITED

ACN 605 279 329

Appendix 4E

for the 6-month period ended

30 June 2021

(unaudited)

For personal use only

Contents

Page

Appendix 4E	3
Consolidated Statement of Profit or Loss.....	5
Consolidated Statement of Profit or Loss and Other Comprehensive Income	6
Consolidated Statement of Financial Position.....	7
Consolidated Statement of Changes in Equity.....	8
Consolidated Statement of Cash Flows	9
Notes to the Financial Statements	10
Basis of preparation	11
1. Trading Operations	12
1.1 Revenue.....	12
1.2 Profit for the period	13
1.3 Segment information	13
1.4 COVID-19 impact on operations	14
1.5 Notes to the Statement of Cash Flows	14
1.6 Income tax	16
1.6.1 Income tax recognised in profit or loss	16
2. Working Capital	18
2.1 Trade and other receivables	18
2.2 Inventories	19
2.3 Other assets.....	20
2.4 Trade and other payables	20
2.5 Provisions	20
2.6 Financial risk management	21
3. Investment and Financing	26
3.1 Plant and equipment	26
3.2 Lease arrangements	27
3.3 Borrowings	29
4. Shareholder Equity.....	30
4.1 Issued capital	30
4.2 Earnings per share.....	30
4.3 Dividends	31
4.4 Retained earnings.....	31
4.5 Reserves	31
5. Group Structure and Key Management	33
5.1 Subsidiaries	33
5.2 Related party transactions	33
5.3 Directors and key management personnel compensation.....	33
5.4 Share-based payments	33
6. Other Notes.....	35
6.1 Remuneration of auditor	35
6.2 Events after the reporting date.....	35
6.3 Other accounting policies.....	35

Appendix 4E

Unaudited results for announcement to market

Shriro Holdings Limited ("Shriro") changed its year end from 31 December to 30 June and these financial statements have been prepared for the transitional period 01 January 2021 to 30 June 2021. Financial information for the six-month period to 30 June 2020 has been included as the prior corresponding comparative period in the table below, with movement percentages calculated between the six months of 30 June 2021 and 30 June 2020. The 6 months to 30 June 2020 financial information was subject to a review rather than an audit.

	6 months to 30 June 2021 \$million	6 months to 30 June 2020 \$million	Movement %	12 Months to 31 December 2020 \$million
Revenue from ordinary activities	94.3	78.6	20.0%	191.3
EBITDA	12.3	10.5	17.1%	32.3
Profit from ordinary activities before tax	9.8	6.5	50.8%	25.2
Profit from ordinary activities after tax attributable to members	6.8	4.7	44.7%	18.2
Basic earnings per share (cents per share)	7.1	5.0	42.0%	19.1
Diluted earnings per share (cents per share)	7.0	4.9	42.9%	18.9

	Amount per security	Percentage franked
Final dividend declared for the period ended 30 June 2021	6.0	100%

	30 June 2021 \$	31 December 2020 \$
Net tangible assets* per share (cents per share)	63.4	57.8
Diluted net tangible assets* per share (cents per share)	62.5	57.0

*The net tangible assets includes right-of-use assets and lease liabilities recognised in accordance with AASB16.

Subsequent to the period end the Directors have declared a final dividend for the financial period of 6.0 cents per share fully franked with an ex-dividend date of 09 September 2021, record date of 10 September 2021 and payable on 30 September 2021.

Shriro Holdings Limited and its subsidiaries (the Group) recorded an after-tax profit of \$6.8million for the period ended 30 June 2021.

This Appendix 4E is unaudited. Audited financial results will be released in October 2021. While the information in the Appendix 4E has been prepared in good faith and with reasonable care, caution should be taken when relying on any information contained in this Appendix 4E.

The Company intends to rely on the Amended ASIC Relief¹ to extend the lodgement date for its audited annual accounts and other documents required to be lodged with ASIC under s319 of the Corporations Act. The Company will lodge these documents no later than 29 October 2021. The Company will immediately make a further announcements to the market if there is a material difference between its unaudited annual accounts and its audited annual accounts.

Commentary on results for the period

The Group's revenue was not substantially impacted by the lock-downs in Australia and New Zealand. The COVID-19 travel restrictions resulted in consumers spending more on household items and the Group's international expansion of its Everdure by Heston Blumenthal products grew successfully in the six months to 30 June 2021 with export revenue increasing by 135.9% on the six months to 30 June 2020 ("prior corresponding period").

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

¹ ASIC Corporations (Extended Reporting and Lodgment Deadlines—Listed Entities) Instrument 2020/451 dated 15 May 2020, as extended by ASIC Corporations (Amendment) Instrument 2020/1080 dated 25 November 2020 and ASIC Corporations (Amendment) Instrument 2021/315 dated 26 April 2021

Statement of financial position and statement of cashflows

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

Outlook

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

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

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

Consolidated Statement of Profit or Loss

for the 6-month period ended 30 June 2021

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

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

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the 6-month period ended 30 June 2021

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

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

For personal use only

Consolidated Statement of Financial Position

At 30 June 2021

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

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

Consolidated Statement of Changes in Equity

for the Financial Period Ended 30 June 2021

Balance at 1 January 2020

Profit for the year

Other comprehensive income for the year

Total comprehensive income

Dividends paid

Share-based payments reserve (net of tax)

Balance at 31 December 2020

Profit for the period

Other comprehensive income for the period

Total comprehensive income

Dividends paid

Share-based payments reserve (net of tax)

Balance at 30 June 2021

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

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

Shriro Holdings Limited

Consolidated Statement of Cash Flows

for the Financial Period Ended 30 June 2021

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

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

Notes to the Financial Statements

Contents

Page

1. Trading Operations	12
1.1 Revenue.....	12
1.2 Profit for the period	13
1.3 Segment information	13
1.4 COVID-19 impact on operations	14
1.5 Notes to the Statement of Cash Flows	14
1.6 Income tax	16
1.6.1 Income tax recognised in profit or loss	16
2. Working Capital	18
2.1 Trade and other receivables	18
2.2 Inventories	19
2.3 Other assets.....	20
2.4 Trade and other payables	20
2.5 Provisions	20
2.6 Financial risk management	21
3. Investment and Financing	26
3.1 Plant and equipment	26
3.2 Lease arrangements	27
3.3 Borrowings	29
4. Shareholder Equity.....	30
4.1 Issued capital	30
4.2 Earnings per share.....	30
4.3 Dividends	31
4.4 Retained earnings.....	31
4.5 Reserves	31
5. Group Structure and Key Management	33
5.1 Subsidiaries	33
5.2 Related party transactions	33
5.3 Directors and key management personnel compensation	33
5.4 Share-based payments	33
6. Other Notes.....	35
6.1 Remuneration of auditor	35
6.2 Events after the reporting date.....	35
6.3 Other accounting policies.....	35

Basis of preparation

Statement of compliance

Shriro Holdings Limited (the Company) is a for-profit company limited by shares incorporated in Australia whose share are publicly traded on the Australian Securities Exchange (ASX). The nature of operations and principal activities of the Group are to market and distribute kitchen appliances and consumer goods to Australian, New Zealand and international customers.

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

Basis of preparation

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

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of Shriro Holdings Limited and its subsidiaries (the Group) at, and for the period ended, 30 June 2021 (2020: 12 months ended 31 December 2021). Control is achieved when the Group has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee, and has the ability to use its power to affect those returns through its power over the investee.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Company gains control until the date when the Company ceases to control the subsidiary.

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

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

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

1. Trading Operations

1.1 Revenue

Revenue from continuing operations consisted of the following items:

Sales of goods

Advertising and marketing contributions

Net gain on sale of brand¹

6 months to 30 June 2021 \$'000	12 months to 31 December 2020 \$'000
94,045	189,874
258	1,007
-	377
94,303	191,258

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

Accounting policy

Sale of goods

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

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

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

Key estimates and judgments

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

1.2 Profit for the period

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

1.3 Segment information

1.3.1 Primary operating segments

Operating segments are reported in a manner which is consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision makers have been identified as the Board of Directors of the Company. The internal reports reviewed by the Board, which are used to make strategic decisions, are separated into the Group's primary operating segments. Geographical operating segments are based on the location of the customer.

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

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

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

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

12 months to 31 December 2020

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

Accounting policy

Segment assets and liabilities

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

Intersegment transactions

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

Corporate charges

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

1.4 COVID-19 impact on operations

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

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

1.5 Notes to the Statement of Cash Flows

1.5.1 Cash and cash equivalents

Accounting policy

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

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

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

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

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

Overdraft facilities and working capital facilities are considered to be financing activities as they are used interchangeably to fund the operations and are not repayable on demand.

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

1.6 Income tax

1.6.1 Income tax recognised in profit or loss

Income taxes relating to continuing operations:

	6 months to 30 June 2021 \$'000	12 months to 31 December 2020 \$'000
Current tax		
In respect of the current period	3,461	6,430
In respect of prior years	-	(449)
	3,461	5,981
Deferred tax		
In respect of the current period	(478)	1,087
In respect of prior years	-	(103)
Total deferred tax (gain)/expense	(478)	984
Total income tax expense recognised in the current period relating to continuing operations	2,983	6,965

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

The differences are reconciled to the accounting profit as follows:

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

Accounting policy

Current Tax

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

Deferred Tax

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

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Offsetting tax balances

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

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

1.6.2 Deferred Tax Balances

The deferred tax expense above is itemised as follows:

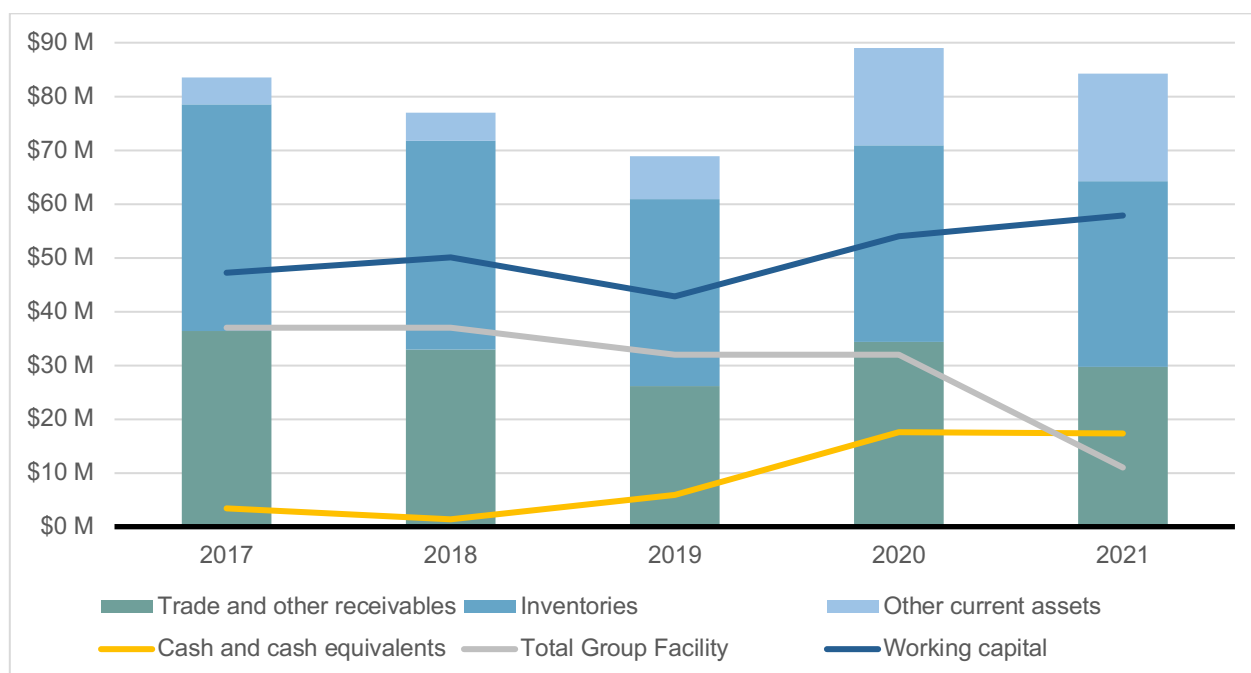
30 June 2021	Opening balance \$'000	Recognised in total comprehensive income \$'000	Closing balance \$'000
Deferred tax assets			
Plant and equipment	277	(364)	(87)
Prepayments	(11)	23	12
Superannuation payable	62	(5)	57
Provisions	5,562	284	5,846
Credit loss allowance	63	(11)	52
Sub-total	5,953	(73)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

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

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

2. Working Capital

Working Capital: Total current assets versus total current liabilities



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

2.1 Trade and other receivables

Trade receivables (net of discounts and rebates)

Credit loss allowance

Other debtors

Trade receivables

GST receivable

Trade and other receivables

Age of receivables that are past due:

60-90 days

90+ days

Total

Movement in the allowance for credit loss

Balance at beginning of the period

Impairment loss reversed

Amounts written off during period as uncollectable

Amounts recovered during the period

Balance at the end of the period

30 June 2021 \$'000	31 December 2020 \$'000
29,807	34,035
(184)	(220)
29,623	33,815
51	264
29,674	34,079
2,378	-
32,052	34,079

55	54
113	182
168	236

30 June 2021 \$'000	31 December 2020 \$'000
(220)	(268)
36	-
-	39
-	9
(184)	(220)

Accounting policy

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

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

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

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

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

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

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

2.2 Inventories

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

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

Stock aged over 3 years amounts to 3.2% (2020: 2.6%) of the inventory balance.

Accounting policies

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

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

Key estimates and judgments

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

2.3 Other assets

Prepayments

30 June 2021 \$'000	31 December 2020 \$'000
979	480

2.4 Trade and other payables

Trade payables
Accrued liabilities
Employee related payables
GST Payable

30 June 2021 \$'000	31 December 2020 \$'000
13,912	13,927
3,870	6,403
1,908	2,083
487	1,109
20,177	23,522

The majority of trade payables relate to purchases of inventory from Asia and Europe. The average credit period on purchases from Asia is 45 days and for Europe, 90 days. The Group has financial risk management policies in place to ensure that all payables are paid as and when they fall due.

Accounting policy

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

2.5 Provisions

Employee benefits
Other provisions

30 June 2021 \$'000	31 December 2020 \$'000
3,607	3,812
4,279	3,889
7,886	7,701
Current	5,530
Non-current	2,356
7,886	7,701

Other Provisions

Balance at 31 December 2020
Additional provision recognised
Foreign exchange movement
Closing balance

Provision for warranty \$'000	Make good \$'000	Total \$'000
2,689	1,200	3,889
286	107	393
(2)	(1)	(3)
2,973	1,306	4,279

Accounting policies

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

Employee benefits

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

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

Liabilities recognised in respect of long-term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date. The discount rate adopted is the high-quality corporate bond rate.

Warranty

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

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

The Group provides warranties ranging from two to five years.

Make good

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

Key estimates and judgments

Warranty provision

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

2.6 Financial risk management

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

(a) Cash and cash equivalents

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

(b) Trade and other receivables

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

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

(c) Bank guarantees and letters of credit

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

(d) Trade and other payables

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

(e) Foreign currency forward contracts

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

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

Categories of financial instruments

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

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

Loans and receivables

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

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

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

Financial risk management objectives

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

Key sensitivities

	Impact on NPAT \$'000	Impact on NPAT %
Sales (+/- 1%)	141	0.8%
Gross profit margin (+/- 1%)	642	3.6%
Other operating costs (+/- 1%)	195	1.1%
AUD/NZD (+/- 5%)	137	0.8%

Foreign currency risk management

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

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

Forward foreign exchange contracts

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

Outstanding contracts maturity profile

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

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

Liquidity risk management

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

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

	Weighted average effective interest rate	Less than 3 months \$'000	3 to 12 months \$'000	1 to 5 years \$'000	> 5 years \$'000	Total \$'000
2021						
Trade payables	0.0%	17,682	2,008	-	-	19,690
Lease liabilities	3.8%	1,015	3,050	8,712	443	13,273
2020						
Trade payables	0.0%	22,413	-	-	-	22,413
Lease liabilities	4.0%	794	2,759	9,053	1,072	13,678

Interest rate sensitivity analysis

The sensitivity analysis has been determined based on exposure to interest rates for cash and cash equivalents that were subject to interest rate fluctuations at the reporting date. At reporting date, if interest rates had been 1% higher or lower and all other variables were held constant, the Group's profit or loss before tax would increase by \$167,000 or decrease by nil (2020: \$18,000).

Capital Management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2017. The capital structure of the Group consists of net debt (borrowings as detailed in note 3.3 offset by

cash and bank balances) and equity of the Group (comprising issued capital, reserves, retained earnings as detailed in notes 4.1, 4.4 and 4.5).

The Group is not subject to any externally imposed capital requirements.

Accounting policy

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

2.6.1 Financial assets

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

Classification of financial assets

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

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

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

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

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

Loans and receivables

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

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

Impairment of financial assets

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

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

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

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

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

to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

Derecognition of financial assets

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

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

2.6.2 Financial liabilities

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

Derivative financial instruments

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

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

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

Hedge accounting

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

Cash flow hedge

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

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

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

Hedge Strategy

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

3. Investment and Financing

3.1 Plant and equipment

	Leasehold improvement \$'000	Plant and equipment \$'000	Fixtures and fittings \$'000	Office equipment \$'000	Motor vehicles \$'000	Display assets \$'000	Total \$'000
30 June 2021							
Cost	1,963	4,152	377	4,338	1,443	10,050	22,323
Accumulated depreciation and impairment	(934)	(2,723)	(288)	(3,876)	(907)	(8,274)	(17,002)
Plant and equipment	1,029	1,429	89	462	536	1,776	5,321
Capital work in progress							298
							5,619

Movement cost:

At 31 December 2020	1,003	4,110	291	4,099	1,403	9,452	20,358
Additions	962	44	131	242	78	747	2,204
Disposals	-	-	(43)		(34)	(146)	(223)
Foreign exchange movement	(2)	(2)	(2)	(3)	(4)	(3)	(16)
At 30 June 2021	1,963	4,152	377	4,338	1,443	10,050	22,323

Movement in accumulated depreciation:

At 31 December 2020	(861)	(2,527)	(240)	(3,769)	(817)	(8,061)	(16,275)
Additions	(75)	(197)	(14)	(110)	(118)	(435)	(949)
Disposals	-	-	41	-	26	143	210
Foreign exchange movement	2	1	2	3	2	2	12
At 30 June 2021	(934)	(2,723)	(211)	(3,876)	(907)	(8,351)	(17,002)

Accounting policy

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

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

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

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

Depreciation

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

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

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

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

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

Impairment

At the end of each reporting period, the Group reviews the carrying amounts of plant and equipment to determine whether there is an indication an asset is impaired. If an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

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

3.2 Lease arrangements

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

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

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

Payments related to leases recognised as expenses

Depreciation charge for right-of-use assets
Interest expense on lease liabilities

30 June 2021 \$'000	31 December 2020 \$'000
1,442	3,018
3	1,312

Lease commitments

Maturity profile of lease liability

Less than 1 year
1 - 2 years
2 - 5 years
5 – 10 years
Greater than 10 years

30 June 2021 \$'000	31 December 2020 \$'000
3,643	3,908
2,682	3,156
5,506	1,896
441	3,409
-	-

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

Accounting policy

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

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

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

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

- Fixed lease payments less lease incentives
- Variable lease payments

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

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

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

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

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

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

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

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

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

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

3.3 Borrowings

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

- (i) A non-cash guarantee facility of \$11,000,000. Under the terms of this facility, financial institutions provide guarantees to the Group's suppliers and property owners in the form of Letters of Credit and Bank Guarantees. These Letters of Credit and Bank Guarantees act like insurance and provide assurance to suppliers and property owners that payment up to the amount of the guarantees will be made if certain documentary conditions are met. The Group has no obligation to make any payments under this non-cash facility.
- (ii) A trade finance facility available to meet working capital requirements which was cancelled on 25 June 2021. The facility limit was \$16,000,000 which increased to \$21,000,000 between 01 September and 31 December to account for seasonality in working capital requirements.

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

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

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

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

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

Accounting policy

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

4. Shareholder Equity

4.1 Issued capital

95,087,500 fully paid ordinary shares (2020: 95,087,500)

30 June 2021 \$'000	31 December 2020 \$'000
94,617	94,617

Date	Details
1 January 2021	Opening balance
30 June 2021	Closing Balance

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

4.2 Earnings per share

Basic earnings per share
Diluted earnings per share

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

Reconciliation of input used to calculate earnings per share

Net profit (\$'000)

Opening balance of shares for the financial period

Closing balance of shares for the financial period

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

Shares deemed to be issued for no consideration in respect of:

Employee performance rights

Closing number of shares deemed to be issued for the financial period

6 months to 30 June 2021	12 months to 31 December 2020
6,768	18,196
95,087,500	95,087,500
95,087,500	95,087,500
95,087,500	95,087,500
1,352,905	1,352,905
96,440,405	96,440,405

¹Tim Hargreaves performance rights for 2019 do not meet the definition of dilutive shares, as they are only able to be settled, at the Board's discretion, in cash or by an on-market purchase of the relevant number of shares and not by way of an issuance of new shares.

Accounting policy

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

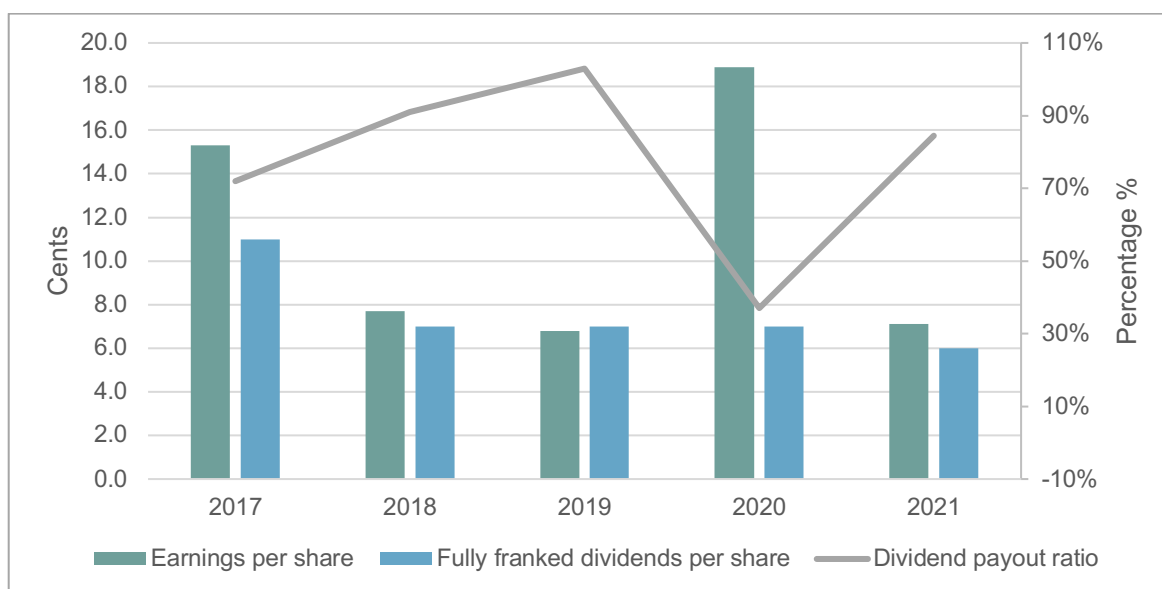
4.3 Dividends

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

Franking account balance

30 June 2021 \$'000	31 December 2020 \$'000
5,896	5,401

Shareholder returns



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

4.4 Retained earnings

Balance at beginning of the financial period
Profit for the period
Dividends paid
Balance at end of financial period

2021 \$'000	2020 \$'000
45,712	33,221
6,768	18,196
(3,804)	(5,705)
48,676	45,712

4.5 Reserves

Cash flow hedging reserve
Foreign currency translation reserve
Equity settled employee benefits reserve
Group reorganisation reserve
Balance at end of financial period

30 June 2021 \$'000	31 December 2020 \$'000
(148)	(1,958)
1,698	1,782
(75)	(328)
(78,585)	(78,585)
(77,110)	(79,089)

4.5.1 Cash flow hedging reserve

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

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

4.5.2 Foreign currency translation reserve

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

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

4.5.3 Equity settled employee benefits reserve

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

Accounting policy

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

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

4.5.4 Group re-organisation reserve

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

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

5. Group Structure and Key Management

5.1 Subsidiaries

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

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

¹This 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

5.2 Related party transactions

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

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

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

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

Compensation and remuneration of key management personnel has been disclosed in note 5.3.

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

5.3 Directors and key management personnel compensation

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

Remuneration of Directors and Key Management Personnel

	30 June 2021 \$'000	31 December 2020 \$'000
Short-term employee benefits	1,175	2,388
Long-term employee benefits	181	(167)
Post-employment benefits	28	67
	1,384	2,288

Accounting policy

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

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

5.4 Share-based payments

5.4.1 LTI Plan

The Company established an equity incentive plan (LTI Plan) to assist in the motivation, retention and reward of senior management. The Plan is designed to align the interests of employees and senior management with the interests of

Shareholders by providing an opportunity for employees to receive an equity interest in the Company. Long term incentives are established under the Plan.

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

Performance rights have been granted to the Chief Executive Officer, Chief Financial Officer and other senior management.

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

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

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

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

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

Performance rights series	Effective grant date	Grant date fair value	Number Granted	Expiry date	Vesting Testing
Series 1	01/01/2019	\$461,142	949,864	31/12/2021	31/12/2021
Series 2	01/01/2020	\$463,046	818,266	31/12/2022	31/12/2022

Accounting policy

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

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

5.4.2 Fair value of performance rights granted

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

Performance rights series	Grant date fair value	Rights life	Dividend yield	Risk-free interest rate
Series 1	\$0.48	3 years	12.64%	3.44%
Series 2	\$0.57	3 years	11.97%	3.44%

5.5.3 Performance rights outstanding at the end of the period

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

6. Other Notes

6.1 Remuneration of auditor

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

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

6.2 Events after the reporting date

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

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

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

6.3 Other accounting policies

Tax consolidation

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

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

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

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

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

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

Fair value measurement

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

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

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

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

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

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

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

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

Foreign exchange

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

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

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

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

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

Government grants

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

Changes in accounting policies and disclosures

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

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

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

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

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

Standards and interpretations in issue not yet effective

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

Standard / Interpretation	Effective for Annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 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 2020-8 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2	1 June 2021	30 June 2022

¹AASB 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