

**SHRIRO PROPERTY AUSTRALIA PTY LIMITED**

**A.C.N. 092 688 018**

**CONSOLIDATED SPECIAL PURPOSE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2013**

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**SHRIRO PROPERTY AUSTRALIA PTY LIMITED**  
**A.C.N. 002 386 129**  
**DIRECTORS' REPORT**

The directors of Shriro Property Australia Pty Limited and its controlled entities submit herewith the annual report of the company for the financial year ended 31 December 2013. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

**DIRECTORS**

The names of the directors of the company during or since the end of the financial year are:

Vasco Fung  
Michael Westrup

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

**PRINCIPAL ACTIVITIES**

The consolidated entity is the distributor of Casio consumer products, Binatone telephones, and Earhugger audio products in Australia and New Zealand, and also manufactures and distributes Everdure gas and kitchen appliances, Omega, Blanco & Robinhood kitchen appliances & Omega Altise heating and cooling appliances. Products include calculators, watches, cash registers, musical instruments, audio products, telephones, kitchen appliances, sinks & taps, laundry products, consumer electronics, fashion, lighting, gas heaters and gas barbeques, electric heaters and cooling products. The company also owns a property which is leased out to a long-term tenant.

**REVIEW OF OPERATIONS**

The consolidated entity achieved an after tax loss of \$4,799,293 during the year to 31 December 2013 (year to 31 December 2012 \$8,091,855). This result included an impairment of the goodwill allocated to Shriro Australia Pty Ltd of \$13,775,286 in 2013 (2012: \$14,736,385).

**DIVIDENDS**

No dividends to entities outside of the consolidated group were declared or paid in the period.

**STATE OF AFFAIRS**

The consolidated entity purchased the Robinhood brand, along with certain assets and liabilities, from Robinhood Australia Pty Ltd. The purchase had an effective date of 16 September 2013.

Hagemeyer Brands Australia Pty Ltd was de-registered during the year.

During the year, an agreement was entered into with Shriro Pacific Ltd to partly capitalise the loan owing from Shriro Property Australia to Shriro Pacific Ltd through the issuance of additional shares to the value of \$34,994,628.

There were no other significant changes in the state of affairs of the company during this year.

**POST REPORTING DATE EVENTS**

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

**SHIRO PROPERTY AUSTRALIA PTY LIMITED**  
**A.C.N. 002 386 129**  
**DIRECTORS' REPORT**

**FUTURE DEVELOPMENTS**

The company intends to continue existing major supplier and customer relationships, and to continue to source new products for distribution. The company also expects to continue ownership of the property with the intention of continuing to lease the premises.

**ENVIRONMENTAL REGULATIONS**

The company's operations are not regulated by any significant environmental regulation under a law of the commonwealth or of a state or territory. The company is a signatory to the Australia Packaging Covenant.

**INDEMNIFICATION OF OFFICERS AND AUDITORS**

During the financial year, the company paid a premium in respect of a contract insuring the directors of the company (as named above), the company secretary, Mr S.A. Booth, and all executive officers of the company and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001.

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

**COURT PROCEEDINGS**

No person has applied for leave of court to bring proceedings on behalf of the company or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

**SHARE OPTIONS**

The company has not at any time granted to a person an option to have issued to him shares in the company.

**AUDITOR'S INDEPENDENCE DECLARATION**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 3.

Signed on behalf of the directors in accordance with a resolution of directors made pursuant to s298(2) of the Corporations Act 2001.



Vasco Fung  
Director  
Hong Kong, 22 May 2014



The Board of Directors  
Shriro Property Australia Pty Ltd  
104 Vanessa Street  
Kingsgrove NSW 2208 Australia

26 May 2014

Dear Board Members

**Shriro Property Australia Pty Ltd**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Shriro Property Australia Pty Ltd.

As lead audit partner for the audit of the financial statements of Shriro Property Australia Pty Ltd for the year ended 31 December 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

*Deloitte Touche Tohmatsu*

DELOITTE TOUCHE TOHMATSU

*Catherine Hill*

Catherine Hill  
Partner  
Chartered Accountants



**SHRIRO PROPERTY AUSTRALIA PTY LIMITED**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**

	NOTE	2013 \$	2012 \$
<b>Revenue from continuing operations</b>	2	156,628,911	163,963,504
Changes in inventories of finished goods		1,209,068	(2,248,389)
Raw materials and consumables used		(1,180,628)	(1,090,419)
Cost of purchased distribution inventory		(86,209,498)	(90,929,647)
Employee benefits expense		(25,146,593)	(23,968,742)
Advertising and promotion expenses		(5,634,836)	(6,069,311)
Freight and delivery expenses		(6,572,195)	(7,718,322)
Depreciation and amortisation expenses		(2,988,077)	(2,547,035)
Gain/(Loss) on sale of property, plant & equipment		43,823	(192,082)
Rental costs		(6,046,545)	(6,032,906)
Finance costs	3	(3,376,208)	(4,136,687)
Impairment of goodwill	12	(13,775,286)	(14,736,385)
Other expenses		(7,912,855)	(10,715,096)
<b>Loss from continuing operations</b>		<u>(960,919)</u>	<u>(6,421,517)</u>
<b>Loss before income tax expense</b>		(960,919)	(6,421,517)
Income tax expense	4	(3,838,374)	(1,670,338)
<b>Loss after income tax expense for the year</b>		<u>(4,799,293)</u>	<u>(8,091,855)</u>
<b>Other comprehensive income</b>			
<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		697,436	(35,817)
Exchange differences on translation of foreign operations		1,531,600	493,098
Other comprehensive income for the year, net of tax		<u>2,229,036</u>	<u>457,281</u>
<b>Total comprehensive income for the year attributable to the owners of Shriro Property Australia Pty Limited</b>		<u>(2,570,257)</u>	<u>(7,634,574)</u>

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

**SHRIRO PROPERTY AUSTRALIA PTY LIMITED**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2013**

	NOTE	2013 \$	2012 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	2,854,571	2,191,075
Trade and other receivables	6	31,248,021	26,242,326
Inventories	7	45,988,364	45,051,867
Other current assets	8	370,053	683,050
Current tax receivable		1,416,246	1,000,897
Other financial assets		1,203,639	-
<b>TOTAL CURRENT ASSETS</b>		<b>83,080,894</b>	<b>75,169,215</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	9,861,047	8,743,518
Investment property	10	7,591,598	7,736,894
Goodwill	11	7,423,549	21,198,835
Deferred tax asset	12	5,321,397	4,419,103
Lease incentive		1,030,882	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>31,228,473</b>	<b>42,098,350</b>
<b>TOTAL ASSETS</b>		<b>114,309,367</b>	<b>117,267,565</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	19,556,599	16,053,857
Borrowings	14	29,930,146	23,572,653
Current tax liabilities		1,881,836	232,845
Provisions	15	7,228,355	7,267,157
Loan from related entity	14	3,500,000	46,054,739
Other financial liabilities		351,587	286,732
<b>TOTAL CURRENT LIABILITIES</b>		<b>62,448,523</b>	<b>93,467,983</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liability	12	946,734	591,000
Borrowings	16	17,500,000	22,500,000
Provisions	17	1,995,816	1,714,659
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>20,442,550</b>	<b>24,805,659</b>
<b>TOTAL LIABILITIES</b>		<b>82,891,073</b>	<b>118,273,642</b>
<b>NET ASSETS</b>		<b>31,418,294</b>	<b>(1,006,077)</b>
<b>EQUITY</b>			
Issued capital	18	38,994,628	4,000,000
Reserves	19	1,488,317	(740,719)
Accumulated Losses		(9,064,651)	(4,265,358)
<b>TOTAL EQUITY</b>		<b>31,418,294</b>	<b>(1,006,077)</b>

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

**SHRIRO PROPERTY AUSTRALIA PTY LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**

	Issued Capital \$	Hedging Reserve \$	Foreign Currency Translation Reserve \$	Retained Earnings \$	Total \$
Balance as at 1 January 2012	4,000,000	(320,000)	(878,000)	3,826,497	6,628,497
Loss for the year	-	-	-	(8,091,855)	(8,091,855)
Other comprehensive income for the year	-	(35,817)	493,098	-	457,281
Dividends paid	-	-	-	-	-
Balance at 31 December 2012	4,000,000	(355,817)	(384,902)	(4,265,358)	(1,006,077)
Loss for the year	-	-	-	(4,799,293)	(4,799,293)
Other comprehensive income for the year	-	697,436	1,531,600	-	2,229,036
Issue of ordinary shares	34,994,628	-	-	-	34,994,628
Balance at 31 December 2013	38,994,628	341,619	1,146,698	(9,064,651)	31,418,294

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



**SHIRO PROPERTY AUSTRALIA PTY LIMITED**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**

	NOTE	2013 \$	2012 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts From Customers		165,651,568	193,842,749
Payments to Suppliers and Employees		(149,431,720)	(177,446,386)
Finance Costs Paid		(3,376,208)	(4,136,687)
Tax Paid		(3,151,291)	(274,737)
Net Cash provided by Operating Activities	22 (i)	9,692,349	11,984,939
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from Sale of Property Plant and Equipment		82,496	18,503
Payment for Property Plant and Equipment		(3,998,982)	(5,894,988)
Net Cash used in Investing Activities		(3,916,486)	(5,876,485)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend paid		-	-
Repayment of Loan to Related Entities		(7,560,114)	-
Borrowings		-	(13,434,463)
Net Cash used in Financing Activities		(7,560,114)	(13,434,463)
Net decrease in Cash and Cash Equivalents		(1,784,251)	(7,326,009)
Net Cash and Cash Equivalents at the beginning of the financial year		(13,881,576)	(6,693,232)
Effects of exchange rate changes on cash		1,090,252	137,663
Net Cash and Cash Equivalents at the end of the financial year	22 (ii)	(14,575,575)	(13,881,578)

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

**SHRIRO PROPERTY AUSTRALIA PTY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**

**1. SIGNIFICANT ACCOUNTING POLICIES**

The following is a summary of the significant accounting policies adopted by the company in the preparation of the financial report for the year ended 31 December 2013. The accounting policies have been consistently applied unless otherwise stated.

**(a) Basis of Preparation**

The company is not a reporting entity because in the directors' opinion, it is unlikely users exist who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs and these financial reports are therefore a "special purpose financial report" that has been prepared to satisfy the directors' reporting requirements under the Corporations Act 2001. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

The consolidated financial statements have been prepared in accordance with the Corporations Act 2001, the recognition and measurement requirements specified by all Australian Accounting Standards and Interpretations, and the disclosure requirements of Accounting Standards:

AASB 101:	Presentation of Financial Statements
AASB 107:	Statement of Cash Flows
AASB 108:	Accounting Policies, Changes in Accounting Estimates and Errors
AASB 1054:	Australian Additional Disclosures

The financial statements have been prepared for the first time on a consolidated basis. Reclassifications were required for certain elements of the financial statements in order to conform to current period presentation.

*Reporting basis and conventions*

The financial report is presented in Australian dollars and rounded to the nearest dollar. The report is also prepared on an accruals basis and is based on historic costs and does not take into account changing money values or, except where specifically stated, current valuations of non-current assets.

**(b) Income Tax**

Prior to the 11<sup>th</sup> of May 2013, the company was part of a tax consolidated-group under Australian taxation law, of which Shriro Property Australia Pty Ltd was the head entity. As a result the Company was subject to income tax through its membership of the tax-consolidated group.

On the 11<sup>th</sup> of May 2013, as a result of changes to the Company's tax ownership structure, the tax consolidated-group ceased to exist and therefore the members of the group became single tax paying entities.

*Current Tax*

The tax currently payable is based on taxable profit for the year. 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 Company's liability for current tax is calculated using rates that have been enacted or substantively enacted by the end of the reporting period.

*Deferred Tax*

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

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



**SHIRO PROPERTY AUSTRALIA PTY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

**(b) Income Tax (cont.)**

*Deferred Tax (cont.)*

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

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.

**(c) Foreign Currencies**

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

In preparing the financial statements, transactions in currencies other than the entity'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 foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see 1(o) below for hedging accounting policies); and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

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

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date.

**(d) Borrowing Costs**

Borrowing costs are recognised and expensed in the consolidated statement of profit and loss and other comprehensive income in the period in which they are incurred, except when they were included in the cost of a qualifying asset. Borrowing costs include interest paid to the bank.



**SHRIRO PROPERTY AUSTRALIA PTY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(e) Inventories

Stock 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. The cost of manufactured product includes direct material, direct labour and an appropriate proportion of variable and fixed overheads. Stock in transit is valued at cost.

(f) Plant and Equipment

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

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

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those assets. Refer note 1(h) for impairment of assets.

*Depreciation*

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount.

The following rates of depreciation are used in assessing the depreciation charge:

Furniture and Fittings	7.5% to 20%
Vehicles	12.5% to 20%
Plant and Equipment	7.5% to 22.5%
Display assets	33.3%
Computer Equipment and Software	25% to 40%

(g) Investment Property

All investment property is measured at cost less accumulated depreciation and impairment losses. Refer note 1(h) for policy on impairment of assets.

(h) Impairment of assets

At each reporting date, the company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate.

(i) Intangible Asset – Goodwill

Goodwill is initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. (Refer note 1(h) for impairment of assets).

**SHRIRO PROPERTY AUSTRALIA PTY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(j) Cash and Cash Equivalents

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

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts and short term bank loans.

(k) Financial Instruments

Financial instruments are initially measured at cost on trade date, which included transactions costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets

*Loans and receivables*

Trade receivables, loans and other receivables are stated at amortised cost using the effective interest rate method.

*Effective interest method*

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

Impairment

At each reporting date, the company assesses whether there is objective evidence that a financial instrument has been impaired. If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. Impairment losses are recognised in the statement of comprehensive income.

Financial liabilities

*Payables and borrowings*

After initial recognition, trade payables, other payables and borrowings are subsequently measured at amortised cost using the effective interest method.

*Amortised cost*

The amortised cost of a financial asset or a financial liability is the amount initially recognised minus principal repayments, plus or minus cumulative amortisation of any difference between the initial amount and maturity amount and minus any write-down for impairment or uncollectibility.



**SHRIRO PROPERTY AUSTRALIA PTY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(l) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to the reporting date. Employee benefits expected to be settled within one year, together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled within one year, have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

*Share based payments transactions of the Company*

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

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

(m) Revenues

Revenues from the sale of goods are recognised upon the delivery of goods to the customer.

Interest revenue is recognised on a proportional basis taking into account the interest rates.

(n) Leasing

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

*The company as lessor*

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

*The Company as lessee*

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

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

(o) Goods and Services Tax (GST)

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

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



**SHRIRO PROPERTY AUSTRALIA PTY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(p) Derivative financial instruments

The Company 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. The Company designates certain derivatives as hedges of highly probable forecast transactions (cash flow hedges).

The fair value of all derivatives is classified as a non-current asset or a non-current liability if the remaining maturity of the hedge relationship is more than 12 months and as a current asset or a current liability if the remaining maturity of the hedge relationship is less than 12 months.

*Hedge accounting*

Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges. At the inception of the hedge relationship the entity documents the relationship between the hedging instrument and 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 Company documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

*Cash flow hedge*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. 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 deferred in equity are recycled in 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.

*Derivatives that do not qualify for hedge accounting*

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in profit or loss.

*Embedded derivatives*

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.



**SHRIRO PROPERTY AUSTRALIA PTY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(q) Critical Accounting Estimates and Judgements

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

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

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

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

*Estimation of useful lives of assets*

The company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

*Provision for impairment of inventories*

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

*Warranty provision*

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

*Impairment of goodwill*

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

(r) Application of new and revised accounting standards

*Changes in accounting policies and disclosures*

The accounting policies adopted are consistent with those of the previous financial year. No new accounting policies were adopted during the year.

*Standards and interpretations in issue not yet adopted*

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

The company has assessed the impact of these new and revised standards, and interpretations, and concluded that they will have no impact on the accounting policies detailed above.

**SHRIRO PROPERTY AUSTRALIA PTY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(r) Application of new and revised accounting standards (cont.)

Standard / Interpretation	Effective for Annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
• AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2015	30 June 2016
• AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
• AASB 11 'Joint arrangements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
• AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
• AASB 127 'Separate Financial Statements' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
• AASB 128 'Investments in Associates and Joint Ventures' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
• AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendment to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2014
• AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'	1 January 2013	30 June 2014
• AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	30 June 2014



**SHRIRO PROPERTY AUSTRALIA PTY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**

	2013 \$	2012 \$
<b>2. REVENUE AND OTHER INCOME</b>		
Revenue:		
Sales revenue	155,018,261	163,385,164
Rental income received	1,030,882	14,000
Advertising & marketing contributions	579,768	564,340
	<u>156,628,911</u>	<u>163,963,504</u>
<b>3. LOSS BEFORE INCOME TAX EXPENSE</b>		
Loss before income tax expense has been determined after charging / (crediting) the following:		
Stock obsolescence allowances provided	172,045	1,699,455
Returns and allowances (released)/provided	(191,810)	226,938
Warranty provision provided	216,832	3,301,327
Employee entitlements provided	585,805	1,698,171
Other employee entitlements	24,560,788	22,270,571
Finance costs:		
- Interest paid to other persons	3,088,092	3,860,542
- Bank charges	288,116	276,145
Bad and doubtful debts expense	3,268	153,517
(Gain)/loss on disposal of property, plant and equipment	(43,823)	192,082
Depreciation and amortisation	2,988,077	2,547,035
Lease expenses		
- Operating leases	5,164,312	5,185,365
Remuneration of auditor		
- Audit	171,418	126,438
- Other services	-	8,580
<b>4. INCOME TAX EXPENSE</b>		
(a) The amount provided in respect of income tax differs from the amount prima facie payable on profit for the year. The difference is allocated as follows:		
Prima facie income tax at 30% on loss	(288,276)	(1,926,455)
Add tax effect:		
Non-allowable items	4,135,765	3,781,216
Difference in tax rate between jurisdictions	(74,743)	(34,141)
Under/(over) provision in prior years	65,628	(150,282)
Income tax expense attributable to profit	<u>3,838,374</u>	<u>1,670,338</u>
(b) The income tax expense comprises:		
Additions to/(deductions from):		
Provision for income tax	3,551,476	658,027
Deductions from/(Additions to):		
Deferred tax asset	960,890	1,056,872
Over provision in prior years	(673,992)	(44,561)
	<u>3,838,374</u>	<u>1,670,338</u>

**SHRIRO PROPERTY AUSTRALIA PTY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**

	2013 \$	2012 \$
<b>5. CASH AND CASH EQUIVALENTS</b>		
Cash at bank	2,842,363	2,176,672
Cash on hand	12,208	14,403
	<u>2,854,571</u>	<u>2,191,075</u>
<b>6. TRADE AND OTHER RECEIVABLES</b>		
Trade debtors	41,610,422	35,984,235
Allowance for doubtful debts	(297,773)	(245,179)
Allowance for returns	(270,000)	(461,810)
	<u>41,042,649</u>	<u>35,277,246</u>
Rebates and advertising claims	(9,955,743)	(9,339,056)
Other debtors	161,115	304,136
	<u>31,248,021</u>	<u>26,242,326</u>
<b>7. INVENTORIES</b>		
Stock on hand		
- Raw materials	624,704	942,996
- Finished goods	36,937,550	38,491,927
Allowance for inventory obsolescence	(2,317,027)	(2,144,982)
Stock in transit	10,743,137	7,761,926
	<u>45,988,364</u>	<u>45,051,867</u>
<b>8. OTHER CURRENT ASSETS</b>		
Prepayments and deposits	279,290	177,777
Assets under construction	90,763	505,273
	<u>370,053</u>	<u>683,050</u>
<b>9. PROPERTY, PLANT AND EQUIPMENT</b>		
Plant and Equipment		
- At cost	22,394,210	18,700,138
- Accumulated depreciation	(12,533,163)	(9,956,620)
	<u>9,861,047</u>	<u>8,743,518</u>
<b>10. INVESTMENT PROPERTY</b>		
Land		
- At cost	3,361,669	3,361,669
	<u>3,361,669</u>	<u>3,361,669</u>
Buildings		
- At cost	5,999,165	5,999,165
- Accumulated depreciation	(1,769,236)	(1,623,940)
	<u>4,229,929</u>	<u>4,375,225</u>
	<u>7,591,598</u>	<u>7,736,894</u>

**SHRIRO PROPERTY AUSTRALIA PTY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**

	2013 \$	2012 \$
<b>10. INVESTMENT PROPERTY (cont.)</b>		
An independent valuation of freehold land and buildings was undertaken by a professional valuer on 9 January 2014. The professional valuer's details are:		
Knight Frank Valuations Registered NSW Valuer ID: VAL11518 Level 4, 60 Miller Street North Sydney NSW 2060		
The valuation was based on an assessment of the property's current market value under vacant possession. The land and buildings were valued at \$10,000,000 (2012: \$9,500,000)		
<b>11. GOODWILL</b>		
<b>Net book value</b>		
Balance at the beginning of financial year	21,198,835	35,935,220
Impairment charge	<u>(13,775,286)</u>	<u>(14,736,385)</u>
Balance at the end of financial year	<u>7,423,549</u>	<u>21,198,835</u>
<b>Allocation of goodwill to cash-generating units</b>		
The carrying amount of goodwill allocated to cash-generating units that are significant, individually or in aggregate, is as follows:		
• Everdure Division	-	13,775,286
• Shriro Appliances Division	<u>7,423,549</u>	<u>7,423,549</u>
<b>12. DEFERRED TAX ASSETS / LIABILITIES</b>		
Deductible temporary differences - assets	<u>5,321,397</u>	<u>4,419,103</u>
Temporary taxable differences - liabilities	<u>946,734</u>	<u>591,000</u>
<b>13. TRADE AND OTHER PAYABLES</b>		
Trade payables	13,855,106	11,367,048
Sundry creditors and accrued expenses	<u>5,701,493</u>	<u>4,686,809</u>
	<u>19,556,599</u>	<u>16,053,857</u>
<b>14. SHORT TERM BORROWINGS</b>		
Unsecured – at amortised cost:		
Amount due to parent entity	<u>3,500,000</u>	<u>46,054,739</u>
The parent entity loan is repayable upon the mutual agreement of both parties.		
Secured – at amortised cost:		
Short-term financing – secured (refer note 21)	17,430,146	16,072,653
Bank loans – secured (refer note 21)	<u>12,500,000</u>	<u>7,500,000</u>
	<u>29,930,146</u>	<u>23,572,653</u>



**SHRIRO PROPERTY AUSTRALIA PTY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**

	2013 \$	2012 \$
<b>15. SHORT TERM PROVISIONS</b>		
Warranty provisions	3,835,736	3,618,904
Employee entitlements	3,038,579	3,049,861
Other provisions	354,040	598,392
	<u>7,228,355</u>	<u>7,267,157</u>
<b>16. LONG TERM BORROWINGS</b>		
Secured – at amortised cost:		
Bank loans (refer note 21)	<u>17,500,000</u>	<u>22,500,000</u>
<b>17. LONG TERM PROVISIONS</b>		
Lease incentives & make-good	1,700,567	1,505,802
Employee entitlements	295,249	208,857
Total	<u>1,995,816</u>	<u>1,714,659</u>
<b>18. ISSUED CAPITAL</b>		
Balance at beginning of financial year	4,000,000	4,000,000
5,690,183 shares issued 31 December 2013 at \$6.1494 per share	34,994,628	-
9,690,183 (2012: 4,000,000) fully paid ordinary shares	<u>38,994,628</u>	<u>4,000,000</u>
Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.		
<b>19. RESERVES</b>		
<b>Hedging Reserve</b>		
Balance at beginning of financial year	(355,817)	(320,000)
Gain/(loss) recognised:		
- Forward exchange contracts	697,436	(35,817)
Transferred to profit or loss:		
- Forward exchange contracts	-	-
Balance at end of year	<u>341,619</u>	<u>(355,817)</u>
The hedging reserve represents gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss arising on changes in fair value of the hedging instrument is recognised in profit or loss when the hedged transaction impacts the profit and loss.		
<b>Foreign currency translation reserve</b>		
Balance at beginning of financial year	(384,902)	(878,000)
Exchange difference arising on translating the foreign operations	1,531,601	493,098
Balance at end of year	<u>1,146,699</u>	<u>(384,902)</u>

Exchange differences relating to the translation of the results and net assets of the consolidated entities foreign operations from their functional currencies to the presentation currency (i.e. Australian dollars) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Gains and losses on hedging instruments that are designated as hedging instruments for hedges of net investments in foreign operations are included 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.

**SHRIRO PROPERTY AUSTRALIA PTY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**

	2013 \$	2012 \$
20. COMMITMENTS FOR EXPENDITURE		
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable:-		
- not longer than one year	5,086,690	4,736,630
- longer than one year but not longer than five years	16,553,867	16,308,540
- longer than five years	1,705,455	2,448,937
	23,346,012	23,494,107

21. FINANCE FACILITIES

Shriro Property Australia Pty Limited is financed by a facility totalling \$72,000,000 with the National Australia Bank. The breakdown of facility usage at the reporting date was:

Drawn:	\$56,793,147
Undrawn:	\$15,206,853
Total:	\$72,000,000

This facility is secured by a fixed and floating charge over the assets of Shriro Australia Pty Limited, Monaco Corporation Limited and the assets of Shriro Property Australia Pty Limited.

Capital Risk Management

Management controls the capital of the company in order to maintain a good debt to equity ratio, provide the shareholder with adequate returns and ensure that the company can fund its operations and continue as a going concern.

The Company's debt and capital includes ordinary shares and bank debt. Externally imposed capital requirements arise in connection with the debt in the form noted above. The company manages its capital so as to ensure that these requirements are met.

Management effectively manages the company's capital by assessing the company's financial risks and adjusting its capital structure in response to changes in these risks and the market. These responses include the management of debt levels and distribution to shareholders.

There were no changes to the company's approach to capital management during the year.



**SHIRO PROPERTY AUSTRALIA PTY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**

**22. NOTES TO THE STATEMENT OF CASH FLOWS**

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
(i) Reconciliation of net cash provided by operating activities to profit for the year		
Loss for the year	(4,799,293)	(8,091,855)
Add non-cash items		
Depreciation/amortisation	2,988,077	2,547,035
Net (Gain)/Loss on sale of assets	(43,823)	192,082
Lease incentive	(1,030,882)	-
Impairment of goodwill	13,775,286	14,736,385
	<u>                    </u>	<u>                    </u>
Changes in assets and liabilities		
Increase/(decrease) in trade & other payables	3,502,742	(7,671,141)
Increase/(decrease) in provisions	242,355	(1,404,743)
Decrease in inventory	(936,498)	(1,701,857)
(Increase)/decrease in trade receivables	(5,005,695)	12,308,481
Decrease in other current assets	312,997	157,800
Decrease in tax assets/liabilities	687,083	912,752
	<u>                    </u>	<u>                    </u>
Net Cash provided by operating activities	<u>9,692,349</u>	<u>11,984,939</u>

(ii) Reconciliation of Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and in banks net of outstanding bank overdrafts and bank loans which are integral to the cash management function and which are not subject to a term facility as described in note 1(j). Cash and cash equivalents at the end of the period as shown in the Consolidated Statement of Cash Flows are reconciled to the related items in the Consolidated Statement of Financial Position as follows:

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Cash on hand (note 5)	2,854,571	2,191,075
Bank loans (note 14)	(17,430,146)	(16,072,653)
	<u>(14,575,575)</u>	<u>(13,881,578)</u>

**SHIRO PROPERTY AUSTRALIA PTY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**

**23. PARENT ENTITY INFORMATION**

The accounting policies of the parent entity, Shiro Property Australia Pty Limited, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to note 1 for a summary of the significant accounting policies relating to the Consolidated Entity.

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
<b>Financial position</b>		
<b>Assets</b>		
Current assets	4,927,374	1,018,732
Non-current assets	34,960,634	52,936,392
Total assets	<u>39,888,008</u>	<u>53,955,124</u>
<b>Liabilities</b>		
Current liabilities	8,533,394	60,182,858
Non-current liabilities	309,265	5,000,000
Total liabilities	<u>8,842,659</u>	<u>65,182,858</u>
<b>Equity</b>		
Issued capital	38,994,628	4,000,000
Accumulated losses	(7,949,279)	(15,227,734)
Total equity	<u>31,045,349</u>	<u>(11,227,734)</u>
<b>Financial performance</b>		
Profit/(loss) for the year	7,278,455	(15,401,498)
Other comprehensive income	-	-
Total comprehensive income	<u>7,278,455</u>	<u>(15,401,498)</u>

**Contingent liabilities of the parent entity**

As at 31 December 2013 there were no material contingent liabilities or contingent assets.



**SHRIRO PROPERTY AUSTRALIA PTY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**

**24. CONTINGENCIES**

Shriro Australia Pty Limited, a subsidiary of Shriro Property Australia Pty Limited entered into a management equity plan during the year. The plan includes a clause for termination, whereby a manager who is dismissed in certain circumstances is to be paid out the difference between the market value of their shares and their loan amount; this is to compensate management for value created up to the date of departure. The market value of the shares cannot be less than 5.75 X EBITDA (average of the prior three years), less debt, plus a seasonal adjustment, less the management loan receivable. The total contingency as at 31 December 2013 was \$17,309,828 or higher if the market value exceeds this.

Average EBITDA: 2011 \$15,781,932; 2012 \$15,092,228; 2013 \$28,492,517 = average \$19,788,892

Net Debt (\$43,086,703)

Seasonal Adjustment \$7,000,000

Management equity = 30%

As at 31 December 2013 there were no other material contingent liabilities or contingent assets.

**25. POST REPORTING DATE EVENTS**

No other item, transaction or event has arisen in the interval between the end of the financial year and the date of this report of a material and unusual nature which, in the opinion of the directors of the company, would significantly affect the operations of the company, the results of those operations or the state of affairs of the company in future financial years.

**26. GENERAL INFORMATION**

Shriro Property Australia Pty Limited (the Company) is a proprietary company limited by shares incorporated and domiciled in Australia. Shriro Property Australia Pty Limited is the parent entity of Shriro Australia Pty Limited and a subsidiary of Shriro Pacific Limited, a company incorporated and domiciled in Hong Kong. Shriro Property Australia Pty Limited is part of the Shriro Group of companies, which is ultimately controlled by Tectoria S.A.

The registered office and principal place of business of the company is:

104 Vanessa St  
Kingsgrove NSW 2208

**SHIRO PROPERTY AUSTRALIA PTY LIMITED**  
**A.C.N. 002 386 129**  
**DIRECTORS' DECLARATION**

As detailed in Note 1 to the financial statements, the consolidated entity is not a reporting entity because in the opinion of the directors it is unlikely that users of the financial report exist who are able to command the preparation of reports tailored so as to satisfy specifically all of their information needs. Accordingly, this 'special purpose financial report' has been prepared to satisfy the directors' reporting requirements under the Corporations Act 2001.

The directors declare that:

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

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the directors



Vasco Fung  
Director

Hong Kong, 22 May 2014



## **Independent Auditor's Report to the members of Shriro Property Australia Pty Ltd**

We have audited the accompanying financial report, being a special purpose financial report, of Shriro Property Australia Pty Ltd, which comprises the statement of financial position as at 31 December 2013, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 4 to 24.

### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the Corporations Act 2001 and is appropriate to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

## *Auditor's Independence Declaration*

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

## *Opinion*

In our opinion, the financial report of Shriro Property Australia Pty Ltd is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards to the extent described in Note 1, and the *Corporations Regulations 2001*.

## *Basis of Accounting*

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Catherine Hill

Catherine Hill  
Partner  
Chartered Accountants  
Parramatta, 26 May 2014