Good Group (International) Limited

Illustrative consolidated financial statements for the year ended 31 December 2017

International GAAP®

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Abbreviations and key

The following styles of abbreviation are used in this set of International GAAP® Illustrative Financial Statements:

IAS 33.41	International Accounting Standard No. 33, paragraph 41
IAS 1.BC13	International Accounting Standard No. 1, Basis for Conclusions, paragraph 13
IFRS 2.44	International Financial Reporting Standard No. 2, paragraph 44
SIC 29.6	Standing Interpretations Committee Interpretation No. 29, paragraph 6
IFRIC 4.6	IFRS Interpretations Committee (formerly IFRIC) Interpretation No. 4, paragraph 6
IAS 39.IG.G.2	International Accounting Standard No. 39 – Guidance on Implementing IAS 39 Section G: Other, paragraph G.2
IAS 39.AG71	International Accounting Standard No. 39 – Appendix A – Application Guidance, paragraph AG71
Commentary	The commentary explains how the requirements of IFRS have been implemented in arriving at the illustrative disclosure
GAAP	Generally Accepted Accounting Principles/Practice
IASB	International Accounting Standards Board
Interpretations Committee	IFRS Interpretations Committee (formerly International Financial Reporting Interpretations Committee (IFRIC))
SIC	Standing Interpretations Committee

Introduction

This publication contains an illustrative set of consolidated financial statements for Good Group (International) Limited (the parent) and its subsidiaries (the Group) that is prepared in accordance with International Financial Reporting Standards (IFRS). The Group is a fictitious, large publicly listed manufacturing company. The parent is incorporated in a fictitious country within Europe. The presentation currency of the Group is the euro (€).

Objective

This set of illustrative financial statements is one of many prepared by EY to assist you in preparing your own financial statements. The illustrative financial statements are intended to reflect transactions, events and circumstances that we consider to be most common for a broad range of companies across a wide variety of industries. Certain disclosures are included in these financial statements merely for illustrative purposes, even though they may be regarded as items or transactions that are not material for Good Group.

How to use these illustrative financial statements to prepare entity-specific disclosures

Users of this publication are encouraged to prepare entity-specific disclosures. Transactions and arrangements other than those applicable to the Group may require additional disclosures. It should be noted that the illustrative financial statements of the Group are not designed to satisfy any stock market or country-specific regulatory requirements, nor is this publication intended to reflect disclosure requirements that apply mainly to regulated or specialised industries.

Notations shown in the right-hand margin of each page are references to IFRS paragraphs that describe the specific disclosure requirements. Commentaries are provided to explain the basis for the disclosure or to address alternative disclosures not included in the illustrative financial statements. For a more comprehensive list of disclosure requirements, please refer to EY's Online International GAAP® Disclosure Checklist. If questions arise as to the IFRS requirements, it is essential to refer to the relevant source material and, where necessary, to seek appropriate professional advice.

Improving disclosure effectiveness

Terms such as 'disclosure overload' and 'cutting the clutter', and more precisely 'disclosure effectiveness', describe a problem in financial reporting that has become a priority issue for the International Accounting Standards Board (IASB or Board), local standard setters, and regulatory bodies. The growth and complexity of financial statement disclosure is also drawing significant attention from financial statement preparers, and more importantly, the users of financial statements.

Considering the purpose of *Good Group (International) Limited – Illustrative consolidated financial statements for the year ended 31 December 2017*, the notes largely follow the order in which items are presented in the primary financial statements. Paragraph 113 of IAS 1 (2014) requires the notes to be presented in a systematic manner and paragraph 114 provides examples of different systematic orderings and groupings that preparers may consider. An alternative structure that some may find more effective in permitting the users to identify the relevant information more easily, involves reorganising the notes according to their nature and perceived importance. An illustrative ordering of the alternative structure that is based on seven different notes sections is summarised in the table below:

Sections	For example, comprising:
Corporate and Group information	• Corporate and Group information
Basis of preparation and other significant accounting policies	• Basis of preparation • Other significant accounting policies not covered in other sections (below) • Changes in accounting policies and disclosures • Fair value measurement and related fair value disclosures • Impact of standards issued but not yet effective
Group business, operations, and management	• Financial instruments risk management objectives and policies • Hedging activities and derivatives • Capital management • Distributions made and proposed • Segment information • Basis of consolidation and information on material partly-owned subsidiaries

Sections	For example, comprising:
	• Interest in joint ventures and investment in associates
Significant transactions and events	• Business combinations and acquisitions of non-controlling interests • Discontinued operations • Impairment of goodwill and intangible assets with indefinite lives • Correction of an error • Related party disclosures • Events after the reporting period
Detailed information on statement of profit or loss and other comprehensive income items	• Other operating income and expenses • Finance income and costs • Depreciation, amortisation, foreign exchange differences and costs of inventories • Detailed breakdown of administrative, employee benefits and research & development expenses • Share-based payments • Components of other comprehensive income • Earnings per share
Detailed information on statement of financial position items	• Income tax • Property, plant & equipment, investment properties and intangible assets • Financial assets and liabilities • Inventories • Trade and other receivables and payables • Cash and short-term deposits • Issued capital and reserves • Provisions • Government grants • Deferred revenue • Pensions and other post-employment benefits
Commitments and contingencies	• Leases • Other commitments • Legal claim contingency • Guarantees • Other contingent liabilities

By structuring the notes according to their nature and perceived importance, users may find it easier to extract the relevant information. In addition, the significant accounting policies, judgements, key estimates and assumptions could alternatively be placed within the same note as the related qualitative and quantitative disclosures to provide a more holistic discussion to users of the financial statements. The alternative structure summarised above has been applied in *Good Group (International) Limited –Alternative Format*. As the key difference between the illustrative financial statements herein and in the alternative format illustrative financial statements is the structuring of the notes, *Good Group (International) Limited – Alternative Format* is a useful tool for entities exploring ways to enhance the effectiveness of their financial statements' disclosures.

> Entities may find that other structures are better for enhancing disclosure effectiveness, and the approach summarised above and illustrated in *Good Group (International) Limited –Alternative Format* is only intended to illustrate that IFRS allows for alternative notes structures. Entities should carefully assess their specific circumstances and the preferences of the primary users before deciding on notes' structure. Engagement of key stakeholders will be a critical part of any process to make significant changes to the financial statements.

Applying the concept of materiality requires judgement, in particular, in relation to matters of presentation and disclosure, and inappropriate application of the concept may be another cause of the perceived disclosure problem. IFRS sets out a set of minimum disclosure requirements which, in practice, too often is complied with without consideration of the

information's relevance for the specific entity. That is, if the transaction or item is immaterial to the entity, then it is not relevant to users of financial statements, in which case, IFRS does not require the item to be disclosed. If immaterial information is included in the financial statements, the amount of information may potentially reduce the transparency and usefulness of the financial statements as the material and, thus, relevant information, loses prominence. In September 2017, the IASB issued Practice Statement 2 *Making Materiality Judgements*. The Practice Statement gathers all the materiality requirements in IFRS Standards and it adds practical guidance and examples that companies may find helpful in deciding whether information is material. The Practice Statement is not mandatory and neither changes the existing requirements nor introduces new ones. However, entities are encouraged to consider it when making materiality judgements.

As explained above, the primary purpose of these financial statements is to illustrate how the most commonly applicable disclosure requirements can be met. Therefore, they include disclosures that may, in practice, be deemed not material to Good Group. It is essential that entities consider their own specific circumstances when determining which disclosures to include. These financial statements are not intended to act as guidance for making the materiality assessments; they must always be tailored to ensure that an entity's financial statements reflect and portray its specific circumstances and its own materiality considerations. Only then will the financial statements provide decision-useful financial information.

For more guidance on how to improve disclosure effectiveness, please refer to our publication *Applying IFRS: Enhancing communication effectiveness* (February 2017).

Illustrative financial statements

We provide a number of industry-specific illustrative financial statements and illustrative financial statements addressing specific circumstances that you may consider. The entire series of illustrative financial statements comprises:

- Good Group (International) Limited
- Good Group (International) Limited –*Alternative Format*
- Good Group (International) Limited – Illustrative interim condensed consolidated financial statements
- Good First-time Adopter (International) Limited
- Good Investment Fund Limited (Equity)
- Good Investment Fund Limited (Liability)
- Good Real Estate Group (International) Limited
- Good Mining (International) Limited
- Good Petroleum (International) Limited
- Good Bank (International) Limited
- Good Insurance (International) Limited

In Appendix 4, we have included a summary table of the IFRSs that are applied in our various illustrative financial statements.

International Financial Reporting Standards

The abbreviation IFRS is defined in paragraph 5 of the *Preface to International Financial Reporting Standards* to include "standards and interpretations approved by the IASB, and International Accounting Standards (IASs) and Standing Interpretations Committee interpretations issued under previous Constitutions". This is also noted in paragraph 7 of IAS 1 and paragraph 5 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. Thus, when financial statements are described as complying with IFRS, it means that they comply with the entire body of pronouncements sanctioned by the IASB. This includes the IAS, IFRS and Interpretations originated by the IFRS Interpretations Committee (formerly the SIC).

International Accounting Standards Board (IASB)

The IASB is the independent standard-setting body of the IFRS Foundation (an independent not-for-profit private sector organisation working in the public interest). The IASB members are responsible for the development and publication of IFRSs, including *International Financial Reporting Standard for Small and Medium-sized Entities* (IFRS for SMEs), and for approving Interpretations of IFRS as developed by the IFRS Interpretations Committee.

In fulfilling its standard-setting duties, the IASB follows a due process, of which the publication of consultative documents, such as discussion papers and exposure drafts, for public comment is an important component.

The IFRS Interpretations Committee (Interpretations Committee)

The Interpretations Committee is a committee appointed by the IFRS Foundation Trustees that assists the IASB in establishing and improving standards in financial accounting and reporting for the benefit of users, preparers and auditors of financial statements.

The Interpretations Committee addresses issues of reasonably widespread importance, rather than issues of concern to only a small set of entities. These include any newly identified financial reporting issues not addressed in IFRS. The Interpretations Committee also advises the IASB on issues to be considered in the annual improvements to IFRS project.

IFRS as at 31 August 2017

As a general approach, these illustrative financial statements do not early adopt standards or amendments before their effective date.

The standards applied in these illustrative financial statements are those that were in issue as at 31 August 2017 and effective for annual periods beginning on or after 1 January 2017. Standards issued, but not yet effective, as at 1 January 2017, have not been early adopted. It is important to note that these illustrative financial statements will require continual updating as standards are issued and/or revised.

Users of this publication are cautioned to check that there has been no change in requirements of IFRS between 31 August 2017 and the date on which their financial statements are authorised for issue. In accordance with paragraph 30 of IAS 8, specific disclosure requirements apply for standards and interpretations issued but not yet effective (see Note 34 of these illustrative financial statements). Furthermore, if the financial year of an entity is other than the calendar year, new and revised standards applied in these illustrative financial statements may not be applicable. For example, the Group has applied *Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative* for the first time in its 2017 illustrative financial statements. An entity with a financial year that commences from, for example, 1 October and ends on 30 September would have to apply these amendments for the first time in the annual financial statements beginning on 1 October 2017. Therefore, the amendments would not have been applicable in the financial statements of an entity with a year-end of 30 September 2017, unless it voluntarily chose to early adopt the amendments.

Accounting policy choices

Accounting policies are broadly defined in IAS 8 and include not just the explicit elections provided for in some standards, but also other conventions and practices that are adopted in applying principle-based standards.

In some cases, IFRS permit more than one accounting treatment for a transaction or event. Preparers of financial statements should select the treatment that is most relevant to their business and circumstances as their accounting policy.

IAS 8 requires an entity to select and apply its accounting policies consistently for similar transactions, events and/or conditions, unless an IFRS specifically requires or permits categorisation of items for which different policies may be appropriate. Where an IFRS requires or permits such categorisation, an appropriate accounting policy is selected and applied consistently to each category. Therefore, once a choice of one of the alternative treatments has been made, it becomes an accounting policy and must be applied consistently. Changes in accounting policy should only be made if required by a standard or interpretation, or if the change results in the financial statements providing reliable and more relevant information.

In this publication, when a choice is permitted by IFRS, the Group has adopted one of the treatments as appropriate to the circumstances of the Group. In these cases, the commentary provides details of which policy has been selected, the reasons for this policy selection, and summarises the difference in the disclosure requirements.

Financial review by management

Many entities present a financial review by management that is outside the financial statements. IFRS does not require the presentation of such information, although paragraph 13 of IAS 1 gives a brief outline of what may be included in an annual report. The IASB issued an IFRS Practice Statement, *Management Commentary*, in December 2010, which provides a broad non-binding framework for the presentation of a management commentary that relates to financial statements prepared in accordance with IFRS. If a company decides to follow the guidance in the Practice Statement, management is encouraged to explain the extent to which the Practice Statement has been followed. A statement of compliance with the Practice Statement is only permitted if it is followed in its entirety. Further, the content of a financial review by management is often determined by local market requirements or issues specific to a particular jurisdiction.

No financial review by management has been included for the Group.

Changes in the 2017 edition of *Good Group (International) Limited* annual financial statements

The standards and interpretations listed below have become effective since 31 August 2016 for annual periods beginning on 1 January 2017. While the list of new standards is provided below, not all of these new standards will have an impact on these illustrative financial statements. To the extent these illustrative financial statements have changed since the 2016 edition due to changes in standards and interpretations, we have disclosed the impact of those changes in Note 2.4.

Other changes from the 2016 edition have been made in order to reflect practice developments and to improve the overall quality of the illustrative financial statements.

Changes to IFRS

The following new standards and amendments became effective as of 1 January 2017:

- Amendments to IAS 7 *Statement of Cash Flows: Disclosure Initiative*
- Amendments to IFRS 12 *Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12* from Annual Improvements Cycle - 2014-2016
- Amendments to IAS 12 *Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses*

Good Group (International) Limited

Consolidated Financial Statements

31 December 2017

Commentary

Good Group (International) Limited is a limited company incorporated and domiciled in Euroland and whose shares are publicly traded. Financial statements of that category of entity are usually subject to mandatory audit either under International Standards on Auditing (ISA) or local audit standards and auditor's report should be disclosed together with the annual financial statements. However, this publication is not intended to provide guidance on the application of ISA 700 (Revised) *Forming an Opinion and Reporting of Financial Statements* or the specific requirements of individual jurisdictions. Hence, an illustrative auditor's report on the consolidated financial statements of Good Group (International) Limited has not been included.

Consolidated statement of profit or loss

for the year ended 31 December 2017

	Notes	2017	2016 Restated*	
				IAS 1.10(b) IAS 1.51(c)
	Notes	€000	€000	IAS 1.51(d),(e)
Continuing operations				IAS 1.81A
Sale of goods		161,927	142,551	IAS 18.35(b)(i)
Rendering of services		17,131	16,537	IAS 18.35(b)(ii)
Rental income	17	1,404	1,377	
Revenue		180,462	160,465	IAS 1.82(a)
Cost of sales		(136,549)	(128,386)	IAS 1.103
Gross profit		43,913	32,079	IAS 1.85, IAS 1.103
Other operating income	12.1	2,435	2,548	IAS 1.103
Selling and distribution expenses		(14,001)	(12,964)	IAS 1.99, IAS 1.103
Administrative expenses	12.9	(18,428)	(12,156)	IAS 1.99, IAS 1.103
Other operating expenses	12.2	(2,554)	(353)	IAS 1.99, IAS 1.103
Operating profit		11,365	9,154	IAS 1.85, IAS 1.BC55-56
Finance costs	12.3	(1,264)	(1,123)	IAS 1.82(b), IFRS 7.20
Finance income	12.4	336	211	IAS 1.82(a)
Share of profit of an associate and a joint venture	9,10	671	638	IAS 1.82(c)
Profit before tax from continuing operations		11,108	8,880	IAS 1.85
Income tax expense	14	(3,098)	(2,233)	IAS 1.82(d), IAS 12.77
Profit for the year from continuing operations		8,010	6,647	IAS 1.85
Discontinued operations				
Profit/(loss) after tax for the year from discontinued operations	13	220	(188)	IAS 1.82 (ea) IFRS 5.33(a)
Profit for the year		8,230	6,459	IAS 1.81A(a)
Attributable to:				
Equity holders of the parent		7,942	6,220	IAS 1.81B (a) (ii)
Non-controlling interests		288	239	IAS 1.81B (a)(i)
		8,230	6,459	
Earnings per share	15			IAS 33.66
- Basic, profit for the year attributable to ordinary equity holders of the parent		€0.38	€0.33	
- Diluted, profit for the year attributable to ordinary equity holders of the parent		€0.38	€0.32	
Earnings per share for continuing operations	15			
- Basic, profit from continuing operations attributable to ordinary equity holders of the parent		€0.37	€0.34	
- Diluted, profit from continuing operations attributable to ordinary equity holders of the parent		€0.37	€0.33	

* Certain amounts shown here do not correspond to the 2016 financial statements and reflect adjustments made, refer to Note 2.5.

P. Goodman, Chairman

L. Goodright, Group Chief Executive

29 January 2018

Commentary

IAS 1.10 suggests titles for the primary financial statements, such as 'statement of profit or loss and other comprehensive income' or 'statement of financial position'. Entities are, however, permitted to use other titles, such as 'income statement' or 'balance sheet'. The Group applies the titles suggested in IAS 1.

There is no specific requirement to identify restatements to prior period financial statements on the face of the financial statements. IAS 8 requires details to be provided only in the notes. The term 'restatement' is used here to refer to retrospective application of accounting policies, correction of errors, and reclassifications collectively. The Group illustrates how an entity may supplement the requirements of IAS 8 so that it is clear to the reader that amounts in the prior period financial statements have been adjusted in comparative period(s) of the current period financial statements. It should be noted that the fact that the comparative information is restated does not necessarily mean that there were errors and omissions in the previous financial statements. Restatements may also arise for other reasons, for example, retrospective application of a new accounting policy.

IAS 1.82(a) requires disclosure of total revenue as a line item on the face of the statement of profit or loss. The Group also presents the various types of revenue on the face of the statement of profit or loss in accordance with IAS 1.85.

IAS 1.99 requires expenses to be analysed either by their nature or by their function within the statement of profit or loss, whichever provides information that is reliable and more relevant. If expenses are analysed by function, information about the nature of expenses must be disclosed in the notes. The Group has presented the analysis of expenses by function. In Appendix 2, the consolidated statement of profit or loss is presented with an analysis of expenses by nature.

The Group presents operating profit in the statement of profit or loss; this is not required by IAS 1. The terms 'operating profit' or 'operating income' are not defined in IFRS. IAS 1.BC56 states that the IASB recognises that an entity may elect to disclose the results of operating activities, or a similar line item, even though this term is not defined. The entity should ensure the amount disclosed is representative of activities that would normally be considered to be 'operating'. For instance, "it would be inappropriate to exclude items clearly related to operations (such as inventory write-downs and restructuring and relocation expenses) because they occur irregularly or infrequently or are unusual in amount. Similarly, it would be inappropriate to exclude items on the grounds that they do not involve cash flows, such as depreciation and amortisation expenses" (IAS 1.BC56). In practice, other titles, such as earnings before interest and taxation (EBIT), are sometimes used to refer to an operating result. Such subtotals are subject to the new guidance included in IAS 1.85A.

The Group has presented its share of profit of an associate and joint venture using the equity method under IAS 28 *Investments in Associates and Joint Ventures* after the line-item 'operating profit'. IAS 1.82(c) requires 'share of the profit or loss of associates and joint ventures accounted for using the equity method' to be presented in a separate line item on the face of the statement profit or loss. In complying with this requirement, the Group combines the share of profit or loss from associates and joint ventures in one line item. Regulators or standard-setters in certain jurisdictions recommend or accept share of the profit/loss of equity method investees being presented with reference to whether the operations of the investees are closely related to that of the reporting entity. This may result in the share of profit/loss of certain equity method investees being included in the operating profit, while the share of profit/loss of other equity method investees being excluded from operating profit. In other jurisdictions, regulators or standard-setters believe that IAS 1.82(c) requires that share of profit/loss of equity method investees be presented as one line item (or, alternatively, as two or more adjacent line items, with a separate line for the sub-total). This may cause diversity in practice.

IAS 33.68 requires presentation of basic and diluted earnings per share (EPS) for discontinued operations either on the face of the statement of profit or loss or in the notes to the financial statements. The Group has elected to show this information with other disclosures required for discontinued operations in Note 13 and to show the EPS information for continuing operations on the face of the statement of profit or loss.

Consolidated statement of comprehensive income

for the year ended 31 December 2017

	Notes	2017 €000	2016 Restated* €000	
				IAS 1.49 *IAS 1.51(c)* *IAS 1.81A* *IAS 1.10(b)* *IAS 8.28* *IAS 1.51(d),(e)* *IAS 1.90* *IAS 12.61A*
Profit for the year		8,230	6,459	*IAS 1.81A (a)*
Other comprehensive income				*IAS 1.82A*
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):				
Net gain on hedge of a net investment		195	-	*IAS 39.102(a)*
Exchange differences on translation of foreign operations		(246)	(117)	*IAS 21.32* *IAS 21.52(b)*
Net (loss)/gain on cash flow hedges	24	(512)	24	*IFRS 7.23(c)*
Net (loss)/gain on available-for-sale financial assets	24	(40)	2	*IFRS 7.20(a)(ii)*
Share of other comprehensive income of an associate	10	(30)	-	*IAS 1.82A(b)*
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods		(633)	(91)	*IAS 1.82A*
Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax):				
Remeasurement gains (losses) on defined benefit plans	29	257	(273)	*IAS 19.120(c)* *IAS 19.122*
Revaluation of office properties in Euroland	16	592	-	*IAS 16.39*
Share of other comprehensive income of an associate	10	30	-	*IAS 1.82A(b)*
Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods		879	(273)	*IAS 1.82A*
Other comprehensive income/(loss) for the year, net of tax		246	(364)	*IAS 1.81A(b)*
Total comprehensive income for the year, net of tax		8,476	6,095	*IAS 1.81A(c)*
Attributable to:				
Equity holders of the parent		8,188	5,856	*IAS 1.81B (b) (ii)*
Non-controlling interests		288	239	*IAS 1.81B (b) (i)*
		8,476	6,095	

* Certain amounts shown here do not correspond to the 2016 financial statements and reflect adjustments made, refer to Note 2.5.

Commentary

The Group has elected as an accounting policy to present two statements, a statement of profit or loss and a statement of comprehensive income, rather than a single statement of profit or loss and other comprehensive income combining the two elements. If a two-statement approach is adopted, the statement of profit or loss must be followed directly by the statement of comprehensive income. For illustrative purposes, the disclosure of a single statement of profit or loss and other comprehensive income is presented in Appendix 1.

The different components of other comprehensive income (OCI) are presented on a net basis in the statement above. Therefore, an additional note is required to separately present the amount of reclassification adjustments and current year gains or losses (see Note 12.8). Alternatively, the individual components could have been presented within the statement of comprehensive income.

The Group has elected to present the deferred tax effects net on an individual basis. Therefore, additional note disclosures are required and provided in Note 14.

Remeasurement gains and losses on defined benefit plans are recognised in OCI and transferred immediately to retained earnings (see IAS 1.96 and IAS 19.122).

IAS 1.82A requires that items that will be reclassified subsequently to profit or loss, when specific conditions are met, must be grouped on the face of the statement of comprehensive income. Similarly, items that will not be reclassified must also be grouped together. In order to make these disclosures, an entity must analyse whether its OCI items are eligible to be subsequently reclassified to profit or loss under IFRS.

Under the requirements of IAS 1.82A and the Implementation Guidance to IAS 1, entities must present the share of the OCI items of equity method investees (i.e., associates and joint ventures), in aggregate as single line items within the 'to be reclassified' and the 'not to be reclassified' groups. As at 31 December 2017 the Group's associate has available-for sale financial assets and an office building located in Euroland that is accounted for under the revaluation model. Consequently, the Group presents items of other comprehensive income related to the associate in two separate line items in the consolidated statement of comprehensive income.

Consolidated statement of financial position

as at 31 December 2017

	Notes	2017	2016 Restated*	As at 1 January 2016 Restated*	IAS 1.10(a) IAS 1.10(f) IAS 1.51(c)
		€000	€000	€000	IAS 1.51(d),(e)
Assets					IAS 1.40A, IAS 1.40B
Non-current assets					IAS 1.60
Property, plant and equipment	16	32,979	24,329	18,940	IAS 1.54(a)
Investment properties	17	8,893	7,983	7,091	IAS 1.54(b)
Intangible assets	18	6,019	2,461	2,114	IAS 1.54(c)
Investment in an associate and a joint venture	9,10	3,187	2,516	1,878	IAS 1.54(e), IAS 28.38
Non-current financial assets	20	6,425	3,491	3,269	IAS 1.54(d), IFRS 7.8
Deferred tax assets	14	383	365	321	IAS 1.54(o), IAS 1.56
		57,886	41,145	33,613	
Current assets					IAS 1.60, IAS 1.66
Inventories	21	23,762	24,585	26,063	IAS 1.54(g)
Trade and other receivables	22	25,672	22,290	25,537	IAS 1.54(h)
Prepayments		244	165	226	IAS 1.55
Other current financial assets	20	551	153	137	IAS 1.54(d), IFRS 7.8
Cash and short-term deposits	23	17,112	14,916	11,066	IAS 1.54(i)
		67,341	62,109	63,029	
Assets held for sale	13	13,554	–	–	IAS 1.54(j), IFRS 5.38
		80,895	62,109	63,029	
Total assets		138,781	103,254	96,642	
Equity and liabilities					
Equity					IAS 1.54(r) , IAS 1.78(e)
Issued capital	24	21,888	19,388	19,388	
Share premium	24	4,780	80	–	
Treasury shares	24	(508)	(654)	(774)	
Other capital reserves	24	1,171	864	566	
Retained earnings		33,592	27,885	23,538	
Other components of equity		(649)	(512)	(421)	
Reserves of a disposal group held for sale	13	46	–	–	
Equity attributable to equity holders of the parent		60,320	47,051	42,297	
Non-controlling interests		2,410	740	208	IAS 1.54(q)
Total equity		62,730	47,791	42,505	
Non-current liabilities					IAS 1.60
Interest-bearing loans and borrowings	20	20,346	21,703	19,574	IAS 1.54(m)
Other non-current financial liabilities	20	806	–	–	IAS 1.54(m), IFRS 7.8
Provisions	26	1,950	77	60	IAS 1.54(l)
Government grants	27	3,300	1,400	795	IAS 20.24
Deferred revenue	28	459	397	386	IAS 1.55
Net employee defined benefit liabilities	29	3,050	2,977	2,526	IAS 1.55, IAS 1.78(d)
Deferred tax liabilities	14	2,931	1,089	1,083	IAS 1.54(o), IAS 1.56
		32,842	27,643	24,424	
Current liabilities					IAS 1.60, IAS 1.69
Trade and other payables	31	19,076	20,417	19,537	IAS 1.54(k)
Interest-bearing loans and borrowings	20	2,460	2,775	4,555	IAS 1.54(m), IFRS 7.8(g)
Other current financial liabilities	20	3,040	303	303	IAS 1.54(m), IFRS 7.8
Government grants	27	149	151	150	IAS 1.55, IAS 20.24
Deferred revenue	28	588	513	503	IAS 1.55
Income tax payable		3,511	3,563	4,625	IAS 1.54(n)
Provisions	26	850	98	40	IAS 1.54(l)
Dividends payable	25	410	–	–	
		30,084	27,820	29,713	
Liabilities directly associated with the assets held for sale	13	13,125	–	–	IAS 1.54(p), IFRS 5.38
		43,209	27,820	29,713	
Total liabilities		76,051	55,463	54,137	
Total equity and liabilities		138,781	103,254	96,642	

* Certain amounts shown here do not correspond to the 2016 financial statements and reflect adjustments made, refer to Note 2.5.

Commentary

IAS 1 requires an entity to present a statement of financial position at the beginning of the earliest comparative period when: it applies an accounting policy retrospectively; it makes a retrospective restatement of items in its financial statements; or when it reclassifies items in its financial statements (IAS 1.10(f)), and the change has a material effect on the statement of financial position. In these situations, IAS 1.40A states that an entity must present, at a minimum, three statements of financial position, two of each of the other statements and the related notes. The three statements of financial position include the statement of financial position as at the current annual period year end, the statement of financial position as at the previous annual period year end, and the statement of financial position as at the beginning of the previous annual period ('the opening balance sheet', often referred to as the 'third balance sheet'). As the Group has restated the financial statements to retrospectively correct an error, the Group has included a third balance sheet as at 1 January 2016. Such an additional balance sheet is only required if the adjustment to opening balances is considered to be material (IAS 1.40A(b)). However, the notes related to the third balance sheet are not required, nor are additional statements of profit or loss and other comprehensive income, changes in equity or cash flows (IAS 1.40C).

In accordance with IAS 1.60, the Group has presented current and non-current assets, and current and non-current liabilities, as separate classifications in the statement of financial position. IAS 1 does not require a specific order of the two classifications. The Group has elected to present non-current assets and liabilities before current assets and liabilities. IAS 1 requires entities to present assets and liabilities in order of liquidity when this presentation is reliable and more relevant.

Consolidated statement of changes in equity

for the year ended 31 December 2017

	Attributable to the equity holders of the parent													
	Issued capital (Note 24)	Share premium (Note 24)	Treasury shares (Note 24)	Other capital reserves (Note 24)	Retained earnings	Cash flow hedge reserve	Available-for-sale reserve	Foreign currency translation reserve	Asset revaluation surplus	Reserve of disposal group held for sale	Total	Non-controlling interests	Total equity	*IAS 1.10(c) IAS 1.49 IAS 1.51(b),(c) IAS 1.106(d)*
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	*IAS 1.51(d),(e)*
As at 1 January 2017	19,388	80	(654)	864	27,885	(70)	2	(444)	-	-	47,051	740	47,791	
Profit for the period	-	-	-	-	7,942	-	-	-	-	-	7,942	288	8,230	*IAS 1.106(d)(i)*
Other comprehensive income (Note 24)	-	-	-	-	257	(512)	(70)	(51)	622	-	246	-	246	*IAS 1.106(d)(ii)*
Total comprehensive income	-	-	-	-	8,199	(512)	(70)	(51)	622	-	8,188	288	8,476	*IAS 1.106(a)*
Depreciation transfer for office properties in Euroland	-	-	-	-	80	-	-	-	(80)	-	-	-	-	*IAS 1.96*
Discontinued operations (Note 13)	-	-	-	-	-	-	(46)	-	-	46	-	-	-	*IFRS 5.38*
Issue of share capital (Note 24)	2,500	4,703	-	-	-	-	-	-	-	-	7,203	-	7,203	*IAS 1.106(d)(iii)*
Exercise of options (Note 24)	-	29	146	-	-	-	-	-	-	-	175	-	175	*IAS 1.106(d)(iii),*
Share-based payments (Note 30)	-	-	-	307	-	-	-	-	-	-	307	-	307	*IFRS 2.50 IAS 32.39,*
Transaction costs (Note 7)	-	(32)	-	-	-	-	-	-	-	-	(32)	-	(32)	*IAS 1.109*
Cash dividends (Note 25)	-	-	-	-	(2,382)	-	-	-	-	-	(2,382)	(30)	(2,412)	*IAS 1.107*
Acquisition of a subsidiary (Note 7)	-	-	-	-	-	-	-	-	-	-	-	1,547	1,547	*IAS 1.106(d)(iii)*
Acquisition of non-controlling interests (Note 7)	-	-	-	-	(190)	-	-	-	-	-	(190)	(135)	(325)	*IAS 1.106(d)(iii)*
At 31 December 2017	21,888	4,780	(508)	1,171	33,592	(582)	(114)	(495)	542	46	60,320	2,410	62,730	

Commentary

For equity-settled share-based payment transactions, IFRS 2.7 requires entities to recognise an increase in equity when goods or services are received. However, IFRS 2 *Share-based Payment* does not specify where in equity this should be recognised. The Group has chosen to recognise the credit in other capital reserves. In some jurisdictions, it is common to transfer other capital reserves to share premium or retained earnings when the share options are exercised or expire. Such transfer is also permitted by IFRS 2 (IFRS 2.23). However, the transfer to share premium is subject to legal restrictions that are in force in each jurisdiction. The Group has elected to continue to present other capital reserves separately. The Group provided treasury shares to employees exercising share options and elected to recognise the excess of cash received over the acquisition cost of those treasury shares in share premium.

The acquisition of an additional ownership interest in a subsidiary without a change of control is accounted for as an equity transaction in accordance with IFRS 10 *Consolidated Financial Statements*. Any excess or deficit of consideration paid over the carrying amount of the non-controlling interests is recognised in equity of the parent in transactions where the non-controlling interests are acquired or sold without loss of control. The Group has elected to recognise this effect in retained earnings. With respect to the subsidiary to which these non-controlling interests relate, there were no accumulated components recognised in OCI. If there had been such components, those would have been reallocated within equity of the parent (e.g., foreign currency translation reserve or available-for-sale reserve).

IFRS 5.38 requires that items recognised in OCI related to discontinued operations must be separately disclosed. The Group presents this effect in the statement of changes in equity above. However, presentation of such items within discontinued operations does not change the nature of the reserve. Generally, reclassification to profit or loss will only occur if and when required by IFRS.

The Group recognises remeasurement gains and losses arising on defined benefit pension plans in OCI in accordance with IAS 19 *Employee Benefits.* As they will never be reclassified into profit or loss, they are immediately recorded in retained earnings (refer to the statement of comprehensive income). IAS 19 does not require separate presentation of those components in the statement of changes in equity but an entity may choose to present the remeasurement gains and losses in a separate reserve within the statement of changes in equity.

The amounts presented as change in the asset revaluation surplus and the available-for-sale reserve include a share of other comprehensive income of the associate, which relates to the revaluation of an office building in Euroland and the remeasurement of available-for-sale financial assets. IAS 1 specifically requires that entities must present the share of other comprehensive income items of their equity method investees, in aggregate, as a single line items within the 'to be reclassified' and the 'not to be reclassified' groups. IAS 28 *Investments in Associates and Joint Ventures*, IAS 1 and IFRS 12 do not provide specific guidance on how the investor should present its accumulated share of other comprehensive income of equity-accounted investees. The *Guidance on implementing IAS 1* contains an example in which the accumulated property, plant and equipment revaluation gain is included into the revaluation surplus of the investor. Good Group applies a similar presentation of accumulated items of other comprehensive income of its associate. However, as current IFRS do not contain specific requirements on this issue, other presentation approaches may also be acceptable.

Consolidated statement of changes in equity

for the year ended 31 December 2016 (restated*)

	Attributable to the equity holders of the parent											
	Issued capital (Note 24)	Share premium (Note 24)	Treasury shares (Note 24)	Other capital reserves (Note 24)	Retained earnings	Cash flow hedge reserve	Available-for-sale reserve	Foreign currency translation reserve	Total	Non-controlling interests	Total equity	*IAS 1.10(c)* *IAS 1.49* *IAS 1.51(b),(c)* *IAS 8.28* *IAS 1.106(d)*
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	*IAS 1.51(d),(e)*
As at 1 January 2016	19,388	-	(774)	566	24,238	(94)	-	(327)	42,997	208	43,205	
Adjustment on correction of error (net of tax) (Note 2.5)	-	-	-	-	(700)	-	-	-	(700)	-	(700)	*IAS 1.106(b)* *IAS 1.110*
As at 1 January 2016 (restated*)	19,388	-	(774)	566	23,538	(94)	-	(327)	42,297	208	42,505	
Profit for the period as reported in the 2016 financial statements	-	-	-	-	7,270	-	-	-	7,270	239	7,509	
Adjustment on correction of error (net of tax) (Note 2.5)	-	-	-	-	(1,050)	-	-	-	(1,050)	-	(1,050)	
Restated profit for the period	-	-	-	-	6,220	-	-	-	6,220	239	6,459	*IAS 1.106(d)(i)*
Other comprehensive income (Note 24)	-	-	-	-	(273)	24	2	(117)	(364)	-	(364)	*IAS 1.106(d)(ii)*
Total comprehensive income	-	-	-	-	5,947	24	2	(117)	5,856	239	6,095	*IAS 1.106(a)*
Exercise of options (Note 24)	-	80	120	-	-	-	-	-	200	-	200	*IAS 1.106(d)(iii),*
Share-based payments (Note 30)	-	-	-	298	-	-	-	-	298	-	298	*IFRS 2.50*
Dividends (Note 25)	-	-	-	-	(1,600)	-	-	-	(1,600)	(49)	(1,649)	*IAS 1.107*
Non-controlling interests arising on a business combination (Note 7)	-	-	-	-	-	-	-	-	-	342	342	*IAS 1.106(d)(iii)*
At 31 December 2016 (restated*)	19,388	80	(654)	864	27,885	(70)	2	(444)	47,051	740	47,791	

* Certain amounts shown here do not correspond to the 2016 financial statements and reflect adjustments made, refer to Note 2.5.

Commentary

There is no specific requirement to identify adjustments made retrospectively on the face of the financial statements, except for the effect of a retrospective application or restatement on each component of equity (IAS 1.106(b)). IAS 8 requires details to be given only in the notes. By labelling the comparatives 'Restated', the Group illustrates how an entity may supplement the requirements of IAS 8 so that it is clear to the user that adjustments to the amounts in prior financial statements have been reflected in the comparative periods as presented in the current period financial statements. It should be noted that the fact that the comparative information is restated does not necessarily mean that there were errors and material omissions in the previous financial statements. Restatements may also arise for other reasons, for example, retrospective application of a new accounting policy (IAS 1.40A(a)).

Consolidated statement of cash flows

for the year ended 31 December 2017

	Notes	2017	2016 Restated*	IAS 1.49 IAS 1.51(c) IAS 1.10(d)
		€000	€000	IAS 1.51(d),(e)
Operating activities				IAS 7.10, IAS 7.18(b)
Profit before tax from continuing operations		11,108	8,880	
Profit/(loss) before tax from discontinued operations	13	213	(193)	
Profit before tax		11,321	8,687	
Adjustments to reconcile profit before tax to net cash flows:				IAS 7.20(b)
Depreciation and impairment of property, plant and equipment	16	3,907	3,383	
Amortisation and impairment of intangible assets	18	325	174	
Contribution of equipment by customers	16	(190)	(150)	
Share-based payment expense	30	412	492	
Decrease in investment properties	17	306	300	
Net foreign exchange differences		(365)	(240)	
Gain on disposal of property, plant and equipment	12.1	(532)	(2,007)	
Fair value adjustment of a contingent consideration	7	358	–	
Finance income	12.4	(1,186)	(211)	IAS 7.20(c)
Finance costs	12.3	2,766	1,123	IAS 7.20(c)
Share of profit of an associate and a joint venture	9,10	(671)	(638)	
Movements in provisions, pensions and government grants		(732)	202	
Working capital adjustments:				IAS 7.20(a)
Increase in trade and other receivables and prepayments		(9,264)	(1,239)	
Decrease in inventories		6,030	2,245	
Increase in trade and other payables		4,095	4,246	
		15,951	16,495	
Interest received		336	211	IAS 7.31
Interest paid		(484)	(1,026)	IAS 7.31
Income tax paid		(3,131)	(3,200)	IAS 7.35
Net cash flows from operating activities		13,300	12,351	
Investing activities				IAS 7.10, IAS 7.21
Proceeds from sale of property, plant and equipment		1,990	2,319	IAS 7.16(b)
Purchase of property, plant and equipment	16	(10,162)	(7,672)	IAS 7.16(a)
Purchase of investment properties	17	(1,216)	(1,192)	IAS 7.16(a)
Purchase of financial instruments		(3,054)	(225)	IAS 7.16(c)
Proceeds from sale of financial instruments		-	145	IAS 7.16(d)
Development expenditures	18	(587)	(390)	IAS 7.16(a)
Acquisition of a subsidiary, net of cash acquired	7	230	(1,450)	IAS 7.39
Receipt of government grants	27	2,951	642	
Net cash flows used in investing activities		(9,848)	(7,823)	
Financing activities				IAS 7.10, IAS 7.21
Proceeds from exercise of share options		175	200	IAS 7.17(a)
Acquisition of non-controlling interests	7	(325)	-	IAS 7.42A
Transaction costs on issue of shares	24	(32)	-	IAS 7.17(a)
Payment of finance lease liabilities		(51)	(76)	IAS 7.17(e)
Proceeds from borrowings		6,341	4,871	IAS 7.17(c)
Repayment of borrowings		(2,724)	(4,250)	IAS 7.17(d)
Dividends paid to equity holders of the parent	25	(1,972)	(1,600)	IAS 7.31
Dividends paid to non-controlling interests		(30)	(49)	IFRS 12.B10(a)
Net cash flows from/(used in) financing activities		1,382	(904)	
Net increase in cash and cash equivalents		4,834	3,624	
Net foreign exchange difference		340	326	IAS 7.28
Cash and cash equivalents at 1 January		12,266	8,316	
Cash and cash equivalents at 31 December	23	17,440	12,266	IAS 7.45

* Certain amounts shown here do not correspond to the 2016 financial statements and reflect adjustments made, refer to Note 2.5.

Commentary

IAS 7.18 allows entities to report cash flows from operating activities using either the direct method or the indirect method. The Group presents its cash flows using the indirect method. A statement of cash flows prepared using the direct method for operating activities is presented in Appendix 3 for illustrative purposes.

There is no specific requirement to identify adjustments made retrospectively on the face of the financial statements, except for the effect of a retrospective application or restatement on each component of equity (IAS 1.106(b)). IAS 8 requires details to be given only in the notes. By labelling the comparatives 'Restated', the Group illustrates how an entity may supplement the requirements of IAS 8 so that it is clear to the user that adjustments to the amounts in prior financial statements have been reflected in the comparative periods as presented in the current period financial statements.

The Group has reconciled profit before tax to net cash flows from operating activities. However, reconciliation from profit after tax is also acceptable under IAS 7 *Statement of Cash Flows*.

IAS 7.33 permits interest paid to be shown as operating or financing activities and interest received to be shown as operating or investing activities, as deemed relevant for the entity. The Group has elected to classify interest received and interest paid as cash flows from operating activities.

Certain working capital adjustments and other adjustments included in the statement of cash flows, reflect the change in balances between 2017 and 2016, including the 2017 balances of the discontinued operations grouped in line-items 'assets classified as held for sale' and 'liabilities directly associated with the assets classified as held for sale'.

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Notes to the consolidated financial statements

1. Corporate information

The consolidated financial statements of Good Group (International) Limited and its subsidiaries (collectively, the Group) for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 29 January 2018. Good Group (International) Limited (the Company or the parent) is a limited company incorporated and domiciled in Euroland and whose shares are publicly traded. The registered office is located at Fire House, Ashdown Square in Euroville.

IAS 1.10(e)
IAS 1.49
IAS 1.113
IAS 1.51(a)
IAS 1.51(b)
IAS 1.51(c)
IAS 1.138(a)
IAS 10.17

The Group is principally engaged in the provision of fire prevention and electronics equipment and services and the management of investment property (see Note 4). Information on the Group's structure is provided in Note 6. Information on other related party relationships of the Group is provided in Note 33.

IAS 1.138(b)
IAS 1.138(c)

2. Significant accounting policies

Commentary

The identification of an entity's significant accounting policies is an important aspect of the financial statements. IAS 1.117 requires the significant accounting policies disclosures to summarise the measurement basis (or bases) used in preparing the financial statements, and the other accounting policies used that are relevant to an understanding of the financial statements. The significant accounting policies disclosed in this note illustrate some of the more commonly applicable disclosures. However, it is essential that entities consider their specific circumstances when determining which accounting policies are significant and relevant and therefore need to be disclosed.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

IAS 1.16

The consolidated financial statements have been prepared on a historical cost basis, except for investment properties, certain office properties (classified as property, plant and equipment), derivative financial instruments, available-for-sale (AFS) financial assets and contingent consideration that have been measured at fair value. The carrying values of recognised assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortised cost are adjusted to record changes in the fair values attributable to the risks that are being hedged in effective hedge relationships. The consolidated financial statements are presented in euros and all values are rounded to the nearest thousand (€000), except when otherwise indicated.

IAS 1.112(a)
IAS 1.117(a)
IAS 1.51(d),(e)

Commentary

Companies in certain jurisdictions may be required to comply with IFRS approved by local regulations, for example, listed companies in the European Union (EU) are required to comply with IFRS as endorsed by the EU. These financial statements only illustrate compliance with IFRS as issued by the IASB.

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Group presents an additional statement of financial position at the beginning of the preceding period when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements. An additional statement of financial position as at 1 January 2016 is presented in these consolidated financial statements due to the correction of an error retrospectively. See Note 2.5.

IAS 1.40A
IAS 1.10 (f)
IAS 1.38
IAS 1.38A

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

IFRS 10.7

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

IFRS 10.B38

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

2.2 Basis of consolidation *continued*

The Group re-assesses 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 Group obtains control over the subsidiary and ceases when the Group 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 Group gains control until the date the Group ceases to control the subsidiary.

IFRS 10.B80
IFRS 10.B86
IFRS 10.B99

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

IFRS 10.B94
IFRS 10.B87
IFRS 10.B86

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

IFRS 10.B96
IFRS 10.B98
IFRS10.B99

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2.3 Summary of significant accounting policies

IAS 1.112
IAS 1.117(b)

a) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

IFRS 3.4
IFRS 3.18
IFRS 3.19

IFRS 3.53
IFRS 3.B64(m)

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

IFRS 3.15
IFRS 3.16

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 *Financial Instruments: Recognition and Measurement*, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IAS 39. Other contingent consideration that is not within the scope of IAS 39 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

IFRS 3.39
IFRS 3.58

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

IFRS 3.32

IFRS 3.36

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

IFRS 3.B63(a)
IAS 36.80

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

IAS 36.86

2.3 Summary of significant accounting policies *continued*

b) Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

IAS 28.3

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

IFRS 11.16
IFRS 11.7

Commentary

The Group does not have an interest in a joint operation. If the Group had an interest in a joint operation, as per IFRS 11.20, it would recognise in relation to its interest its:

- Assets, including its share of any assets held jointly
- Liabilities, including its share of any liabilities incurred jointly
- Revenue from the sale of its share of the output arising from the joint operation
- Share of the revenue from the sale of the output by the joint operation
- Expenses, including its share of any expenses incurred jointly

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investments in its associate and joint venture are accounted for using the equity method.

IAS 28.10

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

IAS 28.26-29

The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

IAS 1.82(c)

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss within 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

IAS 28.40-43

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

IAS 28.22(b)

c) Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

IAS 1.60
IAS 1.66

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading

2.3 Summary of significant accounting policies *continued*

- Expected to be realised within twelve months after the reporting period

  Or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

IAS 1.69

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

  Or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

IAS 1.56

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

d) Fair value measurement

The Group measures financial instruments such as derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date.

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:

IFRS13.9

- 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

IFRS 13.16

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.

IFRS 13.22

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

IFRS 13.27

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.

IFRS 13.61

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:

IFRS 13.73

- 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

IFRS 13.95

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.

2.3 Summary of significant accounting policies *continued*

The Group's Valuation Committee determines the policies and procedures for both recurring fair value measurement, such as investment properties and unquoted AFS financial assets, and for non-recurring measurement, such as assets held for sale in discontinued operations. The Valuation Committee is comprised of the head of the investment properties segment, heads of the Group's internal mergers and acquisitions team, the head of the risk management department, chief finance officers and the managers of each property.

IFRS 13.93(g)

External valuers are involved for valuation of significant assets, such as properties and AFS financial assets, and significant liabilities, such as contingent consideration. Involvement of external valuers is determined annually by the Valuation Committee after discussion with and approval by the Company's Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Valuers are normally rotated every three years. The Valuation Committee decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the Valuation Committee analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Group's accounting policies. For this analysis, the Valuation Committee verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Valuation Committee, in conjunction with the Group's external valuers, also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

On an interim basis, the Valuation Committee and the Group's external valuers present the valuation results to the Audit Committee and the Group's independent auditors. This includes a discussion of the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

IFRS 13.94

Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

- Disclosures for valuation methods, significant estimates and assumptions — Notes 3, 16, 17 and 20.4
- Quantitative disclosures of fair value measurement hierarchy — Note 11
- Investment in unquoted equity shares (discontinued operations) — Note 13
- Property, plant and equipment under revaluation model — Note 16
- Investment properties — Note 17
- Financial instruments (including those carried at amortised cost) — Note 20.4
- Contingent consideration — Note 20.4

Commentary

The Group has not elected to apply the portfolio exception under IFRS 13.48. If an entity makes an accounting policy decision to use the exception, this fact is required to be disclosed, as per IFRS 13.96.

e) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude, and is also exposed to inventory and credit risks.

IAS 18.35(a)
IAS 18.9

The specific recognition criteria described below must also be met before revenue is recognised.

2.3 Summary of significant accounting policies *continued*

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. The Group provides normal warranty provisions for general repairs for two years on all its products sold, in line with industry practice. A liability for potential warranty claims is recognised at the time the product is sold – see Note 26 for more information. The Group, generally, does not provide any extended warranties or maintenance contracts to its customers.

IAS 18.14(a)

Within its electronics segment, the Group operates a loyalty points programme, *GoodPoints*, which allows customers to accumulate points when they purchase products in the Group's retail stores. The points can be redeemed for free products, subject to a minimum number of points being obtained.

IFRIC 13.5
IFRIC 13.7

Consideration received is allocated between the electronic products sold and the points issued, with the consideration allocated to the points equal to their fair value. Fair value of the points is determined by applying a statistical analysis. The fair value of the points issued is deferred and recognised as revenue when the points are redeemed.

Commentary

IAS 18 *Revenue* does not prescribe an allocation method for multiple component sales. IFRIC 13 *Customer Loyalty Programmes* mentions two allocation methodologies: allocation based on relative fair value and allocation using the residual method. The Group's revenue recognition policy for sales, which includes the issuance of *GoodPoints*, is based on the fair value of the points issued. The Group could have based its revenue recognition policy on the relative fair values of the goods sold and the points issued.

IFRIC 13 does not set out any disclosure requirements. The Group has not included extensive disclosures for the loyalty programme as the amounts are not significant. If the deferred revenue and revenue related to the *GoodPoints* programme were significant, additional disclosure items might include:

- The number of outstanding points
- The period over which the revenue is expected to be recognised
- The key assumptions used to determine the period over which revenue is recognised
- The effect of any changes in redemption rates

Rendering of services

Revenue from the installation of fire extinguishers, fire prevention equipment and fire-retardant fabrics is recognised by reference to the stage of completion. Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. When the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered. This is generally during the early stages of installation where the equipment and fabrics need to pass through the customer's quality testing procedures as part of the installation.

IAS 18.20
IAS 18.26
IAS 18.20(c)

Interest income

For all financial instruments measured at amortised cost and interest-bearing financial assets classified as AFS, interest income is recorded using the effective interest rate (EIR) method. The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the statement of profit or loss.

IAS 18.30(a)

Dividends

Revenue is recognised when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

IAS 18.30(c)

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature.

IAS 17.50

Equipment received from customers

The Group receives transfers of moulds and other tools for its manufacturing process from customers. The Group assesses whether each transferred item meets the definition of an asset, and if so, recognises the transferred asset as property, plant and equipment. At initial recognition, its cost is measured at fair value, and a corresponding amount is recognised as revenue as the Group has no future performance obligations.

IFRIC 18.9
IFRIC 18.11
IFRIC 18.13

2.3 Summary of significant accounting policies *continued*

f) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

IAS 20.7
IAS 20.12
IAS 20.26

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

IAS 20.23
IAS 20.10A

Commentary

IAS 20.24 permits two alternative ways of presenting a government grant relating to assets. The Group has elected to present the grant in the statement of financial position as deferred income, which is recognised in profit or loss on a systematic and rational basis over the useful life of the asset. Alternatively, it may choose to reduce the carrying amount of the asset. The grant is then recognised in profit or loss over the useful life of the depreciable asset by way of a reduced depreciation charge. Whichever method is applied, no further disclosures are required.

The Group has chosen to present grants related to an expense item as other operating income in the statement of profit or loss. Alternatively, IAS 20.29 permits grants related to income to be deducted in reporting the related expense.

IAS 20.23 permits grant of a non-monetary asset to be accounted for in two alternative ways. The asset and the grant can be accounted for using a nominal amount. Alternatively, the asset and the grant can be accounted for at the fair value of the non-monetary asset. The Group accounts for grants of non-monetary assets at nominal value.

g) Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

IAS 12.46

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

IAS 12.61A(b)

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss *IAS 12.22(c)*
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future *IAS 12.39*

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

IAS 12.34

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss *IAS 12.24*
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised *IAS 12.44*

2.3 Summary of significant accounting policies *continued*

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

IAS 12.56
IAS 12.37

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

IAS 12.47

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

IAS 12.61A

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

IAS 12.68

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

IAS 12.74

Sales tax

Expenses and assets are recognised net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

h) Foreign currencies

The Group's consolidated financial statements are presented in euros, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

IAS 1.51(d)
IAS 21.9

i) Transactions and balances

IAS 21.21

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

IAS 21.23(a)

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

IAS 21.28
IAS 21.32

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

IAS 21.23(b)
IAS 21.23(c)
IAS 21.30

2.3 Summary of significant accounting policies *continued*

ii) Group companies

IAS 21.39(a)

On consolidation, the assets and liabilities of foreign operations are translated into euros at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

IAS 21.39(b)
IAS 21.39(c)
IAS 21.48

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

IAS 21.47

i) Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

IFRS 5.6
IFRS 5.15
IFRS 5.15A
IFRS 5.Appendix A

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sale will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

IFRS 5.7
IFRS 5.8

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

IFRS 5.25

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

IAS 1.54(j)
IAS 1.54(p)

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

IFRS 5.32

- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations

  Or
- Is a subsidiary acquired exclusively with a view to resale

IFRS 5.30
IFRS 5.33

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

Additional disclosures are provided in Note 13. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

j) Cash dividend

The Company recognises a liability to pay a dividend when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the corporate laws of Euroland, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

IFRIC 17.10

2.3 Summary of significant accounting policies *continued*

k) Property, plant and equipment

Construction in progress is stated at cost, net of accumulated impairment losses, if any. Plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to significant accounting judgements, estimates and assumptions (Note 3) and provisions (Note 26) for further information about the recognised decommissioning provision.

IAS 16.73(a)
IAS 16.30
IAS 16.15
IAS 16.16

Property, plant and equipment transferred from customers are initially measured at fair value at the date on which control is obtained.

IFRIC 18.11
IAS 16.24

Office properties in Euroland are measured at fair value less accumulated depreciation and impairment losses recognised after the date of revaluation. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

IAS 16.73(a)
IAS 16.31
IAS 16.39
IAS 16.40

A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation surplus.

IAS 16.41

An annual transfer from the asset revaluation surplus to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

Commentary

Under IAS 16 an entity has a policy choice for the measurement of property, plant and equipment after initial recognition. An entity may choose either the cost model or the revaluation model for entire classes of property, plant and equipment. The Group has elected to use the revaluation model for office properties in Euroland, while other classes of property, plant and equipment are measured using the cost model. The Group has also elected to transfer the revaluation surplus to retained earnings as the asset is being used. Alternatively, the amount could have been transferred, in full, upon disposal of the asset.

IAS 16.73(b)
IAS 16.73(c)

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

- Buildings 15 to 20 years
- Plant, machinery and equipment 5 to 15 years
- Office properties in Euroland 15 to 20 years

IAS 16.67
IAS 16.68
IAS 16.71

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

IAS 16.51

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

l) Leases

IFRIC 4.6
IFRIC 4.7

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

2.3 Summary of significant accounting policies *continued*

Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

IAS 17.8
IAS 17.20
IAS 17.25

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

IAS 17.27

IAS 17.33

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

IAS 17.8
IAS 17.52

m) Borrowing costs

Borrowing costs 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 are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

IAS 23.8
IAS 23.5

n) Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on an annual valuation performed by an accredited external independent valuer applying a valuation model recommended by the International Valuation Standards Committee.

IAS 40.20
IAS 40.33
IAS 40.75(a)
IAS 40.35
IAS 40.75(e)

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition.

IAS 40.66
IAS 40.69

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

IAS 40.57
IAS 40.60
IAS 40.61

Commentary

The Group has elected to state investment properties at fair value in accordance with IAS 40. As an alternative, IAS 40 permit investment properties to be carried at historical cost less accumulated depreciation and impairment. IAS 40 requires note disclosure of the fair value of any investment property recorded at cost. Therefore, companies would still need to determine the fair value.

o) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

IAS 38.24
IAS 38.74
IAS 38.54
IAS 38.57

The useful lives of intangible assets are assessed as either finite or indefinite.

IAS 38.88

2.3 Summary of significant accounting policies *continued*

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

IAS 38.97
IAS 36.9
IAS 38.104

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

IAS 38.107
IAS 38.108
IAS 38.109

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

IAS 38.113

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

IAS 38.54
IAS 38.57

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

IAS 38.74
IAS 36.10(a)

Patents and licences

The Group made upfront payments to purchase patents and licences. The patents have been granted for a period of 10 years by the relevant government agency with the option of renewal at the end of this period. Licences for the use of intellectual property are granted for periods ranging between five and ten years depending on the specific licences. The licences may be renewed at little or no cost to the Group. As a result, those licences are assessed as having an indefinite useful life.

IAS 38.122(a)

A summary of the policies applied to the Group's intangible assets is, as follows:

IAS 38.118 (a),(b)

	Licences	Patents	Development costs
Useful lives	Indefinite	Finite (10 years)	Finite (20 years)
Amortisation method used	No amortisation	Amortised on a straight-line basis over the period of the patent	Amortised on a straight-line basis over the period of expected future sales from the related project
Internally generated or acquired	Acquired	Acquired	Internally generated

p) Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

IAS 39.9

2.3 Summary of significant accounting policies *continued*

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

IFRS 7.21
IAS 39.9
IAS 39.43

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

IAS 39.9
IAS 39.38

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- AFS financial assets

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39. The Group has not designated any financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of profit or loss.

IAS 39.9
IAS 39.46
IAS 39.AG14
IAS 39.55(a)

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

IAS 39.10
IAS 39.11
IFRIC 9.7

Loans and receivables

This category is the most relevant to the Group. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

IAS 39.9
IAS 39.46(a)
IAS 39.56

This category generally applies to trade and other receivables. For more information on receivables, refer to Note 22.

AFS financial assets

AFS financial assets include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in market conditions.

IAS 39.9
IAS 39.46
IAS 39.55(b)
IAS 39.67

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealised gains or losses recognised in OCI and credited to the AFS reserve until the investment is derecognised, at which time, the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statement of profit or loss in finance costs. Interest earned whilst holding AFS financial assets is reported as interest income using the EIR method.

IAS 39.46
IAS 39.55(b)
IAS 39.67
IAS 39.50E
IAS 39.50F

2.3 Summary of significant accounting policies *continued*

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

IAS 39.50F
IAS 39.54

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

IAS 39.17(a)

- The rights to receive cash flows from the asset have expired

  Or

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

IAS 39.18(a)
IAS 39.18(b)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

IAS 39.20(a)
IAS 39.20(c)
IAS 39.18(b)

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

IAS 39.30(a)

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions Note 3
- Financial assets Note 20
- Trade receivables Note 22

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

IAS 39.58
IAS 39.59
IFRS 7.B5(f)

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

IAS 39.63
IAS 39.64

2.3 Summary of significant accounting policies *continued*

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR.

IAS 39.AG84
IAS 39.65

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income (recorded as finance income in the statement of profit or loss) continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

IFRS 7.16
IAS 39.AG93
IAS 39.65
IFRS 7.B5(d)(i)
IFRS 7.B5(d)(ii)

AFS financial assets

For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from OCI and recognised in the statement of profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised in OCI.

IAS 39.58
IAS 39.61
IAS 39.67
IAS 39.68
IAS 39.69

The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss.

IAS 39.68

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss, the impairment loss is reversed through the statement of profit or loss.

IAS 39.AG93
IAS 39.70

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

IFRS 7.6
IFRS 7.21

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

IAS 39.43

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

IAS 39.9
IAS 39.47(a)

2.3 Summary of significant accounting policies *continued*

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

IAS 39.55(a)

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IAS 39 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

IAS 39.47
IAS 39.56

IAS 39.9

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 20.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

IAS 39.47(c)
IAS 39.9
IAS 39.14
IAS 39.43
IAS 37.36

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

IAS 39.39

IAS 39.41
IAS 39.40

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

IAS 32.42

q) Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, interest rate swaps and forward commodity contracts, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

IAS 39.43
IFRS 7.21

The purchase contracts that meet the definition of a derivative under IAS 39 are recognised in the statement of profit or loss as cost of sales. Commodity contracts that are entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Group's expected purchase, sale or usage requirements are held at cost.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to profit or loss when the hedge item affects profit or loss.

2.3 Summary of significant accounting policies *continued*

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment *IAS 39.86(a)*
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment *IAS 36.86(b)*
- Hedges of a net investment in a foreign operation *IAS 39.86(c)*

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated. *IAS 39.88*

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

Fair value hedges

The change in the fair value of a hedging instrument is recognised in the statement of profit or loss as a finance cost. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the statement of profit or loss as a finance cost. *IAS 39.89*

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the EIR method. EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. *IAS 39.92*

If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss. *IAS 39.93*

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. *IAS 39.95*

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments, as well as forward commodity contracts for its exposure to volatility in the commodity prices. The ineffective portion relating to foreign currency contracts is recognised in finance costs and the ineffective portion relating to commodity contracts is recognised in other operating income or expenses. Refer to Note 20.3 for more details.

Amounts recognised as OCI are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as OCI are transferred to the initial carrying amount of the non-financial asset or liability. *IAS 39.97 IAS 39.100 IAS 39.98*

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in OCI remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met. *IAS 39.101*

2.3 Summary of significant accounting policies *continued*

Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as OCI while any gains or losses relating to the ineffective portion are recognised in the statement of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the statement of profit or loss.

IAS 39.102

The Group uses a loan as a hedge of its exposure to foreign exchange risk on its investments in foreign subsidiaries. Refer to Note 20.3 for more details.

r) Inventories

Inventories are valued at the lower of cost and net realisable value.

IAS 2.36(a)
IAS 2.9
IAS 2.10

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Raw materials: purchase cost on a first-in/first-out basis *IAS 2.25*
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs *IAS 2.12* *IAS 2.13*

Initial cost of inventories includes the transfer of gains and losses on qualifying cash flow hedges, recognised in OCI, in respect of the purchases of raw materials.

IAS 39.98(b)

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

IAS 2.6

s) Impairment of non-financial assets

Further disclosures relating to impairment of non-financial assets are also provided in the following notes:

- Disclosures for significant assumptions — Note 3
- Property, plant and equipment — Note 16
- Intangible assets — Note 18
- Goodwill and intangible assets with indefinite lives — Note 19

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

IAS 36.6
IAS 36.9
IAS 36.66
IAS 36.59

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. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

IAS 36.30
IAS 36.55
IAS 36.6

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

IAS 36.33

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

IAS 36.60
IAS 36.61

2.3 Summary of significant accounting policies *continued*

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

IAS 36.110
IAS 36.114
IAS 36.117
IAS 36.119

Goodwill is tested for impairment annually as at 31 October and when circumstances indicate that the carrying value may be impaired.

IAS 36.10(b)

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

IAS 36.104
IAS 36.124

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 October at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

IAS 36.10(a)

Commentary

IAS 36.96 permits the annual impairment test for a CGU to which goodwill has been allocated to be performed at any time during the year, provided it is at the same time each year. Different CGUs and intangible assets may be tested at different times.

t) Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

IAS 7.6
IAS 7.7

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

IAS 7.46

u) Convertible preference shares

Convertible preference shares are separated into liability and equity components based on the terms of the contract.

IFRS 7.21
IAS 32.18
IAS 32.28

On issuance of the convertible preference shares, the fair value of the liability component is determined using a market rate for an equivalent non-convertible instrument. This amount is classified as a financial liability measured at amortised cost (net of transaction costs) until it is extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in equity. Transaction costs are deducted from equity, net of associated income tax. The carrying amount of the conversion option is not remeasured in subsequent years.

IAS 32.35
IAS 32.AG31(a)

Transaction costs are apportioned between the liability and equity components of the convertible preference shares, based on the allocation of proceeds to the liability and equity components when the instruments are initially recognised.

IAS 32.38

v) Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in the share premium.

IAS 32.33

2.3 Summary of significant accounting policies *continued*

w) Provisions

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

IAS 37.14
IAS 37.53
IAS 37.54

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

IAS 37.45

Warranty provisions

Provisions for warranty-related costs are recognised when the product is sold or service provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

Restructuring provisions

Restructuring provisions are recognised only when the Group has a constructive obligation, which is when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline, and the employees affected have been notified of the plan's main features.

IAS 37.71
IAS 37.72

Decommissioning liability

The Group records a provision for decommissioning costs of a manufacturing facility for the production of fire retardant materials. Decommissioning costs are provided for at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the relevant asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognised in the statement of profit or loss as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs, or in the discount rate applied, are added to or deducted from the cost of the asset.

IAS 16.16(c)
IAS 37.45
IAS 37.47
IFRIC 1.8
IAS 37.59
IFRIC 1.5

Greenhouse gas emissions

The Group receives free emission rights in certain European countries as a result of the European Emission Trading Schemes. The rights are received on an annual basis and, in return, the Group is required to remit rights equal to its actual emissions. The Group has adopted the net liability approach to the emission rights granted. Therefore, a provision is recognised only when actual emissions exceed the emission rights granted and still held. The emission costs are recognised as other operating costs. Where emission rights are purchased from other parties, they are recorded at cost, and treated as a reimbursement right, whereby they are matched to the emission liabilities and remeasured to fair value. The changes in fair value are recognised in the statement of profit or loss.

IAS 8.10

Commentary

IAS 37 provides a choice of presenting expenditures to settle a provision either net of any reimbursement or on a gross basis. The Group has elected to present the expenses net of reimbursements.

IFRIC 3 *Emission Rights* was withdrawn in June 2005. In the absence of a specific standard, management must develop an accounting policy that results in information that is relevant and reliable. The Group has applied the net liability approach based on IAS 20.23. However, emission rights received could also be recognised as intangible assets at their fair value with all the disclosures required by IAS 38.

Waste Electrical and Electronic Equipment (WEEE)

The Group is a provider of electrical equipment that falls under the EU Directive on Waste Electrical and Electronic Equipment. The directive distinguishes between waste management of equipment sold to private households prior to a date, as determined by each Member State (historical waste), and waste management of equipment sold to private households after that date (new waste). A provision for the expected costs of management of historical waste is recognised when the Group participates in the market during the measurement period, as determined by each Member State, and the costs can be reliably measured. These costs are recognised as other operating expenses in the statement of profit or loss.

IFRIC 6

2.3 Summary of significant accounting policies *continued*

With respect to new waste, a provision for the expected costs is recognised when products that fall within the directive are sold and the disposal costs can be reliably measured. Derecognition takes place when the obligation expires, is settled or is transferred. These costs are recognised as part of costs of sales.

With respect to equipment sold to entities other than private households, a provision is recognised when the Group becomes responsible for the costs of this waste management, with the costs recognised as other operating expenses or cost of sales, as appropriate.

Contingent liabilities recognised in a business combination

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions above or the amount initially recognised less (when appropriate) cumulative amortisation recognised in accordance with the requirements for revenue recognition.

IFRS 3.56
IFRS 3.22
IFRS 3.23

x) Pensions and other post-employment benefits

The Group operates a defined benefit pension plan in Euroland, which requires contributions to be made to a separately administered fund. The Group also provides certain additional post employment healthcare benefits to employees in the United States. These benefits are unfunded. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

IAS 19.135
IAS 19.67

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

IAS 19.120(c)
IAS 19.127
IAS 19.122

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognises related restructuring costs

IAS 19.102
IAS 19.103

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under 'cost of sales', 'administration expenses' and 'selling and distribution expenses' in the consolidated statement of profit or loss (by function):

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

IAS 19.123
IAS 19.134

Commentary

Entities are required to state their policy for termination benefits, employee benefit reimbursements and benefit risk sharing. Since these are not applicable to the Group, the disclosures related to such benefits have not been made. Entities need to assess the nature of their employee benefits and make the relevant disclosures.

IAS 19 does not specify where in the statement of profit or loss service costs or net interest should be presented. IAS 1 allows, but does not require, disaggregation of the employee benefits cost components in profit or loss. The net interest cost component is different from the unwinding of interest component and return on asset component in the previous version of IAS 19. Entities must apply the requirement in IAS 8.10 when developing a presentation policy for net interest cost.

y) Share-based payments

Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions). Employees working in the business development group are granted share appreciation rights, which are settled in cash (cash-settled transactions).

IFRS 2.44

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in Note 30.

IFRS 2.7
IFRS 2.10

2.3 Summary of significant accounting policies *continued*

That cost is recognised in employee benefits expense (Note 12.6), together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

IFRS 2.19
IFRS 2.20

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

IFRS 2.21
IFRS 2.21A
IFRS 2.27

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

IFRS 2.28
IFRS 2.B42-B44
IAS 33.45

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in Note 15).

Cash-settled transactions

A liability is recognised for the fair value of cash-settled transactions. The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in fair value recognised in employee benefits expense (see Note 12.6). The fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The fair value is determined using a binomial model, further details of which are given in Note 30.

IFRS 2.30
IFRS 2.32
IFRS 2.33

2.4 Changes in accounting policies and disclosures

IAS 8.14

Revaluation of office properties in Euroland (property, plant and equipment)

The Group re-assessed its accounting for property, plant and equipment with respect to measurement of a certain class of property, plant and equipment after initial recognition. The Group had previously measured all property, plant and equipment using the cost model whereby, after initial recognition of the asset classified as property, plant and equipment, the asset was carried at cost less accumulated depreciation and accumulated impairment losses.

IAS 16.30

On 1 January 2017, the Group elected to change the method of accounting for office properties in Euroland classified as property, plant and equipment, as the Group believes that the revaluation model provides more relevant information to the users of its financial statements and is more aligned to practices adopted by its competitors. In addition, available valuation techniques provide reliable estimates of the office properties' fair value. The Group applied the revaluation model prospectively.

After initial recognition, office properties in Euroland are measured at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. For details refer to Note 16.

IAS 8.17
IAS 8.18

Commentary

IAS 8.17 and IAS 8.18 exempt this change in accounting policy from the requirement to retrospectively apply the policy and to provide detailed disclosure as outlined in IAS 8.28 to IAS 8.31. Hence, the Group has applied its change in accounting policy for the measurement of office properties in Euroland to the revaluation model prospectively.

2.4 Changes in accounting policies and disclosures *continued*

New and amended standards and interpretations

IAS 8.28

The Group applied for the first time certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2017. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

The nature and the impact of each amendment is described below:

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative
The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Group has provided the information for both the current and the comparative period in Note 20.6.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses
The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealised losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The Group applied amendments retrospectively. However, their application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

Annual Improvements Cycle - 2014-2016
Amendments to IFRS 12 *Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12*
The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

As at 31 December 2017 the Group classified its interest in Hose Limited, a wholly-owned subsidiary, as held for sale (see Note 13), but these amendments did not affect the Group's financial statements.

Commentary

For illustrative purposes, the Group has listed all the disclosures of new and amended standards and interpretations that are effective from 1 January 2017, regardless of whether these have any impact on the Group's financial statements. However, an alternative that entities should consider would be to only list and address those that have an impact on the Group's financial position, performance and/or disclosures.

In some jurisdictions, the adoption of IFRS for reporting purposes may be subject to a specific legal process (e.g., in the European Union or Australia). In those jurisdictions, the effective dates may therefore be different from the IASB's effective dates. Nevertheless, all new standards and interpretations must be considered for disclosure as standards issued but not yet effective, in accordance with IAS 8.30, when an entity provides a complete set of financial statements, irrespective of whether the legal process referred to above has been completed.

2.5 Correction of an error

IAS 8.49

In July 2015, a subsidiary entered into a sales contract with a new customer to sell fire prevention equipment for a two-year period. As part of the negotiations, a variation was made to the standard terms and conditions to sell the equipment to this customer on consignment basis. However, the subsidiary continued to recognise revenue at the point of delivery to the customer instead of deferring the revenue recognition until the customer has sold the goods. As a consequence, revenue was overstated. In January 2017, the subsidiary conducted a detailed review of the terms and conditions of its sales contracts and discovered the error.

The error has been corrected by restating each of the affected financial statement line items for the prior periods, as follows:

2.5 Correction of an error continued

Impact on equity (increase/(decrease) in equity)

	31 December 2016	1 January 2016
	€000	€000
Inventories	1,000	500
Trade receivables	(3,500)	(1,500)
Total assets	(2,500)	(1,000)
Income tax payable	750	300
Total liabilities	750	300
Net impact on equity	(1,750)	(700)

Impact on statement of profit or loss (increase/(decrease) in profit)

	31 December 2016
	€000
Sale of goods	(2,000)
Cost of sales	500
Income tax expense	450
Net impact on profit for the year	(1,050)
Attributable to:	
Equity holders of the parent	(1,050)
Non-controlling interests	–

Impact on basic and diluted earnings per share (EPS) (increase/(decrease) in EPS)

	31 December 2016
Earnings per share	
Basic, profit for the year attributable to ordinary equity holders of the parent	(€0.06)
Diluted, profit for the year attributable to ordinary equity holders of the parent	(€0.05)
Earnings per share for continuing operations	
Basic, profit from continuing operations attributable to ordinary equity holders of the parent	(€0.06)
Diluted, profit from continuing operations attributable to ordinary equity holders of the parent	(€0.05)

The change did not have an impact on OCI for the period or the Group's operating, investing and financing cash flows.

3. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Group's exposure to risks and uncertainties includes:

- Capital management — Note 5
- Financial instruments risk management and policies — Note 20.5
- Sensitivity analyses disclosures — Notes 16, 17, 19, 20.4, 20.5 and 29.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

IAS 1.122

Property lease classification – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it

3. Significant accounting judgements, estimates and assumptions *continued*

retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Assets held for sale

On 1 October 2017, the Board of Directors announced its decision to discontinue the rubber segment consisting of Hose Limited, a wholly owned subsidiary. Operations of Hose Limited are classified as a disposal group held for sale. The Board considered the subsidiary to meet the criteria to be classified as held for sale at that date for the following reasons:

IFRS 5.7
IFRS 5.8

- Hose Limited is available for immediate sale and can be sold to the buyer in its current condition
- The actions to complete the sale were initiated and expected to be completed within one year from the date of initial classification
- A potential buyer has been identified and negotiations as at the reporting date are at an advance stage
- The shareholders approved the plan to sell on 14 November 2017

IFRS 5.BA
IFRS 5.9

For more details on the discontinued operation, refer to Note 13.

Consolidation of a structured entity

In February 2017, the Group and a third party partner formed an entity, Fire Equipment Test Lab Limited, to acquire land and construct and operate a fire equipment safety facility. The Group holds 20% of the voting shares in this entity. The third-party partner contributed approximately €2,700,000 in 2017, representing 80% of the voting shares, for the acquisition and construction of the fire safety test facility. The third-party partner is committed to provide approximately €1,000,000 in each of the following two years to complete the project. The construction is expected to be completed in 2021 at a total cost of approximately €4,700,000. The partner is entitled to a 22% return on the outstanding capital upon the commencement of operations. Under the contractual arrangement with the third party partner, the Group has a majority representation on the entity's board of directors and the Group's approval is required for all major operational decisions. At the end of the fourth annual period, the partner is entitled to a 100% capital return. The EIR is 11% and the interest accumulated on the contributed amount totalled €303,000 at 31 December 2017. The Group is effectively guaranteeing the returns to the third-party partner. On completion of the construction, the operations of Fire Equipment Test Lab Limited will be solely carried out by the Group. Based on the contractual terms, the Group assessed that the voting rights in Fire Equipment Test Lab Limited are not the dominant factor in deciding who controls the entity. Also, it is assessed that there is insufficient equity financing (€200,000) to allow the entity to finance its activities without the non-equity financial support of the Group. Therefore, the Group concluded Fire Equipment Test Lab Limited is a structured entity under IFRS 10 and that the Group controls it with no non-controlling interests. The voting shares of the third-party partner are accounted for as a financial liability. Therefore, Fire Equipment Test Lab Limited is consolidated in the Group's consolidated financial statements. The shares of the third-party partner are recorded as a long-term loan and the return on investment is recorded as interest expense.

IFRS 12.7(a)
IFRS 12.9
IFRS 12.17
IFRS 12.8
IFRS12.9
IFRS 12.14

Consolidation of entities in which the Group holds less than a majority of voting right (de facto control)

The Group considers that it controls Electronics Limited even though it owns less than 50% of the voting rights. This is because the Group is the single largest shareholder of Electronics Limited with a 48% equity interest. The remaining 52% of the equity shares in Electronics Limited are widely held by many other shareholders, none of which individually hold more than 1% of the equity shares (as recorded in the company's shareholders' register from 1 October 2012 to 31 December 2017). Since 1 October 2012, which is the date of acquisition of Electronics Limited, there is no history of the other shareholders collaborating to exercise their votes collectively or to outvote the Group.

IFRS 10.B41,B42
IFRS 12.7(a)
IFRS 12.8
IFRS12.9

3. Significant accounting judgements, estimates and assumptions *continued*

Commentary

IAS 1 requires an entity to disclose the judgements that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements. IFRS 12 adds to those general requirements by specifically requiring an entity to disclose all significant judgements and estimates made in determining the nature of its interest in another entity or arrangement, and in determining the type of joint arrangement in which it has an interest. IFRS 12.7 requires that an entity disclose information about significant judgements and assumptions it has made (and changes to those judgements and assumptions) in determining:

- that it has control of another entity
- that is has joint control of an arrangement or significant influence over another entity
- the type of joint arrangement (i.e. joint operation or joint venture) when the arrangement has been structured through a separate vehicle

An entity must disclose, for example, significant judgements and assumptions made in determining that

- it does not control another entity even though it holds more than half of the voting rights of the other entity
- it controls another entity even though it holds less than half of the voting rights of the other entity
- it is an agent or principal as defined by IFRS 10
- it does not have significant influence even though it holds 20 per cent or more of the voting rights of another entity
- it has significant influence even though it holds less than 20 per cent of the voting rights of another entity

The Group assessed that it controls Electronics Limited, despite having less than a majority of the voting rights, based on the guidance under IFRS 10.B42.

The Group does not have any interest in unconsolidated structured entities. Interests in such entities require the disclosures under IFRS 12.24-31. These disclosures have been illustrated in our publication, *Applying IFRS: IFRS 12 Example disclosures for interests in unconsolidated structured entities*, (March 2013) available at ey.com/ifrs.

Estimates and assumptions

IAS 1.125

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Revaluation of property, plant and equipment and investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in the statement of profit or loss. For investment properties, a valuation methodology based on a discounted cash flow (DCF) model was used, as there is a lack of comparable market data because of the nature of the properties. In addition, it measures the office properties in Euroland at revalued amounts, with changes in fair value being recognised in OCI. The office properties were valued by reference to transactions involving properties of a similar nature, location and condition. The Group engaged an independent valuation specialist to assess fair values as at 31 December 2017 for the investment properties and at 1 January and 31 December 2017 for the office properties in Euroland.

The key assumptions used to determine the fair value of the properties and sensitivity analyses are provided in Notes 16 and 17.

Impairment of non-financial assets

IAS 36.6

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 19.

IAS 36.33(b)

3. Significant accounting judgements, estimates and assumptions *continued*

Share-based payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them. The Group initially measures the cost of cash-settled transactions with employees using a binomial model to determine the fair value of the liability incurred. For cash-settled share-based payment transactions, the liability needs to be remeasured at the end of each reporting period up to the date of settlement, with any changes in fair value recognised in profit or loss. This requires a reassessment of the estimates used at the end of each reporting period. For the measurement of the fair value of equity-settled transactions with employees at the grant date, the Group uses a binomial model for Senior Executive Plan (SEP) and a Monte-Carlo simulation model for General Employee Share Option Plan (GESP). The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 30.

Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

IAS 12.81(e)

The Group has €427,000 (2016: €1,198,000) of tax losses carried forward. These losses relate to subsidiaries that have a history of losses, do not expire, and may not be used to offset taxable income elsewhere in the Group. The subsidiaries neither have any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognise deferred tax assets on the tax losses carried forward.

If the Group was able to recognise all unrecognised deferred tax assets, profit and equity would have increased by €128,000. Further details on taxes are disclosed in Note 14.

Defined benefit plans (pension benefits)

The cost of the defined benefit pension plan and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation with at least an 'AA' rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are excluded from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality corporate bonds.

The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases and pension increases are based on expected future inflation rates for the respective countries.

Further details about pension obligations are provided in Note 29.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. See Note 20.4 for further disclosures.

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is

3. Significant accounting judgements, estimates and assumptions *continued*

based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor (refer Notes 7 and 20.4 for details).

As part of the accounting for the acquisition of Extinguishers Limited, contingent consideration with an estimated fair value of €714,000 was recognised at the acquisition date and remeasured to €1,071,500 as at the reporting date. Future developments may require further revisions to the estimate. The maximum consideration to be paid is €1,125,000. The contingent consideration is classified as other financial liability (see Note 20.2).

Development costs

The Group capitalises costs for product development projects. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. At 31 December 2017, the carrying amount of capitalised development costs was €2,178,000 (2016: €1,686,000).

This amount includes significant investment in the development of an innovative fire prevention system. Prior to being marketed, it will need to obtain a safety certificate issued by the relevant regulatory authorities. The innovative nature of the product gives rise to some uncertainty as to whether the certificate will be obtained.

Provision for decommissioning

As part of the identification and measurement of assets and liabilities for the acquisition of Extinguishers Limited in 2017, the Group has recognised a provision for decommissioning obligations associated with a factory owned by Extinguishers Limited. In determining the fair value of the provision, assumptions and estimates are made in relation to discount rates, the expected cost to dismantle and remove the plant from the site and the expected timing of those costs. The carrying amount of the provision as at 31 December 2017 was €1,221,000 (2016: €Nil). The Group estimates that the costs would be realised in 15 years' time upon the expiration of the lease and calculates the provision using the DCF method based on the following assumptions:

- Estimated range of cost per sqm - €10 - €25 (€20)
- Discount rate – 14%

If the estimated pre-tax discount rate used in the calculation had been 1% higher than management's estimate, the carrying amount of the provision would have been €94,000 lower.

Revenue recognition – GoodPoints for loyalty programme

The Group estimates the fair value of points awarded under the *GoodPoints* programme by applying statistical techniques. Inputs to the model include assumptions about expected redemption rates, the mix of products that will be available for redemption in the future and customer preferences. As points issued under the programme do not expire, such estimates are subject to significant uncertainty. As at 31 December 2017, the estimated liability for unredeemed points was approximately €416,000 (2016: €365,000).

Commentary

IAS 1.125 requires an entity to disclose significant judgements applied in preparing the financial statements and significant estimates that involve a high degree of estimation uncertainty. The disclosure requirements go beyond the requirements that already exist in some other IFRS such as IAS 37.

These disclosures represent a very important source of information in the financial statements because they highlight the areas in the financial statements that are most prone to change in the foreseeable future. Therefore, any information given should be sufficiently detailed to help readers of the financial statements understand the impact of possible significant changes.

The Group has, for illustrative purposes, included disclosures about significant judgements and estimates beyond what is normally required, and potentially also beyond what is decision-useful. That is, it is only those judgements that have the most significant effect on the amounts recognised in the financial statements and those estimates that have a significant risk of resulting in material adjustments in respect of assets and liabilities within the next financial year that should be addressed in this section. It is important that entities carefully assesses which judgements and estimates are most significant in this context, and make the disclosures accordingly, to allow the users of the financial statements to appreciate the impact of the judgements and uncertainties. Disclosure of uncertainties that do not have a significant risk of resulting in material adjustments may clutter the financial statements in a way that reduces the users' ability to identify the major uncertainties.

4. Segment information

For management purposes, the Group is organised into business units based on its products and services and has three reportable segments, as follows:

IAS 1.138(b)
IFRS 8.22(a)
IFRS 8.22(b)

- The fire prevention equipment segment, which produces and installs extinguishers, fire prevention equipment and fire retardant fabrics
- The electronics segment, which is a supplier of electronic equipment for defence, aviation, electrical safety markets and consumer electronic equipment for home use. It offers products and services in the areas of electronics, safety, thermal and electrical architecture
- The investment properties segment, which leases offices and manufacturing sites owned by the Group

No operating segments have been aggregated to form the above reportable operating segments.

Commentary

IFRS 8.22(a) requires entities to disclose factors used to identify the entity's reportable segments, including the basis of organisation, as well as factors considered in determining aggregation of operating segments. Operating segments often exhibit similar long-term financial performance if they have similar economic characteristics. For example, similar long-term average gross margins for two operating segments would be expected if their economic characteristics were similar. Two or more operating segments may be aggregated into a single operating segment if the segments have similar economic characteristics, and the segments are similar in each of the following respects:

(a) the nature of the products and services;

(b) the nature of the production processes;

(c) the type or class of customer for their products and services;

(d) the methods used to distribute their products or provide their services; and

(e) if applicable, the nature of the regulatory environment, for example, banking, insurance or public utilities.

This analysis requires significant judgement as to the circumstances of the entity. The Group does not have any operating segments that are aggregated, but, if it had, disclosures about the basis for aggregation must be made.

The Executive Management Committee is the Chief Operating Decision Maker (CODM) and monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements. However, the performance of Showers Limited, the Group's joint venture is evaluated using proportionate consolidation. Also, the Group's financing (including finance costs and finance income) and income taxes are managed on a Group basis and are not allocated to operating segments.

IFRS 8.27(b)

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

IFRS 8.27(a)

4. Segment information *continued*

Year ended 31 December 2017	Fire prevention equipment	Electronics	Investment properties	Total segments	Adjustments and eliminations	Consolidated	
	€000	€000	€000	€000	€000	€000	
Revenue							
External customers	139,842	69,263	1,404	210,509	(30,047)	180,462	*IFRS 8.23(a)*
Inter-segment	-	7,465	-	7,465	(7,465)	-	*IFRS 8.23(b)*
Total revenue	139,842	76,728	1,404	217,974	(37,512)	180,462	
Income/(expenses)							
Cost of inventories recognised as an expense	(99,533)	(65,193)	-	(164,726)	33,619	(131,107)	*IFRS 8.23(f)*
Employee benefits expenses	(27,149)	(5,323)	(777)	(33,249)	(500)	(33,749)	*IFRS 8.23(f)*
Depreciation and amortisation	(3,533)	(389)	-	(3,922)	-	(3,922)	*IFRS 8.23I*
Goodwill impairment (Note 19)	-	(200)	-	(200)	-	(200)	*IFRS 8.23(i)*
Share of profit of an associate and a joint venture (Notes 9,10)	83	-	-	83	588	671	*IFRS 8.23(g)*
Segment profit	9,687	2,968	321	12,976	(1,868)	11,108	*IFRS 8.23*
Total assets	56,574	44,814	18,467	119,855	18,926	138,781	*IFRS 8.23*
Total liabilities	19,035	7,252	4,704	30,991	45,060	76,051	*IFRS 8.23*

Year ended 31 December 2017	Fire prevention equipment	Electronics	Investment properties	Total segments	Adjustments and eliminations	Consolidated	
	€000	€000	€000	€000	€000	€000	
Other disclosures							
Investments in an associate and a joint venture (Notes 9,10)	3,187	-	-	3,187	-	3,187	*IFRS 8.24(a)*
Capital expenditure	18,849	2,842	1,216	22,907	-	22,907	*IFRS 8.24(b)*

Inter-segment revenues are eliminated upon consolidation and reflected in the 'adjustments and eliminations' column. All other adjustments and eliminations are part of detailed reconciliations presented further below.

Year ended 31 December 2016	Fire prevention equipment	Electronics	Investment properties	Total segments	Adjustments and eliminations	Consolidated	
	Restated*					Restated*	
	€000	€000	€000	€000	€000	€000	
Revenue							
External customers	121,905	66,621	1,377	189,903	(29,438)	160,465	*IFRS 8.23(a)*
Inter-segment	-	7,319	-	7,319	(7,319)	-	*IFRS 8.23(b)*
Total revenue	121,905	73,940	1,377	197,222	(36,757)	160,465	
Income/(expenses)							
Cost of inventories recognised as an expense	(95,642)	(58,616)	-	(154,258)	32,960	(121,298)	*IFRS 8.23(f)*
Employee benefits expenses	(19,199)	(8,400)	(702)	(28,301)	(850)	(29,151)	*IFRS 8.23(f)*
Depreciation and amortisation	(2,460)	(472)	-	(2,932)	(324)	(3,256)	*IFRS 8.23(e)*
Impairment of property, plant and equipment (Note 16)	(301)	-	-	(301)	-	(301)	*IFRS 8.23(i) IAS 36.129*
Share of profit of an associate and a joint venture (Notes 9,10)	81	-	-	81	557	638	*IFRS 8.23(g)*
Segment profit	4,387	5,396	314	10,097	(1,217)	8,880	*IFRS 8.23*
Total assets	50,747	40,409	9,887	101,043	2,211	103,254	*IFRS 8.23*
Total liabilities	20,325	4,066	1,688	26,079	29,384	55,463	*IFRS 8.23*

* Certain amounts do not correspond to the 2016 financial statements and reflect adjustments made, refer to Note 2.5.

4. Segment information *continued*

Other disclosures							
Investments in an associate and a joint venture (Notes 9, 10)	2,516	-	-	2,516	-	2,516	*IFRS 8.24(a)* *IFRS 8.24(b)*
Capital expenditure	5,260	4,363	1,192	10,815	-	10,815	

Commentary

Additional disclosure may be required if the chief operating decision maker (CODM), which is the Executive Management Committee of the Group in the case of Good Group (International) Limited, regularly reviews certain other items recorded in the statement of profit or loss, i.e., depreciation and amortisation, impairments and the share of profit in associates.

Paragraph 23(f) of IFRS 8 requires an entity in addition to the amounts disclosed under paragraphs 2 (a)-(e) to disclose material items of income and expense disclosed in accordance with paragraph 97 of IAS 1 (as revised in 2007). Paragraph 97 of IAS 1 requires an entity to disclose separately the nature and amount of material items of income or expense. In order to fulfil requirements of paragraph 23(f) of IFRS 8 the Group disclosed for each reportable segments the following items of income or expenses that are included in the measure of the segment profit or loss reviewed by CODM: cost of inventories recognised as an expense; employee benefits expenses; and research and development costs.

Adjustments and eliminations

Finance income and costs, and fair value gains and losses on financial assets are not allocated to individual segments as the underlying instruments are managed on a group basis.

Current taxes, deferred taxes and certain financial assets and liabilities are not allocated to those segments as they are also managed on a group basis.

IFRS 8.28

Capital expenditure consists of additions of property, plant and equipment, intangible assets and investment properties including assets from the acquisition of subsidiaries. Inter-segment revenues are eliminated on consolidation.

IFRS 8.28(b)

Reconciliation of profit	2017	2016
	€000	€000
Segment profit	12,976	10,097
Finance income (Note 12.4)	336	211
Gain on financial instruments at fair value through profit or loss (Note 12.1)	850	–
Loss on financial instruments at fair value through profit or loss (Note 12.2)	(1,502)	–
Finance costs (Note 12.3)	(1,264)	(1,123)
Net realised gains from AFS financial assets (elimination)	(2)	–
Impairment on AFS financial assets (Note 20.1)	(111)	–
Inter-segment sales (elimination)	(175)	(305)
Profit before tax and discontinued operations	11,108	8,880

IFRS 8.28(c)

Reconciliation of assets	2017	2016
	€000	€000
Segment operating assets	119,855	101,043
Deferred tax assets (Note 14)	383	365
Loans to an associate (Note 20.1)	200	–
Loans to directors (Note 20.1)	13	8
Loan notes (Note 20.1)	3,674	1,685
Derivatives	1,102	153
Assets held for sale (Note 13)	13,554	–
Total assets	138,781	103,254

IFRS 8.28(d)

Reconciliation of liabilities	2017	2016
	€000	€000
Segment operating liabilities	30,991	26,079
Deferred tax liabilities (Note 14)	2,931	1,089
Current tax payable	3,511	3,563
Interest-bearing loans and borrowing	22,806	24,478
Derivatives	2,687	254
Liabilities held for sale (Note 13)	13,125	–
Total liabilities	76,051	55,463

IFRS 8.33(a)

4. Segment information *continued*

Geographic information

	2017	2016
	€000	€000
Revenue from external customers		
Euroland	128,238	112,584
United States	52,224	47,881
Total	180,462	160,465

The revenue information above is based on the locations of the customers. *IFRS 8.34*

Revenue from one customer amounted to €25,521,000 (2016: €21,263,000), arising from sales in the fire prevention equipment segment. *IFRS 8.33(b)*

	2017	2016
	€000	€000
Non-current operating assets		
Euroland	38,591	27,522
United States	9,300	7,251
Total	47,891	34,773

Non-current assets for this purpose consist of property, plant and equipment, investment properties and intangible assets.

Commentary

Interest income and interest expense have not been disclosed by segment as these items are managed on a group basis, and are not provided to the CODM at the operating segment level. Disclosure of operating segment assets and liabilities is only required when such measures are provided to the CODM. The Group provides information about operating assets and liabilities to the CODM. The other operations (e.g., treasury) do not constitute an individual operating segment and may be presented under a separate category 'all other segments' (IFRS 8.16). The results of these operations are reflected in 'Adjustments and eliminations'.

The Group's internal reporting is set up to report in accordance with IFRS. The segment disclosures could be significantly more extensive if internal reports had been prepared on a basis other than IFRS (e.g. national GAAP or tax basis). In this case, a reconciliation between the internally reported items and the externally communicated items needs to be presented.

The Group has classified an operating segment as a discontinued operation in 2016. IFRS 8 does not provide guidance as to whether segment disclosures apply to discontinued operations. Although the disposed segment is material, the Group has not disclosed the results within the segment disclosures under IFRS 8. IFRS 5.5B states that the requirements of other standards do not apply to discontinued operations, unless they specify disclosures applicable to them. Since IFRS 8 does not refer to discontinued operations, entities are not required to include them as a reportable segment. This would be the case even if the CODM continued to monitor the discontinued operation until disposal. Nevertheless, an entity would not be prohibited from disclosing such information, if desired.

The Group's CODM regularly reviews the segment information related to the joint venture based on its proportionate share of revenue, profits, assets and liabilities to make decisions about resources to be allocated to the segment and assess its performance. However, as required by IFRS 11, the Group's interest in the joint venture is accounted for in consolidated financial statements using the equity method. The eliminations arising on account of differences between proportionate consolidation and equity method are included under 'Adjustments and eliminations'.

5. Capital management

IAS 1.134
IAS 1.135

For the purpose of the Group's capital management, capital includes issued capital, convertible preference shares, share premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise the shareholder value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio between 20% and 40%. The Group includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and short-term deposits, excluding discontinued operations.

5. Capital management *continued*

	2017	2016
	€000	€000
Interest-bearing loans and borrowings other than convertible preference shares (Note 20.2)	20,028	21,834
Trade and other payables (Note 31)	19,444	20,730
Less: cash and short-term deposits (Note 23)	(17,112)	(14,916)
Net debt	22,360	27,648
Convertible preference shares (Note 20.2)	2,778	2,644
Equity	60,320	47,051
Total capital	63,098	49,695
Capital and net debt	85,458	77,343
Gearing ratio	26%	36%

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches of the financial covenants of any interest-bearing loans and borrowing in the current period.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2017 and 2016.

Commentary

IAS 1.134 and IAS 1.135 require entities to make qualitative and quantitative disclosures regarding their objectives, policies and processes for managing capital. The Group has disclosed its gearing ratio as this is the measure it uses to monitor capital. The Group considers both capital and net debt as relevant components of funding, hence, part of its capital management. However, other measures or a different type of gearing ratio may be more suitable for other entities.

IFRS 7.18-19 requires disclosures in the event of a default or breaches as at the end of a reporting period and during the year. Although there are no explicit requirements addressing the opposite situation, the Group has disclosed the restriction on capital represented by financial covenants as it considers it relevant information to the users of the financial statements.

6. Group information

Information about subsidiaries

IAS 24.13
IFRS12.10(a)
IFRS12.12(a)
IFRS12.12(b)

The consolidated financial statements of the Group include:

Name	Principal activities	Country of incorporation	% equity interest 2017	2016	
Extinguishers Limited	Fire prevention equipment	Euroland	80	–	
Bright Sparks Limited	Fire prevention equipment	Euroland	95	95	
Fire Equipment Test Lab Limited	Fire prevention equipment	Euroland	100*	–	
Wireworks Inc.	Fire prevention equipment	United States	98	98	
Sprinklers Inc.	Fire prevention equipment	United States	100	100	
Lightbulbs Limited	Electronics	Euroland	87.4	80	*IFRS 12.9*
Hose Limited	Rubber equipment	Euroland	100	100	
Electronics Limited	Electronics	Euroland	48**	48	*IFRS 12.9*

* Good Group (International) Limited holds 20% of the equity in Fire Equipment Test Lab Limited, but consolidates 100% of this entity. See Note 3 for details on interest held in Fire Equipment Test Lab Limited.

** Good Group (International) Limited consolidates this entity based on de facto control. See Note 3 for more details.

6. Group information *continued*

The holding company

The next senior and the ultimate holding company of the Good Group (International) Limited is S.J. Limited which is based and listed in Euroland.

IAS 1.138(c)
IAS 24.13

Entity with significant influence over the Group

International Fires P.L.C. owns 31.48% of the ordinary shares in Good Group (International) Limited (2016: 31.48%).

Associate

The Group has a 25% interest in Power Works Limited (2016: 25%).

Joint arrangement in which the Group is a joint venturer

The Group has a 50% interest in Showers Limited (2016: 50%). For more details, refer to Note 9.

Commentary

IFRS 12.10(a) requires entities to disclose information about the composition of the group. The list above discloses information about the Group's subsidiaries. Companies need to note that this disclosure is required for material subsidiaries only, rather than a full list of every subsidiary. The above illustrates one example as to how the requirements set out in IFRS 12 can be met. However, local legislation or listing requirements may require disclosure of a full list of all subsidiaries, whether material or not.

7. Business combinations and acquisition of non-controlling interests

Acquisitions in 2017

IFRS 3.59-60

Acquisition of Extinguishers Limited

On 1 May 2017, the Group acquired 80% of the voting shares of Extinguishers Limited, an unlisted company based in Euroland and specialising in the manufacture of fire retardant fabrics, in exchange for the Company's shares. The Group acquired Extinguishers Limited because it significantly enlarges the range of products in the fire prevention equipment segment that can be offered to its clients.

IFRS 3.B64(a)
IFRS 3.B64(b)
IFRS 3.B64(c)
IFRS 3.B64(d)

The Group has elected to measure the non-controlling interests in the acquiree at fair value.

IFRS 3.B64(o)(i)

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of Extinguishers Limited as at the date of acquisition were:

	Fair value recognised on acquisition	
		IFRS 3.B64(i) *IAS 7.40(d)*
Assets	€000	
Property, plant and equipment (Note 16)	7,042	
Cash and cash equivalents	230	*IAS 7.40(c)*
Trade receivables	1,716	
Inventories	3,578	
Patents and licences (Note 18)	1,200	
	13,766	
Liabilities		
Trade payables	(2,542)	
Contingent liability (Note 26)	(380)	
Provision for onerous operating lease costs (Note 26)	(400)	
Provision for restructuring (Note 26)	(500)	
Provision for decommissioning costs (Note 26)	(1,200)	
Deferred tax liability (Note 14)	(1,511)	
	(6,533)	
Total identifiable net assets at fair value	7,233	
Non-controlling interest measured at fair value	(1,547)	*IFRS 3.B64(o)(i)*
Goodwill arising on acquisition (Note 18)	2,231	
Purchase consideration transferred	7,917	*IAS 7.40(a)*

7. Business combinations and acquisition of non-controlling interests *continued*

The fair value of the trade receivables amounts to €1,716,000. The gross amount of trade receivables is €1,754,000. However, none of the trade receivables have been impaired and it is expected that the full contractual amounts can be collected.

IFRS 3.B64(h)

Prior to the acquisition, Extinguishers Limited decided to eliminate certain product lines (further details are given in Note 26). The restructuring provision recognised was a present obligation of Extinguishers Limited immediately prior to the business combination. The execution of the restructuring plan was not conditional upon it being acquired by the Group.

The deferred tax liability mainly comprises the tax effect of the accelerated depreciation for tax purposes of tangible and intangible assets.

The goodwill of €2,231,000 comprises the value of expected synergies arising from the acquisition and a customer list, which is not separately recognised. Goodwill is allocated entirely to the fire prevention segment. Due to the contractual terms imposed on acquisition, the customer list is not separable. Therefore, it does not meet the criteria for recognition as an intangible asset under IAS 38. None of the goodwill recognised is expected to be deductible for income tax purposes.

IFRS 3.B64(e)
IFRS 3.B64(k)

A contingent liability at fair value of €380,000 was recognised at the acquisition date resulting from a claim of a supplier whose shipment was rejected and payment was refused by the Group due to deviations from the defined technical specifications of the goods. The claim is subject to legal arbitration and is only expected to be finalised in late 2018. As at the reporting date, the contingent liability was re-assessed and is determined to be €400,000, based on the expected probable outcome (see Note 26). The charge to profit or loss has been recognised.

IFRS 3.B64(j)
IFRS 3.56(a)
IAS 37.85

The fair value of the non-controlling interest in Extinguishers Limited, an unlisted company, has been estimated by applying a discounted earnings technique. The fair value measurements are based on significant inputs that are not observable in the market. The fair value estimate is based on:

IFRS 3.B64 (o)(ii)

- An assumed discount rate of 14%
- A terminal value, calculated based on long-term sustainable growth rates for the industry ranging from 2% to 4%, which has been used to determine income for the future years
- A reinvestment ratio of 60% of earnings

From the date of acquisition, Extinguishers Limited contributed €17,857,000 of revenue and €750,000 to profit before tax from continuing operations of the Group. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been €222,582,000 and profit before tax from continuing operations for the Group would have been €12,285,000.

IFRS 3.B64 (q)(i)
IFRS 3.B64 (q)(ii)

Purchase consideration	€000	
Shares issued, at fair value	7,203	*IFRS 3.B64 (f)(iv)*
Contingent consideration liability	714	*IFRS 3.B64(f)(iii)*
Total consideration	7,917	*IAS 7.40(a)*
Analysis of cash flows on acquisition:		
Transaction costs of the acquisition (included in cash flows from operating activities)	(600)	
Net cash acquired with the subsidiary (included in cash flows from investing activities)	230	*IAS 7.40(c)*
Transaction costs attributable to issuance of shares (included in cash flows from financing activities, net of tax)	(32)	
Net cash flow on acquisition	(402)	

The Company issued 2,500,000 ordinary shares as consideration for the 80% interest in Extinguishers Limited. The fair value of the shares is calculated with reference to the quoted price of the shares of the Company at the date of acquisition, which was €2.88 per share. The fair value of the consideration given was therefore €7,203,000.

IFRS 3.B64 (f)(iv)

Transaction costs of €600,000 were expensed and are included in administrative expenses. The attributable costs of the issuance of the shares of €32,000 have been charged directly to equity as a reduction in share premium.

IFRS 3.B64(m)

7. Business combinations and acquisition of non-controlling interests *continued*

Contingent consideration

As part of the purchase agreement with the previous owner of Extinguishers Limited, a contingent consideration has been agreed. There will be additional cash payments to the previous owners of Extinguishers Limited of:

IFRS 3.B64 (g)(ii)
IFRS 13.93(h)(ii)

a) €675,000, if the entity generates up to €1,500,000 of profit before tax in a 12-month period after the acquisition date

Or

b) €1,125,000, if the entity generates €1,500,000 or more of profit before tax in a 12-month period after the acquisition date

IFRS 3.B64 (g)(iii)
IFRS 3.B64 (g)(i)
IFRS 3.58 (b)(i)
IFRS 13.93(d)

As at the acquisition date, the fair value of the contingent consideration was estimated to be €714,000.

As at 31 December 2017, the key performance indicators of Extinguishers Limited show that it is highly probable that the target will be achieved due to a significant expansion of the business and the synergies realised. The fair value of the contingent consideration determined at 31 December 2017 reflects this development, amongst other factors and a remeasurement charge has been recognised through profit or loss. The fair value is determined using a DCF method. The significant unobservable inputs used in the fair value measurements, together with a quantitative sensitivity analysis as at 31 December 2017 are provided in Note 20.4. A reconciliation of fair value measurement of the contingent consideration liability is provided below:

	€000	
As at 1 January 2017	-	*IFRS 13.93(e)*
Liability arising on business combination	714	
Unrealised fair value changes recognised in profit or loss	358	*IFRS 13.93(f)*
As at 31 December 2017	1,072	

The fair value of the contingent consideration liability increased due to a significantly improved performance of Extinguishers Limited compared with the budget. The contingent consideration liability is due for final measurement and payment to the former shareholders on 30 September 2018.

Commentary

The classification of a contingent consideration requires an analysis of the individual facts and circumstances. It may be classified as follows: equity or a financial liability in accordance with IAS 32 and IAS 39; a provision in accordance with IAS 37; or in accordance with other standards, each resulting in different initial recognition and subsequent measurement. The Group has determined that it has a contractual obligation to deliver cash to the seller and therefore it has assessed it to be a financial liability (IAS 32.11). Consequently, the Group is required to remeasure that liability at fair value at each reporting date with changes in fair value recognised in profit or loss in accordance with IAS 39 (IFRS 3.58(b)(i)).

As part of the business combination, contingent payments to employees or selling shareholders are common methods of retention of key people for the combined entity. The nature of such contingent payments, however, needs to be evaluated in each individual circumstance as not all such payments qualify as contingent consideration, but are accounted for as a separate transaction. For example, contingent payments that are unrelated to the future service of the employee are deemed contingent consideration, whereas contingent payments that are forfeited when the employment is terminated are deemed remuneration. Paragraphs B54–B55 of IFRS 3 (in connection with IFRS 3.51, 52(b)) provide further guidance.

7. Business combinations and acquisition of non-controlling interests *continued*

Acquisition of additional interest in Lightbulbs Limited

On 1 October 2017, the Group acquired an additional 7.4% interest in the voting shares of Lightbulbs Limited, increasing its ownership interest to 87.4%. Cash consideration of €325,000 was paid to the non-controlling shareholders. The carrying value of the net assets of Lightbulbs Limited (excluding goodwill on the original acquisition) was €1,824,000. Following is a schedule of additional interest acquired in Lightbulbs Limited:

IFRS10.B96
IFRS12.18
IFRS12.10(b)(iii)

	€000
Cash consideration paid to non-controlling shareholders	325
Carrying value of the additional interest in Lightbulbs Limited	(135)
Difference recognised in retained earnings	190

Acquisitions in 2016

On 1 December 2016, the Group acquired 80% of the voting shares of Lightbulbs Limited, a company based in Euroland, specialising in the production and distribution of lightbulbs. The Group acquired this business to enlarge the range of products in the electronics segment.

The Group elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree's identifiable net assets.

IFRS 3.59
IFRS 3.B64(a)
IFRS 3.B64(b)
IFRS 3.B64(c)
IFRS 3.B64(d)
IFRS 3.B64(o)(i)

The fair value of the identifiable assets and liabilities of Lightbulbs Limited as at the date of acquisition were:

	Fair value recognised on acquisition	
	€000	*IFRS 3.B64(i)* *IAS 7.40(d)*
Land and buildings (Note 16)	1,280	
Cash and cash equivalents	50	*IAS 7.40(c)*
Trade receivables	853	
Inventories	765	
Total assets	2,948	
Trade payables	(807)	
Deferred tax liability (Note 14)	(380)	
Provision for maintenance warranties	(50)	
Total liabilities	(1,237)	
Total identifiable net assets at fair value	1,711	
Non-controlling interest (20% of net assets)	(342)	
Goodwill arising on acquisition (Note 18)	131	
Purchase consideration transferred	1,500	*IAS 7.40(a)*

	Cash flow on acquisition	
	€000	*IAS 7.40(b)*
Net cash acquired with the subsidiary	50	*IAS 7.40(c)*
Cash paid	(1,500)	*IFRS 3.B64(f)(i)*
Net cash flow on acquisition	(1,450)	

The net assets recognised in the 31 December 2016 financial statements were based on a provisional assessment of their fair value while the Group sought an independent valuation for the land and buildings owned by Lightbulbs Limited. The valuation had not been completed by the date the 2016 financial statements were approved for issue by the Board of Directors.

IFRS 3.45
IFRS 3.B67(a)(i)
IFRS 3.B67(a)(ii)

7. Business combinations and acquisition of non-controlling interests *continued*

In April 2017, the valuation was completed and the acquisition date fair value of the land and buildings was €1,280,000, an increase of €200,000 over the provisional value. The 2016 comparative information was restated to reflect the adjustment to the provisional amounts. As a result, there was an increase in the deferred tax liability of €60,000 and an increase in the non-controlling interest of €28,000. There was also a corresponding reduction in goodwill of €112,000, resulting in €131,000 of total goodwill arising on the acquisition. The increased depreciation charge on the buildings from the acquisition date to 31 December 2016 was not material.

IFRS 3.49
IFRS3.B67(a) (iii)

From the date of acquisition, Lightbulbs Limited contributed €476,000 of revenue and €20,000 to profit before tax from continuing operations of the Group. If the combination had taken place at the beginning of 2016, the Groups revenue from continuing operations would have been €198,078,000 and the profit before tax from continuing operations would have been €7,850,000.

IFRS 3.B64(q)

The goodwill of €131,000 comprises the fair value of expected synergies arising from acquisition.

IFRS 3.B64(e)

Commentary

In the 2016 business combination, the Group elected to value the non-controlling interest using its proportionate share of the acquiree's identifiable net assets. In the 2017 business combination, the Group elected to value the non-controlling interest at fair value. This election can be made separately for each business combination, and is not a policy choice that determines an accounting treatment for all business combinations the Group will carry out (IFRS 3.19).

8. Material partly-owned subsidiaries

Financial information of subsidiaries that have material non-controlling interests is provided below:

IFRS12.10(ii)
IFRS12.12

Proportion of equity interest held by non-controlling interests:

Name	Country of incorporation and operation	2017	2016
Electronics Limited	Euroland	52%	52%
Extinguishers Limited	Euroland	20%	–
Lightbulbs Limited	Euroland	12.6%	20%

IFRS 12.12(f)
IFRS12.B10

	2017	2016
	€000	€000
Accumulated balances of material non-controlling interest:		
Electronics Limited	490	277
Extinguishers Limited	1,696	–
Lightbulbs Limited	263	344
Profit allocated to material non-controlling interest:		
Electronics Limited	243	192
Extinguishers Limited	149	–
Lightbulbs Limited	54	2

The summarised financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

IFRS 12.B11
IFRS 12.12(g)
IFRS 12.B10

Summarised statement of profit or loss for 2017:	Electronics Limited	Extinguishers Limited	Lightbulbs Limited
	€000	€000	€000
Revenue	2,546	17,857	5,748
Cost of sales	(1,450)	(15,678)	(4,090)
Administrative expenses	(354)	(1,364)	(1,020)
Finance costs	(250)	(65)	(132)
Profit before tax	492	750	506
Income tax	(25)	(6)	(80)
Profit for the year from continuing operations	467	744	426
Total comprehensive income	467	744	426
Attributable to non-controlling interests	243	149	54
Dividends paid to non-controlling interests	30	–	–

Notes to the consolidated financial statements

8. Material partly-owned subsidiaries *continued*

IFRS 12.B11
IFRS 12.12(g)
IFRS 12.B10

Summarised statement of profit or loss for 2016:

	Electronics Limited	Lightbulbs Limited
	€000	€000
Revenue	2,100	476
Cost of sales	(1,250)	(360)
Administrative expenses	(150)	(85)
Finance costs	(350)	(11)
Profit before tax	350	20
Income tax	20	(8)
Profit for the year from continuing operations	370	12
Total comprehensive income	370	12
Attributable to non-controlling interests	192	2
Dividends paid to non-controlling interests	49	–

Summarised statement of financial position as at 31 December 2017:

	Electronics Limited	Extinguishers Limited	Lightbulbs Limited
	€000	€000	€000
Inventories and cash and bank balances (current)	971	7,043	2,348
Property, plant and equipment and other non-current assets (non-current)	1,408	10,273	1,409
Trade and other payables (current)	(417)	(5,822)	(1,182)
Interest-bearing loans and borrowing and deferred tax liabilities (non-current)	(1,019)	(3,016)	(485)
Total equity	943	8,478	2,090
Attributable to:			
Equity holders of parent	453	6,782	1,827
Non-controlling interest	490	1,696	263

Summarised statement of financial position as at 31 December 2016:

	Electronics Limited	Lightbulbs Limited
	€000	€000
Inventories and cash and bank balances (current)	698	1,668
Property, plant and equipment and other non-current assets (non-current)	1,280	1,359
Trade and other payables (current)	(350)	(822)
Interest-bearing loans and borrowing and deferred tax liabilities (non-current)	(1,095)	(485)
Total equity	533	1,720
Attributable to:		
Equity holders of parent	256	1,376
Non-controlling interest	277	344

8. Material partly-owned subsidiaries *continued*

Summarised cash flow information for year ended 31 December 2017:

	Electronics Limited	Extinguishers Limited	Lightbulbs Limited
	€000	€000	€000
Operating	507	809	558
Investing	(15)	(280)	6
Financing	(250)	(65)	(132)
Net increase/(decrease) in cash and cash equivalents	242	464	432

Summarised cash flow information for year ended 31 December 2016:

	Electronics Limited	Lightbulbs Limited
	€000	€000
Operating	460	23
Investing	(10)	(20)
Financing	(350)	(11)
Net increase/(decrease) in cash and cash equivalents	100	(8)

Commentary

IFRS 12.12 requires the above information only in respect of subsidiaries that have non-controlling interests that are material to the reporting entity (i.e., the Group). A subsidiary may have significant non-controlling interest *per se* but disclosure is not required if that interest is not material at the Group level. Similarly, these disclosures do not apply to the non-controlling interests that are material in aggregate but not individually. Also, it should be noted that the above information should be provided separately for each individual subsidiary with a material non-controlling interest. The Group has concluded that Extinguishers Limited, Lightbulb Limited and Electronics Limited are the only subsidiaries with non-controlling interests that are material to the Group.

When there is a change in the ownership of a subsidiary, IFRS 12.18 requires disclosure of a schedule that shows the effects on equity of any changes in its ownership interest in the subsidiary that did not result in a loss of control. When there are significant restrictions on the Group's or its subsidiaries' ability to access or use the assets and settle the liabilities of the Group, IFRS 12.13 requires disclosure of the nature and extent of significant restrictions. The Group did not have any such restrictions.

IFRS 12.10 (b) (iv) requires disclosure of information to enable the users to evaluate the consequences of losing control of a subsidiary during the period. The Group did not lose control over a subsidiary during the period.

9. Interest in a joint venture

The Group has a 50% interest in Showers Limited, a joint venture involved in the manufacture of some of the Group's main product lines in fire prevention equipment in Euroland. The Group's interest in Showers Limited is accounted for using the equity method in the consolidated financial statements. Summarised financial information of the joint venture, based on its IFRS financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements are set out below:

IFRS 12.20
IFRS 12.21
IFRS 12.B14

Summarised statement of financial position of Showers Limited:

	2017	2016	
	€000	€000	*IFRS 12.B12*
Current assets, including cash and cash equivalents €989,000 (2016: €743,000) and prepayments €1,030,000 (2016: NIL)	3,226	2,808	*IFRS 12.B13*
Non-current assets	2,864	2,964	
Current liabilities, including tax payable €89,000 (2016: €143,000)	(224)	(1,102)	
Non-current liabilities, including deferred tax liabilities €278,000 (2016: €325,000) and long-term borrowing €500,000 (2016: €500,000)	(1,020)	(1,000)	
Equity	4,846	3,670	
Group's share in equity - 50% (2016: 50%)	2,423	1,835	
Goodwill	-	-	
Group's carrying amount of the investment	2,423	1,835	*IFRS 12.B14(b)*

Summarised statement of profit or loss of Showers Limited:

	2017	2016	
	€000	€000	
Revenue	60,094	58,876	
Cost of sales	(54,488)	(53,420)	
Administrative expenses, including depreciation €1,236,000 (2016: €1,235,000)	(2,638)	(2,586)	*IFRS 12.B13*
Finance costs, including interest expense €204,000 (2016: €150,000)	(204)	(200)	*IFRS 12.B13*
Profit before tax	2,764	2,670	
Income tax expense	(1,588)	(1,556)	*IFRS 12.B13*
Profit for the year (continuing operations)	1,176	1,114	
Total comprehensive income for the year (continuing operations)	1,176	1,114	*IFRS 12.B12(b)*
Group's share of profit for the year	588	557	

The joint venture had no other contingent liabilities or commitments as at 31 December 2017 and 2016, except trade purchase commitments of €620,000 (2016: €1,032,000), for which the Group has a corresponding commitment, as disclosed in Note 32. Showers Limited cannot distribute its profits without the consent from the two venture partners.

IFRS 12.22 (a)
IFRS 12.23(a)
IFRS 12.B18-B19

Commentary

IFRS 12.B14 requires separate presentation of goodwill and other adjustments to the investments in joint ventures and associates in the above reconciliation. The Group does not have goodwill or other adjustments.

IFRS 12.21(a) requires the separate disclosure of information for joint operations, as it relates to all types of joint arrangements. The Group does not have any joint operations.

The Group has presented the summarised financial information of the joint venture based on its IFRS financial statements. IFRS 12.B15 allows this information to be provided using alternative bases, if the entity measures its interest in the joint venture or associate at fair value, and if the joint venture or associate does not prepare IFRS financial statements and preparation on that basis would be impracticable or cause undue cost. Applying both the impracticable and undue cost thresholds involves significant judgement and must be carefully considered in the context of the specific facts and circumstances. In either case, the entity is required to disclose the basis on which the information is provided.

IFRS 12.22(b) requires additional disclosures when the financial statements of the joint venture or associate used in applying equity method are as of a different date or for a different period from that of the entity. This is not applicable to the Group.

IFRS 12.22(c) requires disclosure of unrecognised share of losses of a joint venture and associate. This is not applicable to the Group.

10. Investment in an associate

The Group has a 25% interest in Power Works Limited, which is involved in the manufacture of fire prevention equipment for power stations in Euroland. Power Works Limited is a private entity that is not listed on any public exchange. The Group's interest in Power Works Limited is accounted for using the equity method in the consolidated financial statements. The following table illustrates the summarised financial information of the Group's investment in Power Works Limited:

IFRS 12.20
IFRS 12.21(a)

	2017	2016	
	€000	€000	*IFRS 12.B12*
Current assets	6,524	6,324	
Non-current assets	13,664	12,828	
Current liabilities	(4,488)	(3,904)	
Non-current liabilities	(12,644)	(12,524)	
Equity	3,056	2,724	
Group's share in equity – 25% (2016: 25%)	764	681	
Goodwill	-	-	
Group's carrying amount of the investment	764	681	

	2017	2016	
	€000	€000	
Revenue	33,292	32,640	
Cost of sales	(27,299)	(26,765)	
Administrative expenses	(1,665)	(1,632)	
Finance costs	(2,996)	(2,938)	
Profit before tax	1,332	1,305	
Income tax expense	(1,000)	(981)	
Profit for the year (continuing operations)	332	324	
Other comprehensive income to be reclassified to profit or loss in subsequent periods, net of tax	(120)	-	
Other comprehensive income not to be reclassified to profit or loss in the subsequent periods, net of tax	120	-	
Total comprehensive income for the year (continuing operations)	332	324	*IFRS 12.B12(b)*
Group's share of profit for the year	83	81	

The associate requires the Group's consent to distribute its profits. The Group does not foresee giving such consent at the reporting date.

IFRS12.22(a)

The associate had no contingent liabilities or capital commitments as at 31 December 2016 or 2017.

IFRS 12.23

Commentary

IFRS 12.21(c) and IFRS 12.B16 require disclosure of the aggregated information of associates and joint ventures that are accounted using the equity method and are not individually material. The Group did not have any immaterial associates or joint ventures.

The Group has presented the summarised financial information of the associate based on its IFRS financial statements. IFRS 12.B15 allows this information to be provided using alternative bases.

11. Fair value measurement

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

Fair value measurement hierarchy for assets as at 31 December 2017:

IFRS 13.91(a)
IFRS 13.93(a)
IFRS 13.93(b)
IFRS 13.97

			Fair value measurement using		
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		€000	€000	€000	€000
Assets measured at fair value:					
Investment properties (Note 17):					
Office properties	31 December 2017	4,260	–	–	4,260
Retail properties	31 December 2017	4,633	–	–	4,633
Derivative financial assets (Note 20.4):					
Foreign exchange forward contracts - US dollars	31 December 2017	492	–	492	–
Foreign exchange forward contracts - GB pounds sterling	31 December 2017	400	–	400	–
Embedded foreign exchange derivatives - Canadian dollars	31 December 2017	210	–	–	210
AFS financial assets (Note 20.4):					
Quoted equity shares					
Power sector	31 December 2017	219	219	–	–
Telecommunications sector	31 December 2017	118	118	–	–
Unquoted equity shares					
Power sector	31 December 2017	675	–	–	675
Electronics sector	31 December 2017	363	–	–	363
Quoted debt securities					
Euroland government bonds	31 December 2017	368	368	–	–
Corporate bonds - consumer products sector	31 December 2017	92	92	–	–
Corporate bonds - technology sector	31 December 2017	152	152	–	–
Revalued property, plant and equipment (Note 16)*:					
Office properties in Euroland	31 January 2017	1,749	–	–	1,749
Discontinued operations (Note 13)	1 October 2017	2,751	–	–	2,751
Assets for which fair values are disclosed (Note 20.4):					
Loan and receivables					
Loan notes (Euroland)	31 December 2017	1,528	–	1,528	–
Loan notes (US)	31 December 2017	2,000	–	2,000	–
Loan to an associate	31 December 2017	200	–	–	200
Loan to a director	31 December 2017	13	–	–	13

There were no transfers between Level 1 and Level 2 during 2017.

IFRS 13.9(c)

* Due to a change in accounting policy, revaluations of property, plant and equipment were recognised in Level 3 for the first time. Refer to Note 16 for more information.

11. Fair value measurement *continued*

Fair value measurement hierarchy for liabilities as at 31 December 2017:

	Date of valuation	Total	Fair value measurement using: Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
		€000	€000	€000	€000	
Liabilities measured at fair value:						
Derivative financial liabilities (Note 20.4):						
Interest rate swaps	31 December 2017	35	–	35	–	
Foreign exchange forward contracts (GB pounds sterling)	31 December 2017	800	–	800	–	
Embedded commodity derivatives (brass)	31 December 2017	600	–	–	600	
Embedded commodity derivatives (chrome)	31 December 2017	182	–	–	182	
Foreign exchange forward contracts – US dollars	31 December 2017	90	–	90	–	
Commodity derivative (copper)	31 December 2017	980	–	980	–	
Contingent consideration liability (Note 7)	31 December 2017	1,072	–	–	1,072	
Liabilities for which fair values are disclosed (Note 20.4):						
Interest-bearing loans and borrowings:						
Obligations under finance lease and hire purchase contracts (Euroland)	31 December 2017	800	–	800	–	
Obligations under finance lease and hire purchase contracts (US)	31 December 2017	263	–	263	–	
Floating rate borrowings (Euroland)	31 December 2017	10,420	–	10,420	–	
Floating rate borrowings (US)	31 December 2017	2,246	–	2,246	–	*IFRS 13.93(a)*
Convertible preference shares	31 December 2017	2,766	–	2,766	–	*IFRS 13.93(b)*
Fixed rate borrowing	31 December 2017	6,321	–	6,321	–	*IFRS 13.97*
Financial guarantees	31 December 2017	83	–	–	83	

There were no transfers between Level 1 and Level 2 during 2017.

11. Fair value measurement *continued*

Fair value measurement hierarchy for assets as at 31 December 2016:

			Fair value measurement using		
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		€000	€000	€000	€000
Assets measured at fair value:					
Investment properties (Note 17):					
Office properties	31 December 2016	3,824	–	–	3,824
Retail properties	31 December 2016	4,159	–	–	4,159
Derivative financial assets (Note 20.4):					
Foreign exchange forward contracts - US dollars	31 December 2016	100	–	100	–
Foreign exchange forward contracts - GB pounds sterling	31 December 2016	53	–	53	–
AFS financial assets (Note 20.4):					
Quoted equity shares					
Power sector	31 December 2016	200	200	–	–
Telecommunications sector	31 December 2016	100	100	–	–
Unquoted equity shares					
Power sector	31 December 2016	390	–	–	390
Electronics sector	31 December 2016	508	–	–	508
Quoted debt securities					
Euroland government bonds	31 December 2016	200	200	–	–
Corporate bonds - consumer products sector	31 December 2016	400	400	–	–
Assets for which fair values are disclosed (Note 20.4):					
Loan and receivables					
Loan notes (Euroland)	31 December 2016	1,646	–	1,646	–
Loan to an director	31 December 2016	8	–	–	8

There were no transfers between Level 1 and Level 2 during 2016.

11. Fair value measurement *continued*

Fair value measurement hierarchy for liabilities as at 31 December 2016:

			Fair value measurement using		
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		€000	€000	€000	€000
Liabilities measured at fair value:					
Derivative financial liabilities (Note 20.4):					
Foreign exchange forward contracts - US dollars	31 December 2016	254	–	254	–
Liabilities for which fair values are disclosed (Note 20.4):					
Interest-bearing loans and borrowings:					
Obligations under finance lease and hire purchase contracts (Euroland)	31 December 2016	915	–	915	–
Obligations under finance lease and hire purchase contracts (US)	31 December 2016	301	–	301	–
Floating rate borrowings (Euroland)	31 December 2016	10,367	–	10,367	–
Floating rate borrowings (US)	31 December 2016	2,234	–	2,234	–
Convertible preference shares	31 December 2016	2,621	–	2,621	–
Fixed rate borrowing	31 December 2016	8,944	–	8,944	–
Financial guarantees	31 December 2016	45	–	–	45

There were no transfers between Level 1 and Level 2 during 2016.

Commentary

IFRS 13.94 requires appropriate determination of classes of assets and liabilities on the basis of:

- The nature, characteristics and risks of the asset or liability; and
- The level of the fair value hierarchy within which the fair value measurement in categorised

The Group has applied the factors and disclosed the quantitative information under IFRS 13 based on the classes of assets and liabilities determined as per IFRS 13.94. As judgement is required to determine the classes of properties, other criteria and aggregation levels for classes of assets may also be appropriate, provided they are based on the risk profile of the assets (e.g., the risk profile of properties in an emerging market may differ from that of properties in a mature market).

Inputs used in a valuation technique may fall into different levels of the fair value hierarchy. However, for disclosure purposes, the fair value measurement must be categorised in its entirety (i.e., depending on the unit of account) within the hierarchy. That categorisation may not be so obvious when there are multiple inputs used. IFRS 13.73 clarifies that the hierarchy categorisation of a fair value measurement, in its entirety, is determined based on the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to the entire measurement requires judgement and consideration of factors specific to the asset or liability (or group of assets and/or liabilities) being measured and any adjustments made to the significant inputs in arriving at the fair value. These considerations have a follow-on impact on the disclosures of valuation techniques, processes and significant inputs and entities should tailor their disclosures to the specific facts and circumstances.

For assets and liabilities held at the end of the reporting period measured at fair value on a recurring basis, IFRS 13.93(c) requires disclosure of the amounts of transfers between Level 1 and Level 2 of the hierarchy, the reasons for those transfers and the entity's policy for determining when the transfers are deemed to have occurred. Transfers into each level must be disclosed and discussed separately from transfers out of each level.

The Group has also provided IFRS 13 disclosures on obligations under finance lease and hire purchase contracts where fair values are required to be disclosed under IFRS 7.25 as the Group took the view that IFRS 13 applies to the disclosure of fair value required under IFRS 7 *Financial Instruments: Disclosures*, including finance lease obligations.

12. Other income/expenses

12.1 Other operating income

	2017	2016	
	€000	€000	
Government grants (Note 27)	1,053	541	*IAS 20.39(b)*
Net gain on financial instruments at fair value through profit or loss	850	–	*IFRS 7.20(a)(i)*
Net gain on disposal of property, plant and equipment	532	2,007	*IAS 1.97*
Total other operating income	2,435	2,548	*IAS 1.98*

The net gain on financial instruments at fair value through profit or loss relates to foreign exchange forward contracts that did not qualify for hedge accounting and embedded derivatives which have been separated.

12.2 Other operating expenses

	2017	2016	
	€000	€000	
Bid defence costs	(579)	(31)	*IAS 1.97*
Cost of WEEE (Note 26)	(102)	(22)	*IAS 1.97*
Change in fair value of investment properties (Note 17)	(306)	(300)	*IAS 1.97*
Net loss on financial instruments at fair value through profit or loss	(1,502)	-	*IFRS 7.20(a)*
Ineffectiveness on forward commodity contracts designated as cash flow hedges (Note 20.3)	(65)	-	*IFRS 7.24(b)*
Total other operating expenses	(2,554)	(353)	

Bid defence costs were incurred in respect of obtaining advice in defending a hostile takeover bid by a competitor. The competitor did not proceed with the bid.

Net loss on financial instruments at fair value through profit or loss relates to foreign exchange forward contracts that did not qualify for hedge accounting and embedded derivatives which have been separated.

Commentary

IAS 1 does not require an entity to disclose the results of operating activities as a line item in the income statement. If an entity elects to do so, it must ensure that the disclosed amount is representative of activities that would normally be regarded as 'operating' (IAS 1.BC56). As IAS 1 does not provide any further guidance on operating profits, an entity needs to apply judgement in developing its own accounting policy under IAS 8.10.

The Group has taken the view that presenting the gains and losses on foreign exchange forward contracts and embedded derivatives in operating income and expenses reflects the economic substance of those transactions as they are entered into to hedge forecast sales and purchases and are, therefore, clearly associated with transactions which are part of the operating income and expenses (IAS 8.10(b)(ii)). Other entities may take alternative views and, hence, there is diversity in practice.

12. Other income/expenses *continued*

12.3 Finance costs

	2017	2016	
	€000	€000	
Interest on debts and borrowings	(1,047)	(1,082)	
Finance charges payable under finance leases and hire purchase contracts	(40)	(40)	
Total interest expense	(1,087)	(1,122)	*IFRS 7.20(b)*
Impairment loss on quoted AFS equity investments (Note 20.1)	(111)	-	*IFRS 7.20(e)*
Unwinding of discount and effect of changes in discount rate on provisions (Note 26)	(43)	(1)	*IAS 37.60*
Change in fair value of the forward points in commodity forward contracts (Note 20.3)	(23)	-	
Total finance costs	(1,264)	(1,123)	

12.4 Finance income

	2017	2016	
	€000	€000	
Interest income on a loan to an associate	20	-	
Interest income from AFS financial assets	259	144	
Foreign exchange gains on interest-bearing loans and borrowings	57	67	*IAS 18.35(b)(iii*
Total finance income	336	211	*IFRS 7.20(b)*

Commentary

Finance income and finance cost are not defined terms in IFRS. Some regulators limit the inclusion of certain income and expense within those items (e.g., restricted to interest income and expense), while other jurisdictions allow additional items to be included.

12.5 Depreciation, amortisation, foreign exchange differences and costs of inventories included in the consolidated statement of profit or loss

	2017	2016	*IAS 1.104*
	€000	€000	
Included in cost of sales:			
Depreciation	3,520	2,800	
Impairment of property, plant and equipment (Note 16)	–	301	*IAS 36.126(a)*
Amortisation and impairment of intangible assets (Note 18)	325	174	*IAS 38.118(d)*
Net foreign exchange differences	(65)	(40)	*IAS 21.52(a)*
Warranty provision (Note 26)	106	52	
Costs of inventories recognised as an expense	131,107	121,298	*IAS 2.36(d)*
Included in administrative expenses:			
Depreciation	277	282	
Impairment of goodwill (Note 19)	200	–	*IAS 36.126(a)*
Minimum lease payments recognised as an operating lease expense	250	175	*IAS 17.35(c)*
Remeasurement of contingent consideration (Note 7)	357	–	

12. Other income/expenses *continued*

12.6 Employee benefits expense

	2017	2016	
	€000	€000	IAS 1.104
Included in cost of sales:			
Wages and salaries	6,551	6,513	
Social security costs	664	659	
Pension costs	350	305	
Post-employment benefits other than pensions	38	28	
Share-based payment expense	103	123	
Included in selling and distribution expenses:			
Wages and salaries	10,882	10,220	
Social security costs	1,102	1,135	
Pension costs	560	496	
Post-employment benefits other than pensions	61	45	
Share-based payment expense	165	197	
Included in cost of administrative expenses:			
Wages and salaries	11,238	7,410	
Social security costs	1,349	1,343	
Pension costs	488	465	
Post-employment benefits other than pensions	54	40	
Share-based payment expense	144	172	IFRS 2.51(a)
Total employee benefits expense	33,749	29,151	

12.7 Research and development costs

IAS 38.126

The Group's electronics business research and development concentrates on the development of internet-enabled safety equipment. Research and development costs that are not eligible for capitalisation have been expensed in the period incurred (in 2017, this was €2,235,000 (2016: €1,034,000)), and they are recognised in administrative expenses.

12.8 Components of OCI

	2017	2016	
Cash flow hedges:	€000	€000	
Gains/(losses) arising during the year			
Currency forward contracts*			IAS 1.92
Reclassification during the year to profit or loss	401	412	IFRS 7.23(d)
Net loss during the year (except not-yet matured contracts)	(300)	(278)	IFRS 7.23(c)
Net gain/(loss) during the year of the not-yet matured contracts	82	(101)	
Commodity forward contracts			
Loss of the not-yet matured commodity forward contracts	(915)	-	
	(732)	33	

* This includes €183,000 that was removed from OCI during the year and included in the carrying amount of the hedged items as a basis adjustment (2016: €33,000).

Commentary

This analysis does not include the remaining items of OCI, as those are either never reclassified to profit or loss or reclassification adjustments did not occur.

The total comprehensive balance of the cash flow hedge (net of tax) is provided for illustrative purposes in Note 24, where the split among the different equity reserves is shown. In addition, the balance of the AFS financial assets (net of tax) cannot be obtained directly or indirectly from the notes to these financial statements because IFRS does not require the disclosure of the movements. Note 20.4 include the movements of those AFS financial assets classified as Level 3 in the fair value hierarchy, which are mandatory disclosures.

12. Other income/expenses *continued*

12.9 Administrative expenses

	2017	2016	IAS 1.104
	€000	€000	
Acquisition-related transaction costs	600	–	
Research and development costs	2,235	1,034	
Depreciation	277	282	
Impairment of goodwill (Note 19)	200	–	
Minimum lease payments recognised as an operating lease expense	250	175	
Remeasurement of contingent consideration (Note 7)	357	–	
Wages and salaries	11,238	7,410	
Social security costs	1,349	1,343	
Pension costs	488	465	
Post-employment benefits other than pensions	54	40	
Share-based payment expense	144	172	
Other administrative expenses	1,236	1,235	
Total administrative expenses	18,428	12,156	

13. Discontinued operations

On 1 October 2017, the Group publicly announced the decision of its Board of Directors to sell Hose Limited, a wholly owned subsidiary. On 14 November 2017, the shareholders of the Company approved the plan to sell. The sale of Hose Limited is expected to be completed within a year from the reporting date. At 31 December 2017, Hose Limited was classified as a disposal group held for sale and as a discontinued operation. The business of Hose Limited represented the entirety of the Group's Rubber Equipment operating segment until 1 October 2017. With Hose Limited being classified as discontinued operations, the Rubber Equipment segment is no longer presented in the segment note. The results of Hose Limited for the year are presented below:

IFRS 5.30
IFRS 5.41

	2017	2016	IFRS 5.33(b)(i)
	€000	€000	IFRS 5.34
Revenue	42,809	45,206	
Expenses	(41,961)	(44,880)	
Operating income	848	326	
Finance costs	(525)	(519)	
Impairment loss recognised on the remeasurement to fair value less costs to sale	(110)	–	IFRS 5.33 (b)(iii)
Profit/(loss) before tax from a discontinued operations	213	(193)	
Tax benefit/(expense):			
Related to pre-tax profit/(loss) from the ordinary activities for the period	(26)	5	IFRS 5.33 (b)(ii) IAS 12.81(h)(ii)
Related to remeasurement to fair value less costs to distribute	33	–	IFRS 5.33 (b)(iv) IAS 12.81(h)(i)
Profit/(loss) for the year from discontinued operations	220	(188)	

13. Discontinued operations *continued*

The major classes of assets and liabilities of Hose Limited classified as held for sale as at 31 December are, as follows: *IFRS 5.38*

	2017	
	€000	*IFRS 5.38* *IFRS 5.40*
Assets		
Intangible assets (Note 18)	135	
Property, plant and equipment (Note 16)	4,637	
Debtors	6,980	
Equity shares – unquoted	508	
Cash and short-term deposits (Note 23)	1,294	
Assets held for sale	13,554	
Liabilities		
Creditors	(7,241)	
Deferred tax liability	(75)	
Interest-bearing liabilities (Note 20.2)	(5,809)	
Liabilities directly associated with assets held for sale	(13,125)	
Net assets directly associated with disposal group	429	
Amounts included in accumulated OCI:		
AFS reserve	66	*IFRS 5.38*
Deferred tax on AFS reserve	(20)	
Reserve of disposal group classified as held for sale	46	

The net cash flows incurred by Hose Limited are, as follows: *IFRS 5.33(c)*

	2017	2016
	€000	€000
Operating	(1,999)	3,293
Investing	–	–
Financing	(436)	(436)
Net cash (outflow)/inflow	(2,435)	2,857

Earnings per share	2017	2016	
Basic, profit/(loss) for the year from discontinued operations	€0.01	(€0.01)	*IAS 33.68*
Diluted, profit/(loss) for the year from discontinued operations	€0.01	(€0.01)	

Interest-bearing liabilities comprise a fixed rate bank loan of €5,809,000 having an EIR of 7.5% that is repayable in full on 1 January 2019. *IFRS 7.7*

Commentary

IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* specifies certain disclosures required in respect of discontinued operations and non-current assets held for sale. IFRS 5.5B states that the requirements of other standards do not apply to discontinued operations, unless the other standards specify disclosures that are applicable to them.

In paragraph B17 of IFRS 12, the standard further clarified that disclosures of summarised information specified in paragraphs B10-B16 of IFRS 12 are not required when an entity's interest in a subsidiary, joint venture or associate (or a portion of its interest in a joint venture or an associate) is classified as held for sale in accordance with IFRS 5. However, it was silent about disclosures other than in paragraphs B10-B16 of IFRS12. The *Annual Improvements 2014-2016 Cycle*, issued in December 2016, clarified that the disclosure requirements in IFRS 12, other than those in paragraphs B10-B16, apply to an entity's held-for-sale interests and required retrospective application of these amendments. The Group concluded that there is no additional information that it needs to disclose about its wholly-owned subsidiary, Hose limited, which is classified as disposal group held for sale as at 31 December 2017, as a result of these amendments.

IAS 33.68A provides an option to present the earnings per share from discontinued operations either on the face of the statement of profit or loss or in the notes. The Group has opted to present the earnings per share from discontinued operations in the notes.

13. Discontinued operations *continued*

Write-down of property, plant and equipment

Immediately before the classification of Hose Limited as discontinued operations, the recoverable amount was estimated for certain items of property, plant and equipment and no impairment loss was identified. Following the classification, a write-down of €110,000 (net of tax €77,000) was recognised on 1 October 2017 to reduce the carrying amount of the assets in the disposal group to their fair value less costs to sell. This was recognised in discontinued operations in the statement of profit or loss. Fair value measurement disclosures are provided in Note 11.

IFRS 5.33 (b)(iii)
IFRS 5.33 (b)(iv)

As at 31 December 2017, there was no further write-down as the carrying amount of the disposal group did not fall below its fair value less costs to sell.

Investment in unquoted equity shares

The discontinued operation includes an investment in unquoted equity shares (Level 3 in the fair value hierarchy) of Test Ltd with a carrying amount of €508,000. The collaboration with Test Ltd is closely related to the discontinued operation of Hose Limited and is therefore reclassified as part of the discontinued operations. This investment is classified as an AFS financial asset and carried at fair value through OCI. The Group did not pledge the financial asset nor receive any collateral for it. As at the reporting date, the carrying amount equals the fair value of the instrument. For details on the recognition, measurement valuation techniques and inputs used for this investment, refer Note 20.4.

IFRS 7.8(d)
IFRS 7.14
IFRS 7.15
IFRS 7.25

Reconciliation of fair value measurement of the investment in unquoted equity shares:

IFRS 13.93(e)

	€000
As at 1 January 2016	502
Sales	–
Purchases	–
Total gains and losses recognised in OCI	6
As at 1 January 2017 and 1 October 2017	508
Sales	–
Purchases	–
Total gains and losses recognised in OCI	–
As at 31 December 2017	508

There were no gains or losses recognised in profit or loss or in OCI with respect to these assets.

IFRS 13.93(f)

Refer to Note 20.5 for details on the nature and extent of risks arising from financial instruments.

Commentary

IFRS 5.5B clarifies that disclosure requirements in other standards do not apply to non-current assets (or disposal groups) held for sale unless those standards explicitly refer to these assets and disposal groups. However, IFRS 5.5B(b) states that disclosure requirements continue to apply for assets and liabilities that are included in the disposal group, but are not within the scope of the measurement requirements of IFRS 5. The illustration above reflects this circumstance, as the unquoted AFS equity instrument is a financial instrument as defined in IAS 39 and is, therefore, scoped out of the measurement requirements of IFRS 5.

Whilst, the assets of discontinued operations are non-recurring fair value measurements under IFRS 13.93(a), AFS financial assets of the discontinued operations are recurring fair value measurements since they are required to be measured at fair value at the end of each reporting period.

14. Income tax

The major components of income tax expense for the years ended 31 December 2017 and 2016 are: *IAS 12.79*

Consolidated profit or loss	2017	2016	
	€000	€000	
Current income tax:			
Current income tax charge	2,938	3,038	
Tax effect of error correction (see Note 2.5)	–	(450)	
Adjustments in respect of current income tax of previous year	(18)	(44)	*IAS 12.80(a)*
Deferred tax:			*IAS 12.80(b)*
Relating to origination and reversal of temporary differences	178	(311)	*IAS 12.80(c)*
Income tax expense reported in the statement of profit or loss	3,098	2,233	

Consolidated other comprehensive income	2017	2016	*IAS 12.81(ab)*
	€000	€000	
Deferred tax related to items recognised in OCI during in the year:			
Net (gain)/loss on revaluation of cash flow hedges	220	(9)	
Unrealised (gain)/loss on AFS financial assets	18	(1)	
Net gain on revaluation of office properties in Euroland	(254)	–	
Net gain on hedge of net investment	(83)	–	
Net loss/(gain) on actuarial gains and losses	(112)	116	
Deferred tax charged to OCI	(211)	106	

Commentary

Deferred taxes related to the revaluation of office properties in Euroland have been calculated at the tax rate of the jurisdiction in which they are located (30% of the total revaluation of €846,000, see Note 16).

The tax effect of cash flow hedge instruments reflects the change in balances from 2016 to 2017 only for the effective portion (ineffectiveness has been accounted for directly in profit or loss). The reconciliation of these changes to the notes is difficult to directly observe. For illustrative purposes, a reconciliation is provided below (please note that the net change is also included in the statement of comprehensive income):

	Assets		Liabilities	
	2017	2016	2017	2016
	€000	€000	€000	€000
Foreign exchange forward contract assets (Note 20.1)	252	153	–	–
Foreign exchange forward contract liabilities (Note 20.2)	–	–	170	254
Commodity forward contract (Note 20.2)	–	–	980	–
Ineffectiveness of commodity contract (Note 12.2)	–	–	(65)	–
Total balances	252	153	1,085	254
Net variation in OCI	99		831	
Net increase of cash flow hedge balances during 2016 (net liability and net loss)			732	
Tax rate			30%	
Tax gain			220	

14. Income tax *continued*

Reconciliation of tax expense and the accounting profit multiplied by Euroland's domestic tax rate for 2016 and 2017:

IAS 12.81 (c)(i)

	2017	2016
	€000	€000
Accounting profit before tax from continuing operations	11,108	8,880
Profit/(loss) before tax from a discontinued operation	213	(193)
Accounting profit before income tax	11,321	8,687
At Euroland's statutory income tax rate of 30% (2016: 30%)	3,396	2,606
Adjustments in respect of current income tax of previous years	(18)	(44)
Government grants exempted from tax	(316)	(162)
Utilisation of previously unrecognised tax losses	(231)	(89)
Share of results of associates and joint ventures	(201)	(191)
Non-deductible expenses for tax purposes:		
Impairment of goodwill	60	–
Contingent consideration remeasurement (Note 7)	107	–
Other non-deductible expenses	10	–
Effect of higher tax rates in the United States	284	108
At the effective income tax rate of 27% (2016: 28%)	3,091	2,228
Income tax expense reported in the statement of profit or loss	3,098	2,233
Income tax attributable to a discontinued operation	(7)	(5)
	3,091	2,228

Commentary

The tax effects above can be reconciled using a 30% tax rate applied to the amounts in the following notes:

- Government grants (Note 27) upon recognition in the income statement
- Unrecognised tax losses using the change in the amount mentioned in Note 3 under the section headed *Taxes*
- Impairment of goodwill in Note 19 and contingent consideration expense in Note 7

14. Income tax *continued*

Deferred tax

Deferred tax relates to the following:

	Consolidated statement of financial position		Consolidated statement of profit or loss		
	2017	2016	2017	2016	*IAS 12.81(g)(i)*
	€000	€000	€000	€000	*IAS 12.81(g)(ii)*
Accelerated depreciation for tax purposes	(2,762)	(811)	442	(157)	
Revaluations of investment properties to fair value	(1,330)	(1,422)	(92)	(90)	
Revaluations of office properties in Euroland to fair value	(254)	–	–	–	
Revaluations of AFS financial assets to fair value	17	(1)	–	–	
Revaluation of a hedged loan to fair value	(11)	–	11	–	
Net gain on hedge of a net investment	(83)	–	–	–	
Share based payments	51	100	49	–	
Post-employment medical benefits	102	59	(43)	(33)	
Pension	813	835	(91)	55	
Revaluation of an interest rate swap (fair value hedge) to fair value	11	–	(11)	–	
Revaluation of cash flow hedges	250	31	–	–	
Impairment on AFS unquoted debt instruments	27	–	(27)	–	
Deferred revenue on customer loyalty programmes	72	65	(6)	(11)	
Convertible preference shares	91	55	(36)	(31)	
Losses available for offsetting against future taxable income	383	365	(18)	(44)	
Deferred tax expense/(benefit)			178	(311)	
Net deferred tax assets/(liabilities)	(2,623)	(724)			
Reflected in the statement of financial position as follows:					
Deferred tax assets	383	365			
Deferred tax liabilities:					
Continuing operations	(2,931)	(1,089)			
Discontinued operations	(75)	–			
Deferred tax liabilities, net	(2,623)	(724)			

Reconciliation of deferred tax liabilities, net	2017	2016
	€000	€000
As of 1 January	(724)	(762)
Tax income/(expense) during the period recognised in profit or loss	(178)	312
Tax income/(expense) during the period recognised in OCI	(212)	106
Discontinued operation	2	–
Deferred taxes acquired in business combinations	(1,511)	(380)
As at 31 December	(2,623)	(724)

14. Income tax *continued*

Commentary

Although not specifically required by IAS 1 or IAS 12 *Income Taxes*, the reconciliation of the net deferred tax liability may be helpful.

As in some other disclosures included in this note, the cross reference with the amounts from which they are derived is not direct. Nevertheless, the reasonableness of each balance may be obtained from the respective notes by applying a 30% tax rate. The exception being the accelerated depreciation for tax purposes whose change during the year is mainly explained by the acquisition of Extinguishers Limited (see Note 7).

The Group has tax losses that arose in Euroland of €427,000 (2016: €1,198,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

IAS 12.81(e)

Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group, they have arisen in subsidiaries that have been loss-making for some time, and there are no other tax planning opportunities or other evidence of recoverability in the near future. If the Group were able to recognise all unrecognised deferred tax assets, the profit would increase by €128,000 (2016: €359,400).

IAS 12.37
IAS 12.81(e)

The temporary differences associated with investments in the Group's subsidiaries, associate and joint venture, for which a deferred tax liability has not been recognised in the periods presented, aggregate to €1,745,000 (2016: €1,458,000). The Group has determined that the undistributed profits of its subsidiaries, joint venture or associate will not be distributed in the foreseeable future. The Group has an agreement with its associate that the profits of the associate will not be distributed until it obtains the consent of the Group. The Group does not anticipate giving such consent at the reporting date. Furthermore, the Group's joint venture will not distribute its profits until it obtains the consent of all venture partners.

IAS 12.81(f)

There are no income tax consequences attached to the payment of dividends in either 2017 or 2016 by the Group to its shareholders.

IAS 12.82A

Commentary

IAS 1.61 requires an entity to separately disclose the line items that are included in the amounts expected to be recovered or settled within 12 months and more than 12 months after the reporting date. Deferred tax assets and liabilities may be considered one example, for items combining such amounts. However, IAS 1.56, in contrast, does not permit presentation of those items as current, which suggests that providing the disclosures required by IAS 1.61 does not apply to deferred tax assets and liabilities.

15. Earnings per share (EPS)

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following table reflects the income and share data used in the basic and diluted EPS computations:

	2017	2016	
	€000	€000	
Profit attributable to ordinary equity holders of the parent:			
Continuing operations	7,722	6,408	
Discontinued operations	220	(188)	
Profit attributable to ordinary equity holders of the parent for basic earnings	7,942	6,220	*IAS 33.70(a)*
Interest on convertible preference shares	247	238	
Profit attributable to ordinary equity holders of the parent adjusted for the effect of dilution	8,189	6,458	*IAS 33.70(a)*

	2017	2016	
	Thousands	Thousands	*IAS 33.70(b)*
Weighted average number of ordinary shares for basic EPS*	20,797	19,064	
Effects of dilution from:			
Share options	112	177	
Convertible preference shares	833	833	
Weighted average number of ordinary shares adjusted for the effect of dilution*	21,742	20,074	*IAS 33.70(b)*

** The weighted average number of shares takes into account the weighted average effect of changes in treasury shares during the year.* *IAS 33.70(d)*

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

To calculate the EPS for discontinued operations (Note 13), the weighted average number of ordinary shares for both the basic and diluted EPS is as per the table above. The following table provides the profit/(loss) amount used:

	2017	2016
	€000	€000
Profit/(loss) attributable to ordinary equity holders of the parent from discontinued operations for the basic and diluted EPS calculations	220	(188)

16. Property, plant and equipment

	Freehold land and buildings	Office properties in Euroland	Construction in progress	Plant and machinery	Other equipment	Total	IAS 1.78(a) IAS 16.73(e)
	€000	€000	€000	€000	€000	€000	IAS 16.73(d)
Cost or valuation							
At 1 January 2016	10,765	1,122	–	17,657	5,500	35,044	
Additions	1,587	–	–	6,048	150	7,785	
Acquisition of a subsidiary (Note 7)	1,280	–	–	–	–	1,280	
Disposals	(3,381)	–	–	(49)	–	(3,430)	
Exchange differences	10	–	–	26	–	36	
At 31 December 2016	10,261	1,122	–	23,682	5,650	40,715	
Additions	1,612	–	4,500	4,403	190	10,705	
Acquisition of a subsidiary (Note 7)	2,897	–	–	4,145	–	7,042	
Disposals	–	–	–	(4,908)	–	(4,908)	
Assets held for sale (Note 13)	(4,144)	–	–	(3,980)	–	(8,124)	
Revaluation adjustment	–	846	–	–	–	846	IFRS13.93(e)(ii)
Transfer*	–	(219)	–	–	–	(219)	IAS 16.35(b)
Exchange differences	30	–	–	79	–	109	
At 31 December 2017	10,656	1,749	4,500	23,421	5,840	46,166	
Depreciation and impairment							
At 1 January 2016	4,061	99	–	11,044	900	16,104	
Depreciation charge for the year	351	3	–	2,278	450	3,082	
Impairment (Note 19)	–	–	–	301	–	301	
Disposals	(3,069)	–	–	(49)	–	(3,118)	
Exchange differences	5	–	–	12	–	17	
At 31 December 2016	1,348	102	–	13,586	1,350	16,386	
Depreciation charge for the year**	383	117	–	2,827	470	3,797	
Disposals	–	–	–	(3,450)	–	(3,450)	
Assets held for sale (Note 13)	(1,283)	–	–	(2,094)	–	(3,377)	
Transfer*	–	(219)	–	–	–	(219)	
Exchange differences	20	–	–	30	–	50	
At 31 December 2017	468	–	–	10,899	1,820	13,187	
Net book value							
At 31 December 2017	10,188	1,749	4,500	12,522	4,020	32,979	
At 31 December 2016	8,913	1,020	–	10,096	4,300	24,329	

* This transfer relates to the accumulated depreciation as at the revaluation date that was eliminated against the gross carrying amount of the revalued asset.

** Depreciation for the year excludes an impairment loss of €110,000 (see Note 13).

In 2016, the impairment loss of €301,000 represented the write-down of certain property, plant and equipment in the fire prevention segment to the recoverable amount as a result of technological obsolescence. This was recognised in the statement of profit or loss as cost of sales. The recoverable amount of €5,679,000 as at 31 December 2016 was based on value in use and was determined at the level of the CGU. The CGU consisted of the Euroland-based assets of Sprinklers Limited, a subsidiary. In determining value in use for the CGU, the cash flows were discounted at a rate of 12.4% on a pre-tax basis.

IAS 36.126(a)
IAS 36.130

16. Property, plant and equipment *continued*

Capitalised borrowing costs

The Group started the construction of a new fire safety facility in February 2017. This project is expected to be completed in February 2018. The carrying amount of the fire safety facility at 31 December 2017 was €3,000,000 (2016: Nil). The fire safety facility is financed by a third party in a common arrangement.

IAS 23.26(a)
IAS 23.26(b)

The amount of borrowing costs capitalised during the year ended 31 December 2017 was €303,000 (2016: Nil). The rate used to determine the amount of borrowing costs eligible for capitalisation was 11%, which is the EIR of the specific borrowing.

Finance leases

The carrying value of plant and machinery held under finance leases and hire purchase contracts at 31 December 2017 was €1,178,000 (2016: €1,486,000). Additions during the year include €45,000 (2016: €54,000) of plant and machinery under finance leases and hire purchase contracts. Leased assets and assets under hire purchase contracts are pledged as security for the related finance lease and hire purchase liabilities.

IAS 17.31(a)
IAS 7.43
IAS 16.74(a)

Land and buildings

Land and buildings with a carrying amount of €7,400,000 (2016: €5,000,000) are subject to a first charge to secure two of the Group's bank loans.

IAS 16.74(a)

Assets under construction

Included in property, plant and equipment at 31 December 2017 was an amount of €1,500,000 (2016: Nil) relating to expenditure for a plant in the course of construction.

IAS 16.74(b)

Equipment contributed by customers

In 2017, the Group recognised €190,000 (2016: €150,000) as revenue and equipment contributed by its customers to be utilised in the production process. The initial gross amount was estimated at fair value by reference to the market price of these assets on the date on which control is obtained.

IFRIC 18.11
IAS 16.73(a)

Revaluation of office properties in Euroland

Management determined that the office properties in Euroland constitute a separate class of property, plant and equipment, based on the nature, characteristics and risks of the property.

IFRS 13.94

Fair value of the properties was determined using the market comparable method. The valuations have been performed by the valuer and are based on proprietary databases of prices of transactions for properties of similar nature, location and condition. As at the dates of revaluation on 1 January and 31 December 2017, the properties' fair values are based on valuations performed by Chartered Surveyors & Co., an accredited independent valuer who has valuation experience for similar office properties in Euroland since 2011. A net gain from the revaluation of the office properties in Euroland of €846,000 in 2017 was recognised in OCI.

IAS 16.77(b)
IFRS 13.93(d)

Fair value measurement disclosures for the revalued office properties are provided in Note 11.

IFRS 13.93(h)(i)

Significant unobservable valuation input:	Range
Price per square metre	€325 - €350

Significant increases (decreases) in estimated price per square metre in isolation would result in a significantly higher (lower) fair value on a linear basis.

Reconciliation of carrying amount

IFRS 13.93(e

	€000
Carrying amount as at 1 January 2017*	1,020
Level 3 revaluation gain recognised due to change in accounting policy to revaluation model as at 1 January 2017	1,210
Carrying amount and fair value as at 1 January 2017	2,230
Depreciation for the year	(117)
Level 3 revaluation loss on revaluation as at 31 December 2017	(364)
Carrying amount and fair value as at 31 December 2017	1,749

* The Group changed the accounting policy with respect to the measurement of office properties in Euroland as at 1 January 2017 on a prospective basis. Therefore, the fair value of the office properties in Euroland was not measured at 1 January 2016.

16. Property, plant and equipment *continued*

If the office properties in Euroland were measured using the cost model, the carrying amounts would be, as follows:

IAS 16.77(e)

	2017
	€000
Cost	1,122
Accumulated depreciation and impairment	(105)
Net carrying amount	1,017

Commentary

The Group has changed its accounting policy to measure the office properties in Euroland at the revalued amount in accordance with IAS 16. Under IAS 16.36, if an item of property, plant and equipment is revalued, the entire class of property, plant and equipment to which that asset belongs should be revalued. IAS 16.37 defines a class of property, plant and equipment as a grouping of assets of similar nature and use in an entity's operations. The Group determined that office properties in Euroland constitute separate class of property, plant and equipment, based on their nature, characteristics and risks.

Under IAS 16.31, the revalued amount of an item of property, plant and equipment is its fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of reporting period. Due to significant volatility of the fair value of office properties in Euroland during 2017 the Group performed a revaluation as at 31 December 2017.

Fair value was determined using the market comparable method. This means that valuations performed by the valuer are based on prices of transactions involving properties of a similar nature, location and condition. Since this valuation was performed using a significant non-observable input, the fair value was classified as a Level 3 measurement.

Since revaluations of property, plant and equipment in accordance with IAS 16 represent a recurring fair value measurement, the Group disclosed the information required by IFRS 13.93 for recurring fair value measurements. The disclosures provided are based on Example 17 from the Illustrative examples to IFRS 13 *Fair Value Measurement*. It is assumed in these illustrative financial statements that only one unobservable input, price per square metre, was used by the valuers. In practice, the market comparable method may require the use more than one unobservable input. In such cases, the disclosures would cover the additional significant unobservable inputs,

IFRS 13.99 requires an entity to present the quantitative disclosures of IFRS 13 in a tabular format, unless another format is more appropriate. The Group included the quantitative disclosures in a tabular format.

17. Investment properties

	2017	2016	
	€000	€000	*IAS 40.76*
Opening balance at 1 January	7,983	7,091	
Additions (subsequent expenditure)	1,216	1,192	
Net loss from fair value remeasurement	(306)	(300)	
Closing balance at 31 December	8,893	7,983	

The Group's investment properties consist of two commercial properties in Euroland. Management determined that the investment properties consist of two classes of assets – office and retail – based on the nature, characteristics and risks of each property.

As at 31 December 2017 and 2016, the fair values of the properties are based on valuations performed by Chartered Surveyors & Co., an accredited independent valuer. Chartered Surveyors & Co. is a specialist in valuing these types of investment properties. A valuation model in accordance with that recommended by the International Valuation Standards Committee has been applied. *IAS 40.75(e)*

	2017	2016	
	€000	€000	*IAS 40.75(f)*
Rental income derived from investment properties	1,404	1,377	
Direct operating expenses (including repairs and maintenance) generating rental income (included in cost of sales)	(101)	(353)	*IAS 40.75(f)(ii)*
Direct operating expenses (including repairs and maintenance) that did not generate rental income (included in cost of sales)	(37)	(127)	*IAS 40.75(f)(iii)*
Profit arising from investment properties carried at fair value	1,266	897	

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements. *IAS 40.75(g)* *IAS 40.75(h)*

Fair value hierarchy disclosures for investment properties are in Note 11.

Reconciliation of fair value:

	Investment properties		
	Office properties	Retail properties	
	€000	€000	
As at 1 January 2016	3,397	3,694	
Remeasurement recognised in profit or loss	(144)	(156)	*IFRS 13.93(e)(i)*
Purchases	571	621	*IFRS 13.93(e)(iii)*
As at 31 December 2016	3,824	4,159	
Remeasurement recognised in profit or loss (in other operating expenses)	(147)	(159)	*IFRS 13.93(f)*
Purchases	582	634	
As at 31 December 2017	4,260	4,633	

Description of valuation techniques used and key inputs to valuation of investment properties: *IFRS 13.93(d)*

	Valuation technique	Significant unobservable inputs	Range (weighted average)	
			2017	2016
Office properties	DCF method (refer below)	Estimated rental value per sqm per month	€10 - €25 (€20)	€9 - €23 (€16)
		Rent growth p.a.	1.75%	1.76%
		Long-term vacancy rate	3% - 10% (5%)	3% - 9% (4%)
		Discount rate	6.5%	6.3%
Retail properties	DCF method (refer below)	Estimated rental value per sqm per month	€15 - €35 (€22)	€14 - €33 (€21)
		Rent growth p.a.	1%	1.2%
		Long-term vacancy rate	4% - 12% (7%)	4% - 13% (8.5%)
		Discount rate	6.5%	6.3%

17. Investment properties *continued*

Using the DCF method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related re-letting, redevelopment, or refurbishment. The appropriate duration is typically driven by market behaviour that is a characteristic of the class of real property. Periodic cash flow is typically estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance cost, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

Significant increases (decreases) in estimated rental value and rent growth per annum in isolation would result in a significantly higher (lower) fair value of the properties. Significant increases (decreases) in the long-term vacancy rate and discount rate (and exit yield) in isolation would result in a significantly lower (higher) fair value.

IFRS13.93(h)(i)

Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and discount rate (and exit yield), and an opposite change in the long term vacancy rate.

Commentary

The Group has elected to value investment properties at fair value in accordance with IAS 40.

If, for recurring and non-recurring fair value measurements, the highest and best use of a non-financial asset differs from its current use, an entity must disclose that fact and the reason why the asset is being used in a manner that differs from its highest and best use (IFRS 13.93(i)). The Group has assessed that the highest and best use of its properties does not differ from their current use. An example of what might be disclosed if the highest and best use is determined to be other than its current use is, as follows:

- The Group has determined that the highest and best use of the property used for office space is its current use.
- The highest and best use of the retail property at the measurement date would be to convert the property for residential use. For strategic reasons, the property is not being used in this manner.

In addition to the disclosure requirements in IFRS 13, IAS 1 requires disclosure of the significant judgements management has made about the future and sources of estimation uncertainty. IAS 1.129(b) includes, as an example of such a disclosure, the sensitivity of carrying amounts to the methods, assumptions and estimates underlying their calculation, including the reasons for the sensitivity. As such, information beyond that required by IFRS 13.93(h) may be needed in some circumstances.

IAS 40 permits investment properties to be carried at historical cost less accumulated depreciation and any accumulated impairment losses. If the Group accounted for investment properties at cost, information about the cost basis and depreciation rates (similar to the requirement under IAS 16 for property, plant and equipment) would be required. IAS 40.79(e) requires disclosure of fair value of the properties. For the purpose of this disclosure, the fair value is required to be determined in accordance with IFRS 13. Also, in addition to the disclosures under IAS 40, IFRS 13.97 requires disclosure of:

- The level at which fair value measurement is categorised i.e., Level 1, Level 2 or Level 3
- A description of valuation technique and inputs, for Level 2 or Level 3 fair value measurement
- If the highest and best use differs from the current use of the asset, that fact and the reason

IFRS 13.99 requires an entity to present the quantitative disclosures of IFRS 13 in a tabular format, unless another format is more appropriate. The Group included the quantitative disclosures in tabular format, above.

18. Intangible assets

	Development costs	Patents and licences with definite useful life	Licences with indefinite useful life	Goodwill	Total	
						IAS 38.118(c)
	€000	€000	€000	€000	€000	*IAS 38.118(e)*
Cost						
At 1 January 2016	1,585	395	240	119	2,339	
Additions – internally developed	390	–	–	–	390	
Acquisition of a subsidiary (restated*)	–	–	–	131	131	
At 31 December 2016	1,975	395	240	250	2,860	
Additions – internally developed	587	–	–	–	587	
Acquisition of a subsidiary	–	30	1,170	2,231	3,431	
Assets held for sale	–	(138)	–	–	(138)	
At 31 December 2017	2,562	287	1,410	2,481	6,740	
Amortisation and impairment						
At 1 January 2016	165	60	–	–	225	
Amortisation	124	50	–	–	174	
At 31 December 2016	289	110	–	–	399	
Amortisation	95	30	–	–	125	
Impairment (Note 19)	–	–	–	200	200	
Assets held for sale	–	(3)	–	–	(3)	
At 31 December 2017	384	137	–	200	721	
Net book value						
At 31 December 2017	2,178	150	1,410	2,281	6,019	
At 31 December 2016 (restated*)	1,686	285	240	250	2,461	

* The amount of goodwill is restated and does not correspond to the figures in 2016 financial statements since adjustments to the final valuation of acquisition of Lightbulbs Limited were made, as detailed in Note 7.

There are two fire prevention research and development projects: one is to improve fire detection and sprinkler systems and the other is related to fire-retardant fabrics for motor vehicles and aircraft.

Acquisition during the year

Patents and licences include intangible assets acquired through business combinations. The patents have been granted for a minimum of 10 years by the relevant government agency, while licences have been acquired with the option to renew at the end of the period at little or no cost to the Group. Previous licences acquired have been renewed and have allowed the Group to determine that these assets have indefinite useful lives. As at 31 December 2017, these assets were tested for impairment (Note 19).

19. Goodwill and intangible assets with indefinite useful lives

For impairment testing goodwill acquired through business combinations and licences with indefinite useful lives are allocated to the electronics and fire prevention equipment CGUs, which are also operating and reportable segments.

Carrying amount of goodwill and licences allocated to each of the CGUs:

	Electronics unit		Fire prevention equipment unit		Total		
	2017	2016	2017	2016	2017	2016	
	€000	€000	€000	€000	€000	€000	
Goodwill	50	250	2,231	–	2,281	250	*IAS 36.134(a)*
Licences with indefinite useful lives	360	–	1,050	240	1,410	240	*IAS 36.134(b)*

The Group performed its annual impairment test in December 2017 and 2016. The Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. As at 31 December 2017, the market capitalisation of the Group was below the book value of its equity, indicating a potential impairment of goodwill and impairment of the assets of the operating segments. In addition, the overall decline in construction and development activities around the world, as well as the ongoing economic uncertainty, have led to a decreased demand in both the fire prevention equipment and electronics CGUs.

Electronics CGU

IAS 36.130(e)
IAS 36.134 (d)(iii)
IAS 36.134 (d)(iv)
IAS 36.134 (d)(v)
IAS 36.126(a)

The recoverable amount of the electronics CGU, €37,562,000 as at 31 December 2017, has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The projected cash flows have been updated to reflect the decreased demand for products and services. The pre-tax discount rate applied to cash flow projections is 15.5% (2016: 12.1%) and cash flows beyond the five-year period are extrapolated using a 3.0% growth rate (2016: 5.0%) that is the same as the long-term average growth rate for the electronics industry. It was concluded that the fair value less costs of disposal did not exceed the value in use. As a result of this analysis, management has recognised an impairment charge of €200,000 in the current year against goodwill with a carrying amount of €250,000 as at 31 December 2016. The impairment charge is recorded within administrative expenses in the statement of profit or loss.

Fire prevention equipment CGU

IAS 36.130(e)
IAS 36.134 (c)
IAS 36.134 (d)(iii)
IAS 36.134 (d)(iv)
IAS 36.134 (d)(v)

The recoverable amount of the fire prevention equipment CGU is also determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The projected cash flows have been updated to reflect the decreased demand for products and services. The pre-tax discount rate applied to the cash flow projections is 14.4% (2016: 12.8%). The growth rate used to extrapolate the cash flows of the unit beyond the five-year period is 4.1% (2016: 3.8%). This growth rate exceeds the industry average growth rate by 0.75%. Management of the fire prevention equipment unit believes this growth rate is justified based on the acquisition of Extinguishers Limited. This acquisition has resulted in the Group obtaining control of an industry patent, thereby preventing other entities from manufacturing a specialised product for a period of 10 years. The Group has an option to renew the patent after the 10 years have expired. As a result of the analysis, there is headroom of €5,674,000 and management did not identify an impairment for this CGU.

IAS 36.134 (f)(i)

Key assumptions used in value in use calculations and sensitivity to changes in assumptions

IAS 36.134 (d)(i)
IAS 36.134 (d)(ii)
IAS 36.134(f)
IAS 36.134 (f)(ii)
IAS 36.134 (f)(iii)

- The calculation of value in use for both electronics and fire prevention equipment units is most sensitive to the following assumptions:
- Gross margins
- Discount rates
- Raw materials price inflation
- Market share during the forecast period
- Growth rates used to extrapolate cash flows beyond the forecast period

19. Goodwill and intangible assets with indefinite useful lives *continued*

Gross margins - Gross margins are based on average values achieved in the three years preceding the beginning of the budget period. The gross margins for the electronics CGU and the fire prevention equipment CGU were 22.17% and 26.03%, respectively. These are increased over the budget period for anticipated efficiency improvements. An increase of 1.5% per annum was applied for the electronics unit and 2% per annum for the fire prevention equipment unit.

Decreased demand can lead to a decline in the gross margin. A decrease in the gross margin by 1.0% would result in a further impairment in the electronics unit. A decrease in the gross margin by 5.0% would result in impairment in the fire prevention equipment unit.

Discount rates - Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.
A rise in the pre-tax discount rate to 16.0% (i.e. +0.5%) in the electronics unit would result in a further impairment. A rise in the pre-tax discount rate to 15.6% (i.e. +1.2%) in the fire prevention equipment unit would result in impairment.

Raw materials price inflation - Estimates are obtained from published indices for the countries from which materials are sourced, as well as data relating to specific commodities. Forecast figures are used if data is publicly available (principally for Euroland and the United States), otherwise past actual raw material price movements are used as an indicator of future price movements.

Management has considered the possibility of greater-than-forecast increases in raw material price inflation. This may occur if anticipated regulatory changes result in an increase in demand that cannot be met by suppliers. Forecast price inflation lies within a range of 1.9% to 2.6% for the electronics unit and 2.1% to 4.5% for the fire prevention equipment unit, depending on the country from which materials are purchased. If prices of raw materials increase on average by 0.5% more than the forecast price inflation, the Group will have a further impairment.

Market share assumptions - When using industry data for growth rates (as noted below), these assumptions are important because management assesses how the unit's position, relative to its competitors, might change over the forecast period. Management expects the Group's share of the electronics market (20%) to be stable over the forecast period. Management expects the Group's position in the fire prevention equipment market relative to its competitors to strengthen following the acquisition of Extinguishers Limited. The Group's market share in the fire prevention equipment market is currently 37%.

Although management expects the Group's market share of the electronics market to be stable over the forecast period, a decline in the market share by 8% would result in a further impairment in the electronics unit. Similarly, a decline in market share in the fire prevention equipment market by 20% would result in impairment in the fire prevention equipment unit.

Growth rate estimates - Rates are based on published industry research. For the reasons explained above, the long-term rate used to extrapolate the budget for the fire prevention equipment unit includes an adjustment on account of the acquisition of a significant industry patent.

Management recognises that the speed of technological change and the possibility of new entrants can have a significant impact on growth rate assumptions. The effect of new entrants is not expected to have an adverse impact on the forecasts, but could yield a reasonably possible alternative to the estimated long-term growth rate of 5.2% for the electronics unit and 8.4% for the fire prevention equipment unit. A reduction by 0.8% in the long-term growth rate in the electronics unit would result in a further impairment. For the fire prevention equipment unit, a reduction by 0.3% in the long-term growth rate would result in impairment.

19. Goodwill and intangible assets with indefinite lives *continued*

Commentary

The Group has determined recoverable amounts of its cash generating units (CGUs) based on value in use under IAS 36. If the recoverable amounts are determined using fair value less costs of disposal, IAS 36.134(e) requires disclosure of the valuation technique(s) and other information including: the key assumptions used; a description of management's approach to each key assumption; the level of fair value hierarchy and the reason(s) for changing valuation techniques, if there is any change. Furthermore, if fair value less cost of disposal is determined using discounted cash flow projections, additional information such as the period of cash flow projections, growth rate used to extrapolate cash flow projections and the discount rate(s) applied to the cash flow projections are required to be disclosed. An entity is not required to provide disclosures required under IFRS 13, these disclosures under IAS 36.134(e) are similar to those under IFRS 13.

IAS 36.134(d)(i) requires disclosure of key assumptions made for each CGU for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated is significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives. While the disclosures above have been provided for illustrative purposes, companies need to evaluate the significance of each assumption used for the purpose of this disclosure.

IAS 36.134(f) requires disclosures of sensitivity analysis for each CGU for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that CGU is significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives. These disclosures are made if a reasonably possible change in a key assumption used to determine the CGU's recoverable amount would cause the CGU's carrying amount to exceed its recoverable amount. The Group has made these disclosures for all the key assumptions for the electronics unit, since there is an impairment charge during the year and the carrying amount equals recoverable amount, and for the fire prevention equipment unit, as it is believed that a reasonably possible change in the key assumptions may cause impairment. Entities need to also take into account the consequential effect of a change in one assumption on other assumptions, as part of the sensitivity analyses when determining the point at which the recoverable amount equals the carrying amount (IAS 36.134(f)(iii)). The Group has considered this in the disclosures herein.

20. Financial assets and financial liabilities

20.1 Financial assets

IFRS 7.6
IFRS 7.8
IFRS 39.9

	2017	2016
	€000	€000
Derivatives not designated as hedging instruments		
Foreign exchange forward contracts	640	–
Embedded derivatives	210	–
Derivatives designated as hedging instruments		
Foreign exchange forward contracts	252	153
AFS financial assets at fair value through OCI		
Unquoted equity shares	1,038	898
Quoted equity shares	337	300
Quoted debt securities	612	600
Total financial instruments at fair value	3,089	1,951
Financial assets at amortised cost		
Trade and other receivables (Note 22)	25,672	22,290
Loan notes	3,674	1,685
Loan to an associate	200	–
Loan to directors	13	8
Total financial assets	32,648	25,934
Total current	26,223	22,443
Total non-current	6,425	3,491

IFRS 7.32A

Derivatives designated as hedging instruments reflect the positive change in fair value of foreign exchange forward contracts, designated as cash flow hedges to hedge highly probable forecast sales in US dollars (USD) and purchases in GB pounds sterling (GBP).

Derivatives not designated as hedging instruments reflect the positive change in fair value of those foreign exchange forward contracts that are not designated in hedge relationships, but are, nevertheless, intended to reduce the level of foreign currency risk for expected sales and purchases.

AFS financial assets at fair value through OCI include a significant portion of the AFS financial assets that are invested in equity shares of non-listed companies. The Group holds non-controlling interests (between 2% and 9%) in the entities. The Group considers these investments to be strategic in nature and has entered into a research collaboration in the power and electronics sectors. The Group also has investments in listed equity and debt securities. Fair values of these quoted debt securities and equity shares are determined by reference to published price quotations in an active market.

The Company identified an impairment of €88,000 on AFS-quoted debt securities and an impairment of €23,000 on AFS quoted equity securities. The impairment on AFS financial assets is recognised within finance costs in the statement of profit or loss.

Loans and receivables are non-derivative financial assets carried at amortised cost which generate a fixed or variable interest income for the Group. The carrying value may be affected by changes in the credit risk of the counterparties.

20. Financial assets and financial liabilities *continued*

20.2 Financial liabilities: Interest-bearing loans and borrowings

	Interest rate	Maturity	2017	2016
	%		€000	€000
Current interest-bearing loans and borrowings				
Obligations under finance leases and hire purchase contracts (Note 32)	7.8	2018/2017	83	51
Bank overdrafts	EURIBOR+1.0	On demand	966	2,650
€1,500,000 bank loan	EURIBOR+0.5	1 Nov 2018	1,411	–
€2,200,000 bank loan	EURIBOR+0.5	31 Mar 2017	–	74
Total current interest-bearing loans and borrowings			2,460	2,775
Non-current interest-bearing loans and borrowings				
Obligations under finance leases and hire purchase contracts (Note 32)	7.8	2019-2020	905	943
8% debentures	8.2	2019-2025	3,374	3,154
8.25% secured loan of USD3,600,000	*LIBOR+0.2	31 May 2023	2,246	–
Secured bank loan	LIBOR+2.0	31 Jul 2023	3,479	3,489
€1,500,000 bank loan (2016: €1,400,000)	EURIBOR+0.5	1 Nov 2018	–	1,357
€2,750,000 bank loan (2016: €2,500,000)	EURIBOR+1.1	2020-2022	2,486	2,229
€2,200,000 bank loan	EURIBOR+0.5	31 Mar 2021	2,078	2,078
€5,809,000 bank loan	7.5	1 Jan 2022	–	5,809
Loan from a third-party investor in Fire Equipment Test Lab Limited	11.0	2020	3,000	–
Convertible preference shares	11.6	2022	2,778	2,644
Total non-current interest-bearing loans and borrowings			20,346	21,703
Total interest-bearing loans and borrowings			22,806	24,478

IFRS 7.7

* Includes the effects of related interest rate swaps.

Commentary

IFRS 7.7 only requires disclosure of information that enables users of the financial statements to evaluate the significance of financial instruments for its financial position and performance. As the Group has a significant amount of interest-bearing loans and borrowings on its statement of financial position, it has decided to provide detailed information to the users of the financial statements about the EIR as well as the maturity of the loans.

Bank overdrafts

IFRS 7.7

The bank overdrafts are secured by a portion of the Group's short-term deposits.

€1,500,000 bank loan

This loan is unsecured and is repayable in full on 1 November 2018.

8% debentures

The 8% debentures are repayable in equal annual instalments of €350,000 commencing on 1 January 2019.

8.25% secured loan

The loan is secured by a first charge over certain of the Group's land and buildings with a carrying value of €2,400,000 (2016: Nil).

20. Financial assets and financial liabilities *continued*

Secured bank loan

IAS 1.73

This loan has been drawn down under a six-year multi-option facility (MOF). The loan is repayable within 12 months after the reporting date, but has been classified as long term because the Group expects, and has the discretion, to exercise its rights under the MOF to refinance this funding. Such immediate replacement funding is available until 31 July 2023. The total amount repayable on maturity is €3,500,000. The facility is secured by a first charge over certain of the Group's land and buildings, with a carrying value of €5,000,000 (2016: €5,000,000).

€2,750,000 bank loan

The Group increased its borrowings under this loan contract by €250,000 during the reporting period. This loan is repayable in two instalments of €1,250,000 due on 31 December 2020 and €1,500,000 due on 31 December 2022.

€2,200,000 bank loan

This loan is unsecured and is repayable in full on 31 March 2021. As of 31 December 2016, €74,000 was repayable on 31 March 2017.

€5,809,000 bank loan

This loan has been transferred to the net balance of the liabilities held for sale.

Convertible preference shares

At 31 December 2017 and 2016, there were 2,500,000 convertible preference shares in issue. Each share has a par value of €1 and is convertible at the option of the shareholders into ordinary shares of the parent of the Group on 1 January 2019 on the basis of one ordinary share for every three preference shares held. Any preference shares not converted will be redeemed on 31 December 2022 at a price of €1.20 per share. The preference shares carry a dividend of 7% per annum, payable half-yearly in arrears on 30 June and 31 December. The dividend rights are non-cumulative. The preference shares rank ahead of the ordinary shares in the event of a liquidation. The presentation of the equity portion of these shares is explained in Note 24 below.

IAS 1.79(a)(v)

Other financial liabilities

	2017	2016
	€000	€000
Derivatives not designated as hedging instruments		
Foreign exchange forward contracts	720	–
Embedded derivatives	782	–
Derivatives designated as hedging instruments		
Foreign exchange forward contracts	170	254
Commodity forward contracts	980	–
Interest rate swaps	35	–
Financial liabilities at fair value through profit or loss		
Contingent consideration (Note 7)	1,072	–
Total financial instruments at fair value	3,759	254
Other financial liabilities at amortised cost, other than interest-bearing loans and borrowings		
Trade and other payables (Note 31)	19,444	20,730
Financial guarantee contracts	87	49
Total other financial liabilities	23,290	21,033
Total current	22,484	21,033
Total non-current	806	–

20. Financial assets and financial liabilities *continued*

IFRS 7.32A

Derivatives designated as hedging instruments reflect the change in fair value of foreign exchange forward contracts, designated as cash flow hedges to hedge highly probable future purchases in GBP.

Derivatives designated as hedging instruments also include the change in fair value of commodity forward contracts entered into during 2017. The Group is exposed to changes in the price of copper on its forecast copper purchases. The forward contracts do not result in physical delivery of copper, but are designated as cash flow hedges to offset the effect of price changes in copper. The Group hedges approximately 45% of its expected copper purchases in the next reporting period. The remaining volume of copper purchases is exposed to price volatility.

Contingent consideration

IFRS 3.B64(g)

As part of the purchase agreement with the previous owner of Extinguishers Limited, a contingent consideration has been agreed. This consideration is dependent on the profit before tax of Extinguishers Limited during a 12 month period. The fair value of the contingent consideration at the acquisition date was €714,000. The fair value increased to €1,071,500 as at 31 December 2017 due to a significantly enhanced performance compared to budget. The contingent consideration is due for final measurement and payment to the former shareholders on 30 September 2018.

Commentary

IFRS 7 requires an entity to disclose information about rights to set off financial instruments and related arrangements (e.g., collateral agreements) and to provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position.

The Group is not setting off financial instruments in accordance with IAS 32 and does not have relevant offsetting arrangements. But if an entity has recognised financial instruments that are set off in accordance with IAS 32 or are subject to an enforceable master netting arrangement or similar agreement, even if the financial instruments are not set off in accordance with IAS 32, then the disclosures in IFRS 7.13A-13E will be required.

20.3 Hedging activities and derivatives

Derivatives not designated as hedging instruments

IFRS 7.22

The Group uses foreign currency-denominated borrowings and foreign exchange forward contracts to manage some of its transaction exposures. The foreign exchange forward contracts are not designated as cash flow hedges and are entered into for periods consistent with foreign currency exposure of the underlying transactions, generally from one to 24 months.

Cash flow hedges

Foreign currency risk

IFRS 7.23(a)

Foreign exchange forward contracts measured at fair value through OCI are designated as hedging instruments in cash flow hedges of forecast sales in US dollar and forecast purchases in GBP. These forecast transactions are highly probable, and they comprise about 25% of the Group's total expected sales in US dollars and about 65% of its total expected purchases in GBP.

While the Group also enters into other foreign exchange forward contracts with the intention of reducing the foreign exchange risk of expected sales and purchases, these other contracts are not designated in hedge relationships and are measured at fair value through profit or loss.

The foreign exchange forward contract balances vary with the level of expected foreign currency sales and purchases and changes in foreign exchange forward rates.

	2017		2016	
	Assets	Liabilities	Assets	Liabilities
	€000	€000	€000	€000
Foreign currency forward contracts designated as hedging instruments				
Fair value	252	(170)	153	(254)

IFRS 7.24(b)

The terms of the foreign currency forward contracts match the terms of the expected highly probable forecast transactions. As a result, there is no hedge ineffectiveness to be recognised in the statement of profit or loss. Notional amounts are as provided in Note 20.2.

20. Financial assets and financial liabilities *continued*

The cash flow hedges of the expected future sales in 2018 were assessed to be highly effective and a net unrealised gain of €252,000, with a deferred tax liability of €76,000 relating to the hedging instruments, is included in OCI. Comparatively, the cash flow hedges of the expected future sales in 2017 were assessed to be highly effective and an unrealised gain of €153,000 with a deferred tax liability of €46,000 was included in OCI in respect of these contracts.

IFRS 7.23(c)

The cash flow hedges of the expected future purchases in 2018 were assessed to be highly effective, and as at 31 December 2017, a net unrealised loss of €170,000, with a related deferred tax asset of €51,000 was included in OCI in respect of these contracts. Comparatively, the cash flow hedges of the expected future purchases in 2017 were also assessed to be highly effective and an unrealised loss of €254,000, with a deferred tax asset of €76,000, was included in OCI in respect of these contracts.

IFRS 7.23(c)

The amount removed from OCI during the year and included in the carrying amount of the hedged items as a basis adjustment for 2017 is detailed in Note 12.8, totalling €183,000 (2016: €33,000). The amounts retained in OCI at 31 December 2017 are expected to mature and affect the statement of profit or loss in 2018. Reclassifications of gains or losses to profit or loss during the year included in OCI are shown in Note 12.8.

IFRS 7.23(d)
IFRS 7.23(e)
IFRS 7.23(a)

Commodity price risk

The Group purchases copper on an ongoing basis as its operating activities in the electronic division require a continuous supply of copper for the production of its electronic devices. The increased volatility in copper price over the past 12 months has led to the decision to enter into commodity forward contracts.

These contracts, which commenced on 1 July 2017, are expected to reduce the volatility attributable to price fluctuations of copper. Hedging the price volatility of forecast copper purchases is in accordance with the risk management strategy outlined by the Board of Directors. The hedging relationships are for a period between 3 and 12 months, based on existing purchase agreements. The Group designated only the spot-to-spot movement of the entire commodity purchase price as the hedged risk. The forward points of the commodity forward contracts are, therefore, excluded from the hedge designation. Changes in fair value of the forward points recognised in the statement of profit or loss in finance costs for the current year were €23,000 (see Note 12.3).

As at 31 December 2017, the fair value of outstanding commodity forward contracts amounted to a liability of €980,000. The ineffectiveness recognised in other operating expenses in the statement of profit or loss for the current year was €65,000 (see Note 12.2). The cumulative effective portion of €915,000 is reflected in OCI and will affect the profit or loss in the first six months of 2018.

Fair value hedge

At 31 December 2017, the Group had an interest rate swap agreement in place with a notional amount of USD3,600,000 (€2,246,000) (2016: €Nil) whereby the Group receives a fixed rate of interest of 8.25% and pays interest at a variable rate equal to LIBOR+0.2% on the notional amount. The swap is being used to hedge the exposure to changes in the fair value of its fixed rate 8.25% secured loan.

IFRS 7.22
IFRS 7.24(a)

The decrease in fair value of the interest rate swap of €35,000 (2016: €Nil) has been recognised in finance costs and offset with a similar gain on the bank borrowings. The ineffectiveness recognised in 2017 was immaterial.

Hedge of net investments in foreign operations

Included in loans at 31 December 2017 was a borrowing of USD3,600,000 which has been designated as a hedge of the net investments in the two subsidiaries in the United States, Wireworks Inc. and Sprinklers Inc. This borrowing is being used to hedge the Group's exposure to the USD foreign exchange risk on these investments. Gains or losses on the retranslation of this borrowing are transferred to OCI to offset any gains or losses on translation of the net investments in the subsidiaries. There is no ineffectiveness in the years ended 31 December 2017 and 2016.

IFRS 7.22
IFRS 7.24(c)

Embedded derivatives

In 2017, the Group entered into long-term sale contracts with a customer in Canada. The functional currency of the customer is USD. The selling price in the contracts is fixed and set in Canadian dollars (CAD). The contracts require physical delivery and will be held for the purpose of the delivery of the commodity in accordance with the buyer's expected sale requirements. The contracts have embedded foreign exchange derivatives that are required to be separated.

IAS 39.AG33(d)

20. Financial assets and financial liabilities *continued*

IAS 39.AG33(e)

The Group also entered into various purchase contracts for brass and chrome (for which there is an active market) with a number of suppliers in South Africa and Russia. The prices in these purchase contracts are linked to the price of electricity. The contracts have embedded commodity swaps that are required to be separated.

The embedded foreign currency and commodity derivatives have been separated and are carried at fair value through profit or loss. The carrying values of the embedded derivatives at 31 December 2017 amounted to €210,000 (other financial assets) (2016: €Nil) and €782,000 (other financial liabilities) (2016: €Nil). The effects on profit or loss are reflected in operating income and operating costs, respectively.

20.4 Fair values

IFRS 7.25
IFRS 7.26
IFRS 7.29

Set out below is a comparison, by class, of the carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

	2017		2016	
	Carrying amount	Fair value	Carrying amount	Fair value
	€000	€000	€000	€000
Financial assets				
Loans	3,887	3,741	1,693	1,654
AFS financial assets	1,987	1,987	1,798	1,798
Foreign exchange forward contracts	640	640	-	-
Embedded derivatives	210	210	-	-
Foreign exchange forward contracts in cash flow hedges	252	252	153	153
Total	6,976	6,830	3,644	3,605
Financial liabilities				
Interest-bearing loans and borrowings				
Obligations under finance leases and hire purchase contracts	(988)	(1,063)	(994)	(1,216)
Floating rate borrowings*	(12,666)	(12,666)	(12,601)	(12,601)
Fixed rate borrowings	(6,374)	(6,321)	(8,239)	(8,944)
Convertible preference shares	(2,778)	(2,766)	(2,644)	(2,621)
Financial guarantee contracts	(87)	(83)	(49)	(45)
Contingent consideration	(1,072)	(1,072)	-	-
Derivatives not designated as hedges				
Foreign exchange forward contracts	(720)	(720)	-	-
Embedded derivatives	(782)	(782)	-	-
Derivatives in effective hedges	(1,185)	(1,185)	(254)	(254)
Total	(26,652)	(26,658)	(24,781)	(25,681)

* Includes an 8.25% secured loan carried at amortised cost adjusted for the fair value movement due to the hedged interest rate risk.

IFRS 13.93(d)
IFRS 13.97
IFRS 7.29

The management assessed that the fair values of cash and short-term deposits, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The following methods and assumptions were used to estimate the fair values:

20. Financial assets and financial liabilities *continued*

- Long-term fixed-rate and variable-rate receivables/borrowings are evaluated by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the estimated losses of these receivables.
- The fair values of the quoted notes and bonds are based on price quotations at the reporting date. The fair value of unquoted instruments, loans from banks and other financial liabilities, obligations under finance leases, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities. In addition to being sensitive to a reasonably possible change in the forecast cash flows or the discount rate, the fair value of the equity instruments is also sensitive to a reasonably possible change in the growth rates. The valuation requires management to use unobservable inputs in the model, of which the significant unobservable inputs are disclosed in the tables below. Management regularly assesses a range of reasonably possible alternatives for those significant unobservable inputs and determines their impact on the total fair value.
- The fair values of the unquoted ordinary shares have been estimated using a DCF model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.
- The fair values of the remaining AFS financial assets are derived from quoted market prices in active markets.
- The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Interest rate swaps, foreign exchange forward contracts and commodity forward contracts are valued using valuation techniques, which employ the use of market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate curves and forward rate curves of the underlying commodity. Some derivative contracts are fully cash collateralised, thereby eliminating both counterparty risk and the Group's own non-performance risk. As at 31 December 2017, the marked-to-market value of other derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognised at fair value.
- Embedded foreign currency and commodity derivatives are measured similarly to the foreign currency forward contracts and commodity derivatives. The embedded derivatives are commodity and foreign currency forward contracts which are separated from long-term sales contracts where the transaction currency differs from the functional currencies of the involved parties. However, as these contracts are not collateralised, the Group also takes into account the counterparties' credit risks (for the embedded derivative assets) or the Group's own non-performance risk (for the embedded derivative liabilities) and includes a credit valuation adjustment or debit valuation adjustment, as appropriate, by assessing the maximum credit exposure and taking into account market-based inputs concerning probabilities of default and loss given default.
- The fair values of the Group's interest-bearing borrowings and loans are determined by using the DCF method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk as at 31 December 2017 was assessed to be insignificant.

20. Financial assets and financial liabilities *continued*

Description of significant unobservable inputs to valuation:

The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at 31 December 2017 and 2016 are as shown below:

IFRS 13.93(d)
IFRS 13.93(h)(i)
IFRS 13.93(h)(ii)
IFRS 13.97

	Valuation technique	Significant unobservable inputs	Range (weighted average)	Sensitivity of the input to fair value
AFS financial assets in unquoted equity shares - power sector	DCF method	Long-term growth rate for cash flows for subsequent years	2017: 3.1% - 5.2% (4.2%) 2016: 3.1% - 5.1% (4%)	5% (2016: 5%) increase (decrease) in the growth rate would result in an increase (decrease) in fair value by €17,000 (2016: €15,000)
		Long-term operating margin	2017: 5.0% - 12.1% (8.3%) 2016: 5.2% - 12.3% (8.5%)	15% (2016: 12%) increase (decrease) in the margin would result in an increase (decrease) in fair value by €21,000 (2016: €19,000)
		WACC	2017: 11.2% - 14.3% (12.6%) 2016: 11.5% - 14.1% (12.3%)	1% (2016: 2%) increase (decrease) in the WACC would result in a decrease (increase) in fair value by €10,000 (2016: €15,000)
		Discount for lack of marketability	2017: 5.1% - 15.6% (12.1%) 2016: 5.4% - 15.7% (12.3%)	2% (2016: 3%) increase (decrease) in the discount would decrease (increase) the fair value by €8,000 (2016: €9,000).
AFS financial assets in unquoted equity shares - electronics sector	DCF method	Long-term growth rate for cash flows for subsequent years	2017: 4.4% - 6.1% (5.3%) 2016: 4.6% - 6.7% (5.5%)	3% (2016: 3%) increase (decrease) in the growth rate would result in an increase (decrease) in fair value by €23,000 (2016: €25,000)
		Long-term operating margin	2017: 10.0% - 16.1% (14.3%) 2016: 10.5% - 16.4% (14.5%)	5% (2016: 4%) increase (decrease) in the margin would result in an increase (decrease) in fair value by €12,000 (2016: €13,000)
		WACC	2017: 12.1% - 16.7% (13.2%) 2016: 12.3% - 16.8% (13.1%)	1% (2016: 2%) increase (decrease) in the WACC would result in a decrease (increase) in fair value by €21,000 (2016: €22,000)
		Discount for lack of marketability	2017: 5.1% - 20.2% (16.3%) 2016: 5.3% - 20.4% (16.4%)	1.5% (2016: 2%) increase (decrease) in the discount would decrease (increase) the fair value by €7,500 (2016: €8,200).

20. Financial assets and financial liabilities *continued*

	Valuation technique	Significant unobservable inputs	Range (weighted average)	Sensitivity of the input to fair value
Embedded derivative assets	Forward pricing model	Discount for counterparty credit risk	2017: 0.02% - 0.05% (0.04%) 2016: 0.01% - 0.04% (0.03%)	0.5% (2016: 0.4%) increase (decrease) would result in an increase (decrease) in fair value by €23,000 (2016: €25,000)
Embedded derivative liabilities	Forward pricing model	Discount for non-performance risk	2017: 0.01% - 0.05% (0.03%) 2016: 0.01% - 0.04% (0.02%)	0.4% (2016: 0.4%) increase (decrease) would result in an increase (decrease) in fair value by €20,000 (2016: €23,000)
Loans to an associate and director	DCF method	Constant prepayment rate	2017: 1.5% - 2.5% (2.0%) 2016: 1.6% - 2.7% (2.2%)	1% (2016: 2%) increase (decrease) would result in an increase (decrease) in fair value by €25,000 (2016: €21,000)
		Discount for non-performance risk	2017: 0.08% 2016: 0.09%	0.4% (2016: 0.4%) increase (decrease) would result in an increase (decrease) in fair value by €21,000 (2016: €20,000)
Financial guarantee obligations	DCF method	Discount for counterparty non-performance risk	2017: 3.0% 2016: 3.2%	0.5% (2016: 0.4%) increase (decrease) would result in an increase (decrease) in fair value by €22,000 (2016: €24,000)
		Own non-performance risk	2017: 0.05% 2016: 0.07%	0.4% (2016: 0.3%) increase (decrease) would result in an increase (decrease) in fair value by €19,000 (2016: €22,000)
Contingent consideration liability	DCF method	Assumed probability-adjusted profit before tax of Extinguishers Limited	2017: €1,514,000 2016: -	10% decrease in the assumed probability-adjusted profit before tax of Extinguishers Limited results in a decrease in fair value of the contingent consideration liability by €390,000. 5% increase in the assumed probability-adjusted profit before tax of Extinguishers Limited would not change fair value of the contingent consideration liability.

20. Financial assets and financial liabilities *continued*

	Valuation technique	Significant unobservable inputs	Range (weighted average)	Sensitivity of the input to fair value
		Discount rate	2017: 14% 2016: -	2% increase (decrease) in the discount rate would result in an increase (decrease) in fair value of the contingent consideration liability by €25,000.
		Discount for own non-performance risk	2017: 0.05% 2016: -	0.4% increase (decrease) in the discount for own non-performance risk would result in an increase (decrease) in fair value of the contingent consideration liability by €5,000.

The discount for lack of marketability represents the amounts that the Group has determined that market participants would take into account when pricing the investments.

In the case of AFS financial assets, the impairment charge in the profit or loss would depend on whether the decline is significant or prolonged. An increase in the fair value would only impact equity (through OCI) and, would not have an effect on profit or loss.

Reconciliation of fair value measurement of unquoted equity shares classified as AFS financial assets:

	Power	Electronics	Total	
	€000	€000	€000	
As at 1 January 2016	388	502	890	*IFRS 13.93(e)(ii)*
Remeasurement recognised in OCI	4	6	10	*IFRS 13.93(e)(iii)*
Purchases	–	–	–	
Sales	(2)	–	(2)	
As at 1 January 2017	390	508	898	
Remeasurement recognised in OCI	122	(180)	(58)	
Purchases	261	593	854	
Reclassified in assets held for sale	–	(508)	(508)	
Sales	(98)	(50)	(148)	
As at 31 December 2017	675	363	1,038	

Reconciliation of fair value measurement of embedded derivative assets and liabilities:

	Embedded foreign exchange derivative asset	Embedded commodity derivative liability	
	Canadian dollar	Brass	Chrome
	€000	€000	€000
As at 1 January 2016 and 2017	–	–	–
Remeasurement recognised in statement of profit or loss during the period	(363)	(209)	(80)
Purchases	573	809	262
Sales	–	–	–
As at 31 December 2017	210	600	182

20. Financial assets and financial liabilities *continued*

Commentary

An entity should provide additional information that will help users of its financial statements to evaluate the quantitative information disclosed. An entity might disclose some or all of the following to comply with IFRS 13.92:

- The nature of the item being measured at fair value, including the characteristics of the item being measured that are taken into account in the determination of relevant inputs. For example, if the Group had residential mortgage-backed securities, it might disclose the following:
  - The types of underlying loans (e.g., prime loans or sub-prime loans)
  - Collateral
  - Guarantees or other credit enhancements
  - Seniority level of the tranches of securities
  - The year of issue
  - The weighted-average coupon rate of the underlying loans and the securities
  - The weighted-average maturity of the underlying loans and the securities
  - The geographical concentration of the underlying loans
  - Information about the credit ratings of the securities
- How third-party information such as broker quotes, pricing services, net asset values and relevant market data was taken into account when measuring fair value

The Group does not have any liabilities measured at fair value and issued with an inseparable third-party credit enhancement. But if it had such liabilities, IFRS 13.98 requires disclosure of the existence of credit-enhancement and whether it is reflected in the fair value measurement of the liability.

IFRS 13.99 requires an entity to present the quantitative disclosures of IFRS 13 in a tabular format, unless another format is more appropriate. The Group included the quantitative disclosures in tabular format, above.

IFRS 13.93(h)(ii) requires a quantitative sensitivity analysis for financial assets and financial liabilities that are measured at fair value on a recurring basis. For all other recurring fair value measurements that are categorised within Level 3 of the fair value hierarchy, an entity is required to provide:

- A narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement
- If there are inter-relationships between the inputs and other unobservable inputs used in the fair value measurement, a description of the inter-relationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement

For this purpose, significance shall be judged with respect to profit or loss, and total assets or total liabilities, or, when changes in fair value are recognised in OCI, total equity. The Group included the quantitative sensitivity analyses in tabular format, above.

20.5 Financial instruments risk management objectives and policies

IFRS 7.33

The Group's principal financial liabilities, other than derivatives, comprise loans and borrowings, trade and other payables, and financial guarantee contracts. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group's principal financial assets include loans, trade and other receivables, and cash and short-term deposits that derive directly from its operations. The Group also holds AFS financial assets and enters into derivative transactions.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Group's senior management is supported by a financial risk committee that advises on financial risks and the appropriate financial risk governance framework for the Group. The financial risk committee provides assurance to the Group's senior management that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

20. Financial assets and financial liabilities *continued*

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings, deposits, AFS financial assets and derivative financial instruments. *IFRS 7.33*

The sensitivity analyses in the following sections relate to the position as at 31 December in 2017 and 2016.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place at 31 December 2017. *IFRS 7.40*

The analyses exclude the impact of movements in market variables on: the carrying values of pension and other post-retirement obligations; provisions; and the non-financial assets and liabilities of foreign operations. The analysis for the contingent consideration liability is provided in Note 7.

The following assumptions have been made in calculating the sensitivity analyses:

- The sensitivity of the relevant statement of profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 December 2017 and 2016 including the effect of hedge accounting.
- The sensitivity of equity is calculated by considering the effect of any associated cash flow hedges and hedges of a net investment in a foreign operation at 31 December 2017 for the effects of the assumed changes of the underlying risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. The Group's policy is to keep between 40% and 60% of its borrowings at fixed rates of interest, excluding borrowings that relate to discontinued operations. To manage this, the Group enters into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At 31 December 2017, after taking into account the effect of interest rate swaps, approximately 44% of the Group's borrowings are at a fixed rate of interest (2016: 51%). *IFRS 7.22(c)*

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected, after the impact of hedge accounting. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings, as follows:

IFRS 7.40(a)

	Increase/decrease in basis points	Effect on profit before tax
2017		€000
Euro	+45	(48)
US dollar	+60	(13)
Euro	-45	33
US dollar	-60	12
2016		
Euro	+10	(19)
US dollar	+15	–
Euro	-10	12
US dollar	-15	–

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility than in prior years.

20. Financial assets and financial liabilities *continued*

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency) and the Group's net investments in foreign subsidiaries.

IFRS 7.22(c)

The Group manages its foreign currency risk by hedging transactions that are expected to occur within a maximum 12-month period for hedges of forecasted sales and purchases and 24-month period for net investment hedges.

When a derivative is entered into for the purpose of being a hedge, the Group negotiates the terms of the derivative to match the terms of the hedged exposure. For hedges of forecast transactions, the derivative covers the period of exposure from the point the cash flows of the transactions are forecasted up to the point of settlement of the resulting receivable or payable that is denominated in the foreign currency.

The Group hedges its exposure to fluctuations on the translation into euros of its foreign operations by holding net borrowings in foreign currencies and by using foreign currency swaps and forwards.

At 31 December 2017 and 2016, the Group hedged 75% and 70%, for 9 and 12 months, respectively, of its expected foreign currency sales. Those hedged sales were highly probable at the reporting date. This foreign currency risk is hedged by using foreign currency forward contracts.

Commentary

For hedges of forecast transactions, useful information to help users understand the nature and extent of such risks may include:

- Time bands in which the highly probable forecast transactions are grouped for risk management purposes
- The entity's policies and processes for managing the risk (for example, how the cash flows of the hedging instruments and the hedged items may be aligned, such as using foreign currency bank accounts to address differences in cash flow dates)

Entities should tailor these disclosures to the specific facts and circumstances of the transactions.

Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in USD and GBP exchange rates, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities including non-designated foreign currency derivatives and embedded derivatives. The impact on the Group's pre-tax equity is due to changes in the fair value of forward exchange contracts designated as cash flow hedges and net investment hedges. The Group's exposure to foreign currency changes for all other currencies is not material.

IFRS 7.40(a)

	Change in USD rate	Effect on profit before tax	Effect on pre-tax equity
		€000	€000
2017	+5%	(30)	(154)
	-5%	20	172
2016	+4%	(40)	(146)
	–4%	40	158

	Change in GBP rate	Effect on profit before tax	Effect on pre-tax equity
		€000	€000
2017	+5%	26	102
	-5%	(15)	(113)
2016	+4%	31	92
	–4%	(28)	(96)

20. Financial assets and financial liabilities *continued*

The movement in the pre-tax effect is a result of a change in the fair value of derivative financial instruments not designated in a hedge relationship and monetary assets and liabilities denominated in US dollars, where the functional currency of the entity is a currency other than US dollars. Although the derivatives have not been designated in a hedge relationship, they act as an economic hedge and will offset the underlying transactions when they occur.

The movement in pre-tax equity arises from changes in US dollar borrowings (net of cash and cash equivalents) in the hedge of net investments in US operations and cash flow hedges. These movements will offset the translation of the US operations' net assets into euros.

Commodity price risk

The Group is affected by the price volatility of certain commodities. Its operating activities require the ongoing purchase and manufacture of electronic parts and therefore require a continuous supply of copper. Due to the significantly increased volatility of the price of the copper, the Group also entered into various purchase contracts for brass and chrome (for which there is an active market). The prices in these purchase contracts are linked to the price of electricity.

IFRS 7.33(a)

The Group's Board of Directors has developed and enacted a risk management strategy for commodity price risk and its mitigation.

Based on a 12-month forecast of the required copper supply, the Group hedges the purchase price using forward commodity purchase contracts. The forecast is considered to be highly probable.

Forward contracts with a physical delivery that qualify for normal purchase, sale or usage and that are therefore not recognised as derivatives are disclosed in Note 20.3.

Commodity price sensitivity

The following table shows the effect of price changes in copper net of hedge accounting impact.

IFRS 7.40(a)

	Change in year-end price	Effect on profit before tax	Effect on equity
2017		€000	€000
Copper	+15%	(220)	(585)
	-15%	220	585
Brass	+4%	(8)	(8)
	-4%	8	8
Chrome	+2%	(10)	(10)
	-2%	10	10

Equity price risk

The Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

IFRS 7.33(b)

At the reporting date, the exposure to unlisted equity securities at fair value was €1,038,000. Sensitivity analyses of these investments have been provided in Note 20.4.

IFRS 7.33(a)

At the reporting date, the exposure to equity securities at fair value listed on the NYSE was €337,000. Given that the changes in fair values of the equity investments held are strongly positively correlated with changes of the NYSE market index, the Group has determined that a decrease of 10% on the NYSE market index could have an impact of approximately €55,000 on the income or equity attributable to the Group, depending on whether the decline is significant or prolonged. An increase of 10% in the value of the listed securities would only impact equity, but would not have an effect on profit or loss.

IFRS 7.40

20. Financial assets and financial liabilities *continued*

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

IAS 7.33

Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit or other forms of credit insurance. At 31 December 2017, the Group had 55 customers (2016: 65 customers) that owed it more than €250,000 each and accounted for approximately 71% (2016: 76%) of all the receivables outstanding. There were five customers (2016: seven customers) with balances greater than €1 million accounting for just over 17% (2016: 19%) of the total amounts receivable.

IFRS 7.34(c)
IFRS 7.36(c)
IFRS 7.B8

An impairment analysis is performed at each reporting date on an individual basis for major clients. In addition, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actual incurred historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 22. The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Group's Board of Directors on an annual basis, and may be updated throughout the year subject to approval of the Group's Finance Committee. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

IFRS 7.33
IFRS 7.36
IFRS 7.B10(c)

The Group's maximum exposure to credit risk for the components of the statement of financial position at 31 December 2017 and 2016 is the carrying amounts as illustrated in Note 22 except for financial guarantees and derivative financial instruments. The Group's maximum exposure relating to financial guarantees and financial derivative instruments is noted in the liquidity table below.

Liquidity risk

The Group monitors its risk of a shortage of funds using a liquidity planning tool.

IFRS 7.33
IFRS 7.39(c)

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, debentures, preference shares, finance leases and hire purchase contracts. The Group's policy is that not more than 25% of borrowings should mature in the next 12-month period. Approximately 10% of the Group's debt will mature in less than one year at 31 December 2017 (2016: 11%) based on the carrying value of borrowings reflected in the financial statements. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. The Group has access to a sufficient variety of sources of funding and debt maturing within 12 months can be rolled over with existing lenders.

IFRS 7.B8

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

20. Financial assets and financial liabilities *continued*

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. Selective hedging is used within the Group to manage risk concentrations at both the relationship and industry levels.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

IFRS 7.39(a)(b)

Year ended 31 December 2017	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	€000	€000	€000	€000	€000	€000
Interest-bearing loans and borrowings (other than convertible preference shares)	966	21	1,578	10,554	8,000	21,119
Convertible preference shares	–	–	–	676	2,324	3,000
Contingent consideration	–	–	1,125	–	–	1,125
Other financial liabilities	–	–	–	150	–	150
Trade and other payables	3,620	14,654	802	–	–	19, 076
Financial guarantee contracts*	105	–	–	–	–	105
Derivatives and embedded derivatives	1,970	2,740	391	1,191	1,329	7,621
	6,661	17,415	3,896	12,571	11,653	52,196

Year ended 31 December 2016	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	€000	€000	€000	€000	€000	€000
Interest-bearing loans and borrowings (other than convertible preference shares)	2,650	18	133	8,872	11,600	23,273
Convertible preference shares	–	–	–	624	2,376	3,000
Trade and other payables	4,321	14,353	1,743	–	–	20,417
Other financial liabilities	–	–	–	202	–	202
Financial guarantee contracts*	68	–	–	–	–	68
Derivatives and embedded derivatives	549	1,255	–	–	–	1,804
	7,588	15,626	1,876	9,698	13,976	48,764

* Based on the maximum amount that can be called for under the financial guarantee contract.

The disclosed financial derivative instruments in the above table are the gross undiscounted cash flows. However, those amounts may be settled gross or net. The following table shows the corresponding reconciliation of those amounts to their carrying amounts:

IFRS 7.39(a)(b)

Year ended 31 December 2017	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	€000	€000	€000	€000	€000	€000
Inflows	800	1,000	250	700	950	3,700
Outflows	(1,970)	(2,740)	(391)	(1,191)	(1,329)	(7,621)
Net	(1,170)	(1,740)	(141)	(491)	(379)	(3,921)
Discounted at the applicable interbank rates	(1,170)	(1,731)	(139)	(463)	(343)	(3,846)

20. Financial assets and financial liabilities *continued*

Year ended 31 December 2016	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	€000	€000	€000	€000	€000	€000
Inflows	500	1,000	–	–	–	1,500
Outflows	(549)	(1,254)	–	–	–	(1,803)
Net	(49)	(254)	–	–	–	(303)
Discounted at the applicable interbank rates	(49)	(254)	–	–	–	(303)

IFRS 7.39(a)(b)

Collateral

The Group has pledged part of its short-term deposits in order to fulfil the collateral requirements for the derivatives contracts. At 31 December 2017 and 2016, respectively, the fair values of the short-term deposits pledged were €5,000,000 and €2,000,000, respectively. The counterparties have an obligation to return the securities to the Group. The Group also holds a deposit in respect of derivative contracts €565,000 as at 31 December 2017 (2016: €385,000). The Group has an obligation to repay the deposit to the counterparties upon settlement of the contracts. There are no other significant terms and conditions associated with the use of collateral.

IAS 7.48
IFRS 7.14
IFRS 7.38
IFRS 7.15
IFRS 7.36(b)

20.6 Changes in liabilities arising from financing activities

IAS 7.44A
IAS 7.44C

	1 January 2017	Cash flows	Reclassified as part of disposal group	Foreign exchange movement	Changes in fair values	New leases	Other	31 December 2017
	€000	€000	€000	€000		€000	€000	€000
Current interest-bearing loans and borrowings (excluding items listed below)	2,724	(2,032)	–	(6)	–	–	1,691	2,377
Current obligations under finance leases and hire purchase contracts	51	(51)	–	–	–	5	78	83
Non-current interest-bearing loans and borrowings (excluding items listed below)	20,760	5,649	(5,809)	(51)	–	–	(1,108)	19,441
Non-current obligations under finance leases and hire purchase contracts	943	–	–	–	–	40	(78)	905
Dividends payable	–	–	–	–	–	–	410	410
Derivatives	–	–	–	–	58	–	–	58
Total liabilities from financing activities	24,478	3,566	(5,809)	(57)	58	45	993	23,274

IAS 7.44B, IAS.44D

20. Financial assets and financial liabilities *continued*

20.6 Changes in liabilities arising from financing activities *continued*

IAS 7.44A
IAS 7.44C

IAS 1.38
IAS 7.44B,
IAS 7.44D

	1 January 2016	Cash flows	Foreign exchange movement	New leases	Other	31 December 2016
	€000	€000	€000	€000	€000	€000
Current interest-bearing loans and borrowings (excluding items listed below)	4,479	(4.250)	(10)	–	2,505	2,724
Current obligations under finance leases and hire purchase contracts	76	(76)	–	3	48	51
Non-current interest-bearing loans and borrowings (excluding items listed below)	18,624	4,871	(57)	–	(2,678)	20,760
Non-current obligations under finance leases and hire purchase contracts	950	–	–	41	(48)	943
Total liabilities from financing activities	24,129	545	(67)	44	(173)	24,478

The 'Other' column includes the effect of reclassification of non-current portion of interest-bearing loans and borrowings, including obligations under finance leases and hire purchase contracts to current due to the passage of time, the accrual of special dividends that were not yet paid at the year-end, and the effect of accrued but not yet paid interest on interest-bearing loans and borrowings. The Group classifies interest paid as cash flows from operating activities.

Commentary

In 2017, the Group adopted the amendments to IAS 7 that were issued as a part of the IASB's Disclosure Initiative. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. To the extent necessary to satisfy this requirement, an entity discloses the following changes in liabilities arising from financing activities:

- Changes from financing cash flows
- Changes arising from obtaining or losing control of subsidiaries or other businesses
- The effect of changes in foreign exchange rates
- Changes in fair values
- Other changes

Paragraph 44C of IAS 7 states that liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities. In addition, the disclosure requirement in paragraph 44A also applies to changes in financial assets (for example, assets that hedge liabilities arising from financing activities) if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

The Group disclosed information about its interest-bearing loans and borrowings including its obligations under finance lease and hire purchase contracts. In addition, the Group included information on special dividends payable and certain derivatives as their settlement will affect financing cash flows.

The amendments suggest that the disclosure requirement may be met by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Where an entity discloses such a reconciliation, it shall provide sufficient information to enable users of the financial statements to link items included in the reconciliation to the statement of financial position and the statement of cash flows. The Group decided to provide information in a reconciliation format. The major changes in the Group's liabilities arising from financing activities are due to financing cash flows and accrual of financial liabilities. The Group did not acquire any liabilities arising from financing activities during business combinations effected in the current period or comparative period.

Although, on initial application of the amendment, entities are not required to provide comparative information for preceding period, the Group decided to provide comparative financial information.

21. Inventories

	2017	2016	
	€000	€000	IAS 2.36(b) IAS 1.78(c)
Raw materials (at cost)	5,240	7,091	
Work in progress (at cost)	13,092	10,522	
Finished goods (at lower of cost and net realisable value)	5,430	6,972	
Total inventories at the lower of cost and net realisable value	23,762	24,585	

During 2017, €286,000 (2016: €242,000) was recognised as an expense for inventories carried at net realisable value. This is recognised in cost of sales.

IAS 2.36(e)

22. Trade and other receivables

	2017	2016	
	€000	€000	IAS 1.78(b) IFRS 7.6
Trade receivables	24,501	21,158	
Receivables from an associate (Note 33)	551	582	
Receivables from other related parties (Note 33)	620	550	
	25,672	22,290	

For terms and conditions relating to related party receivables, refer to Note 33.

IAS 24.18(b)

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

As at 31 December 2017, trade receivables with an initial carrying value of €108,000 (2016: €97,000) were impaired and fully provided for. See below for the movements in the provision for impairment of receivables:

IFRS 7.37

	Individually impaired	Collectively impaired	Total	
	€000	€000	€000	IFRS 7.16
At 1 January 2016	29	66	95	
Charge for the year	4	8	12	
Utilised	(4)	(7)	(11)	
Unused amounts reversed	–	–	–	
Discount rate adjustment	–	1	1	
At 31 December 2016	29	68	97	
Charge for the year	10	16	26	
Utilised	(3)	(5)	(8)	
Unused amounts reversed	(2)	(6)	(8)	
Discount rate adjustment	–	1	1	
At 31 December 2017	34	74	108	

As at 31 December, the ageing analysis of trade receivables is, as follows:

IFRS 7.37

	Total	Neither past due nor impaired	Past due but not impaired < 30 days	30–60 days	61–90 days	91–120 days	> 120 days
	€000	€000	€000	€000	€000	€000	€000
2017	24,501	15,596	4,791	2,592	1,070	360	92
2016	21,158	14,455	3,440	1,840	945	370	108

See Note 20.5 on credit risk of trade receivables, which explains how the Group manages and measures credit quality of trade receivables that are neither past due nor impaired.

IFRS 7.36(c)

23. Cash and short-term deposits

	2017	2016
	€000	€000
Cash at banks and on hand	11,316	11,125
Short-term deposits	5,796	3,791
	17,112	14,916

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

At 31 December 2017, the Group had available €5,740,000 (2016: €1,230,000) of undrawn committed borrowing facilities. *IAS 7.50(a)*

The Group has pledged a part of its short-term deposits to fulfil collateral requirements. Refer to Note 20.5 for further details. *IAS 7.48*

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 31 December: *IAS 7.45*

	2017	2016
	€000	€000
Cash at banks and on hand	11,316	11,125
Short-term deposits	5,796	3,791
Cash at banks and short-term deposits attributable to discontinued operations	1,294	–
	18,406	14,916
Bank overdrafts	(966)	(2,650)
Cash and cash equivalents	17,440	12,266

24. Issued capital and reserves

IAS 1.78(e)
IAS 1.79(a)(i)
IAS 1.79(a)(iii)

Authorised shares	2017	2016
	Thousands	Thousands
Ordinary shares of €1 each	22,588	20,088
7% convertible preference shares of €1 each	2,500	2,500
	25,088	22,588

IAS 1.79(a)(ii),(iv)

Ordinary shares issued and fully paid	Thousands	€000
At 1 January 2016 and 31 December 2016	19,388	19,388
Issued on 1 May 2017 for acquisition of Extinguishers Limited (Note 7)	2,500	2,500
At 31 December 2017	21,888	21,888

During the year, the authorised share capital was increased by €2,500,000 by the issue of 2,500,000 ordinary shares of €1 each.

IAS 1.78(e)

Share premium	€000
At 1 January 2016	–
Cash on exercise of share options in excess of cost of treasury shares	80
At 31 December 2016	80
Issuance of share capital for the acquisition of Extinguishers Limited (Note 7)	4,703
Cash on exercise of share options in excess of cost of treasury shares	29
Transaction costs for issued share capital	(32)
At 31 December 2017	4,780

24. Issued capital and reserves *continued*

Treasury shares	Thousands	€000	IAS 1.79(a)(vi)
At 1 January 2016	335	774	
Issued for cash on exercise of share options	(65)	(120)	
At 31 December 2016	270	654	
Issued for cash on exercise of share options	(75)	(146)	
At 31 December 2017	195	508	

Share option schemes
The Group has two share option schemes under which options to subscribe for the Group's shares have been granted to certain senior executives and certain other employees. Refer to Note 30 for further details.

Share options exercised in each respective year have been settled using the treasury shares of the Group. The reduction in the treasury share equity component is equal to the cost incurred to acquire the shares, on a weighted average basis. Any excess of the cash received from employees over the reduction in treasury shares is recorded in share premium.

Other capital reserves	Share-based payments	Convertible preference shares	Total
	€000	€000	€000
As at 1 January 2016	338	228	566
Share-based payments expense during the year	298	–	298
At 31 December 2016	636	228	864
Share-based payments expense during the year	307	–	307
At 31 December 2017	943	228	1,171

Nature and purpose of reserves

IAS 1.79(b)

Other capital reserves

Share-based payments
The share-based payments reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration. Refer to Note 30 for further details of these plans.

Convertible preference shares
The convertible preference share reserve covers the equity component of the issued convertible preference shares. The liability component is reflected in financial liabilities.

All other reserves are as stated in the consolidated statement of changes in equity.

OCI items, net of tax:

The disaggregation of changes of OCI by each type of reserve in equity is shown below:

As at 31 December 2017	Cash flow hedge reserve	Available-for-sale reserve	Foreign currency translation reserve	Asset revaluation surplus	Retained earnings	Total	
	€000	€000	€000	€000	€000	€000	
Net investment hedging	–	–	195	–	–	196	
Foreign exchange translation differences	–	–	(246)	–	–	(247)	IAS 1.106A
Currency forward contracts	(640)	–	–	–	–	(640)	
Commodity forward contracts	(154)	–	–	–	–	(154)	
Reclassified to statement of profit or loss	282	–	–	–	–	282	

24. Issued capital and reserves *continued*

Loss on AFS financial assets	–	(40)	–	–	–	(40)
Remeasurement on defined benefit plan	–	–	–	–	257	257
Revaluation of office properties in Euroland	–	–	–	592	–	592
	(512)	(40)	(51)	592	257	246

As at 31 December 2016	Cash flow hedge reserve	Available-for-sale reserve	Foreign currency translation reserve	Retained earnings	Total
	€000	€000	€000	€000	€000
Foreign exchange translation differences	–	–	(117)	–	(117)
Currency forward contracts	(265)	–	–	–	(265)
Reclassification to statement of profit or loss	289	–	–	–	289
Gain/(loss) on AFS financial assets	–	2	–	–	2
Remeasurement on defined benefit plan	–	–	–	(273)	(273)
	24	2	(117)	(273)	(364)

25. Distributions made and proposed

	2017	2016	
	€000	€000	
Cash dividends on ordinary shares declared and paid:			*IAS 1.107*
Final dividend for 2016: 5.66 cents per share (2015: 3.93 cents per share)	1,082	749	
Interim dividend for 2017: 4.66 cents per share (2016: 4.47 cents per share)	890	851	
	1,972	1,600	
Special cash dividends on ordinary shares declared but not paid:			
Special dividends for 2017: 2.14 cents per share (2016: Nil)	410	–	
Proposed dividends on ordinary shares:			
Final cash dividend for 2017: 5.01 cents per share (2016: 5.66 cents per share)	1,087	1,082	*IAS 1.137(a)*

Special dividends were approved by an extraordinary shareholders meeting on 15 December 2017 and are included as a separate line item in to the statement of financial position. Proposed dividends on ordinary shares are subject to approval at the annual general meeting and are not recognised as a liability as at 31 December.

26. Provisions

	Maintenance warranties	Restructuring	Decommissioning	Onerous operating lease	Social security contributions on share options	Waste electrical and electronic equipment	Contingent liability (Note 7)	Total	
	€000	€000	€000	€000	€000	€000	€000	€000	
At 1 January 2017	118	–	–	–	4	53	–	175	*IAS 37.84(a)*
Acquisition of a subsidiary (Note 7)	–	500	1,200	400	–	–	380	2,480	
Arising during the year	112	–	–	–	26	102	20	260	*IAS 37.84(b)*
Utilised	(60)	(39)	–	(20)	(19)	(8)	–	(146)	*IAS 37.84(c)*
Unused amounts reversed	(6)	(6)	–	–	–	–	–	(12)	*IAS 37.84(d)*
Unwinding of discount and changes in the discount rate	2	11	21	6	1	2	–	43	*IAS 37.84(e)*
At 31 December 2017	166	466	1,221	386	12	149	400	2,800	
Current	114	100	–	205	3	28	400	850	
Non-current	52	366	1,221	181	9	121	–	1,950	

	Maintenance warranties	Social security contributions on share options	Waste electrical and electronic equipment	Total	
	€000	€000	€000	€000	
At 1 January 2016	66	3	31	100	*IAS 37.84(a)*
Arising during the year	52	1	22	75	*IAS 37.84(b)*
At 31 December 2016	118	4	53	175	
Current	60	–	38	98	
Non-current	58	4	15	77	

Commentary

The above table shows the voluntary disclosure of provisions for the comparative period as IAS 37.84 does not require such disclosure.

Maintenance warranties

A provision is recognised for expected warranty claims on products sold during the last two years, based on past experience of the level of repairs and returns. It is expected that most of these costs will be incurred in the next financial year and all will have been incurred within two years after the reporting date. Assumptions used to calculate the provision for warranties were based on current sales levels and current information available about returns based on the two-year warranty period for all products sold.

IAS 37.85

Restructuring

Extinguishers Ltd recorded a restructuring provision prior to being acquired by the Group. The provision relates principally to the elimination of certain of its product lines. The restructuring plan was drawn up and announced to the employees of Extinguishers Limited in 2017 when the provision was recognised in its financial statements. The restructuring is expected to be completed by 2019.

Decommissioning

A provision has been recognised for decommissioning costs associated with a factory owned by Extinguishers Limited. The Group is committed to decommissioning the site as a result of the construction of the manufacturing facility for the production of fire retardant fabrics.

Operating lease liability

On acquisition of Extinguishers Limited, a provision was recognised for the fact that the agreed lease payments on the operating lease were significantly higher than the market rate at acquisition. The provision has been calculated based on the difference between the market rate and the rate paid.

26. Provisions *continued*

Social security contributions on share options

The provision for social security contributions on share options is calculated based on the number of options outstanding at the reporting date that are expected to be exercised. The provision is based on market price of the shares at the reporting date which is the best estimate of the market price at the date of exercise. It is expected that the costs will be incurred during the exercise period of 1 January 2018 to 31 December 2020.

Waste electrical and electronic equipment

The provision for waste electrical and electronic equipment is calculated based on sales after 13 August 2005 (new waste) and expected disposals of historical waste (sales up to 13 August 2005).

27. Government grants

IAS 20.39(b)

	2017	2016
	€000	€000
At 1 January	1,551	1,450
Received during the year	2,951	642
Released to the statement of profit or loss	(1,053)	(541)
At 31 December	3,449	1,551
Current	149	151
Non-current	3,300	1,400

Government grants have been received for the purchase of certain items of property, plant and equipment. There are no unfulfilled conditions or contingencies attached to these grants.

IAS 20.39(c)

28. Deferred revenue

Deferred revenue includes: revenue allocated to *GoodPoints*; revenue allocated to unperformed installation services in contracts with the customers where they are bundled together with the sale of equipment; deferred revenue recognised under IFRIC 18 *Transfers of Assets from Customers* on transfer of moulds and other tools for its manufacturing process from customers; and long-term advances received from customers.

	2017	2016
	€000	€000
GoodPoints transactions	416	365
Installation services	315	403
Equipment received from customers	176	80
Long-term advances from customers	140	62
Total deferred revenue	1,047	910
Current	588	513
Non-current	459	397

28.1 *GoodPoints* transactions

	2017	2016
	€000	€000
At 1 January	365	364
Deferred during the year	1,426	1,126
Released to the statement of profit or loss	(1,375)	(1,125)
At 31 December	416	365
Current	220	200
Non-current	196	165

These amounts relate to the accrual and release of *GoodPoints* transactions. As at 31 December 2017, the estimated liability for unredeemed points amounted to €416,000 (2016: €365,000).

29. Pensions and other post-employment benefit plans

Net employee defined benefit liabilities

	2017	2016
	€000	€000
US post-employment healthcare benefit plan	(339)	(197)
Euroland pension plan	(2,711)	(2,780)
Total	(3,050)	(2,977)

IAS 19.135
IAS 19.136
IAS 19.138

The Group has a defined benefit pension plan in Euroland (funded). Also, in the United States, the Group provides certain post-employment healthcare benefits to employees (unfunded). The Group's defined benefit pension plan is a final salary plan for Euroland employees, which requires contributions to be made to a separately administered fund.

IAS 19.139

This plan is governed by the employment laws of Euroland, which require final salary payments to be adjusted for the consumer price index upon payment during retirement. The level of benefits provided depends on the member's length of service and salary at retirement age. The fund has the legal form of a foundation and it is governed by the Board of Trustees, which consists of an equal number of employer and employee representatives. The Board of Trustees is responsible for the administration of the plan assets and for the definition of the investment strategy.

IAS19.146
IAS 19.147(a)

Each year, the Board of Trustees reviews the level of funding in the Euroland pension plan as required by Euroland's employment legislation. Such a review includes the asset-liability matching strategy and investment risk management policy. This includes employing the use of annuities and longevity swaps to manage the risks. The Board of Trustees decides its contribution based on the results of this annual review. Generally, it aims to have a portfolio mix of a combined 40% in equity and property and 60% in debt instruments. Euroland's employment legislation requires the Group to clear any plan deficit (based on a valuation performed in accordance with the regulations in Euroland) over a period of no more than five years after the period in which the deficit arises. The Board of Trustees aim to keep annual contributions relatively stable at a level such that no plan deficits (based on valuation performed in accordance with the regulations in Euroland) will arise.

Since the pension liability is adjusted to the consumer price index, the pension plan is exposed to Euroland's inflation, interest rate risks and changes in the life expectancy for pensioners. As the plan assets include significant investments in quoted equity shares of entities in manufacturing and consumer products sector, the Group is also exposed to equity market risk arising in the manufacturing and consumer products sector.

The following tables summarise the components of net benefit expense recognised in the statement of profit or loss and the funded status and amounts recognised in the statement of financial position for the respective plans:

Post-employment healthcare benefit plan

Net benefit expense (recognised in profit or loss)	2017	2016
	€000	€000
Current service cost	(142)	(108)
Interest cost on benefit obligation	(11)	(5)
Net benefit expense	(153)	(113)

Changes in the present value of the defined benefit obligations:

IAS 19.141

	€000
Defined benefit obligation at 1 January 2016	88
Interest cost	5
Current service cost	108
Benefits paid	(34)
Exchange differences	30
Defined benefit obligation at 31 December 2016	197
Interest cost	11
Current service cost	142
Benefits paid	(21)
Exchange differences	10
Defined benefit obligation at 31 December 2017	339

29. Pensions and other post-employment benefit plans *continued*

Euroland Plan

2017 changes in the defined benefit obligation and fair value of plan assets

IAS 19.140
IAS 19.141

		Pension cost charged to profit or loss				Remeasurement gains/(losses) in OCI						
	1 January 2017	Service cost	Net interest expense	Sub-total included in profit or loss (Note 12.6)	Benefits paid	Return on plan assets (excluding amounts included in net interest expense)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Sub-total included in OCI	Contributions by employer	31 December 2017
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
Defined benefit obligation	(5,610)	(1,267)	(256)	(1,523)	868	–	211	(80)	(20)	111	–	(6,154)
Fair value of plan assets	2,830	–	125	125	(868)	258	–	–	–	258	1,098	3,443
Benefit liability	(2,780)			(1,398)	–	258	211	(80)	(20)	369	1,098	(2,711)

2016 changes in the defined benefit obligation and fair value of plan assets

		Pension cost charged to profit or loss				Remeasurement gains/(losses) in OCI						
	1 January 2016	Service cost	Net interest expense	Sub-total included in profit or loss (Note 12.6)	Benefits paid	Return on plan assets (excluding amounts included in net interest expense)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Sub-total included in OCI	Contributions by employer	31 December 2016
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
Defined benefit obligation	(5,248)	(1,144)	(283)	(1,427)	1,166	–	(201)	70	30	(101)	–	(5,610)
Fair value of plan assets	2,810	–	161	161	(1,166)	(288)	–	–	–	(288)	1,313	2,830
Benefit liability	(2,438)			(1,266)	–	(288)	(201)	70	30	(389)	1,313	(2,780)

Commentary

An entity must assess whether all or some disclosures should be disaggregated to distinguish plans or groups of plans with materially different risks under the requirements of IAS 19.138. For example, an entity may disaggregate disclosure about plans showing one or more of the following features: different geographical locations, characteristics such as flat salary pension plans, final salary pension plans or post-employment medical plans, regulatory environments, reporting segments and/or funding arrangements (e.g., wholly unfunded, wholly or partly funded).

Entities must exercise judgement and assess the grouping criteria according to their specific facts and circumstances. In this case, the Group has only one defined benefit pension plan in Euroland, hence there is no further disaggregation shown.

Additional disclosures may also be provided to meet the objectives in IAS 19.135. For example, an entity may present an analysis of the present value of the defined benefit obligation that distinguishes the nature, characteristics and risks of the obligation. Such a disclosure could distinguish:

(a) between amounts owing to active members, deferred members, and pensioners

(b) between vested benefits and accrued but not vested benefits

(c) between conditional benefits, amounts attributable to future salary increases and other benefits

29. Pensions and other post-employment benefit plans *continued*

The acquisitions of Extinguishers Limited in 2017 and Lightbulbs Limited in 2016 did not affect plan assets or the defined benefit obligation, as neither of the entities had defined benefit plans.

The fair values of each major class of plan assets are as follows:

IAS 19.142

	Euroland plan	
	2017	2016
	€000	€000
Investments quoted in active markets:		
Quoted equity investments		
Manufacturing and consumer products sector	830	655
Telecom sector	45	33
Bonds issued by Euroland Government	1,670	1,615
Cash and cash equivalents	400	250
Unquoted investments:		
Debt instruments issued by Good Bank International Limited	428	222
Property	70	55
Total	3,443	2,830

The plan assets include a property occupied by the Group with a fair value of €50,000 (2016: €50,000).

IAS 19.143

Commentary

The fair value of the plan assets is provided in this disclosure. Even though the fair value is determined using IFRS 13, the fair value disclosures required by IFRS 13 do not apply to employee benefits within the scope of IAS 19. However, if there was an impact on the plan assets from the measurement using IFRS 13 that would need to be disclosed.

Under IAS 19.142, the Group has separated the plan assets within different classes. The Group has a class --'property', which has not been further classified into categories. The amount is not determined to be material to the consolidated financial statements.

The principal assumptions used in determining pension and post-employment medical benefit obligations for the Group's plans are shown below:

IAS 19.144

	2017	2016
	%	%
Discount rate:		
Euroland pension plan	4.9	5.5
Post-employment medical plan	5.7	5.9
Future salary increases:		
Euroland pension plan	3.5	4.0
Future consumer price index increases:		
Euroland pension plan	2.1	2.1
Healthcare cost increase rate	7.2	7.4
Life expectation for pensioners at the age of 65:	Years	Years
Euroland pension plan		
Male	20.0	20.0
Female	23.0	23.0
Post-employment healthcare benefit plan		
Male	19.0	19.0
Female	22.0	22.0

29. Pensions and other post-employment benefit plans *continued*

A quantitative sensitivity analysis for significant assumptions as at 31 December is, as shown below:

IAS 19.145

	Impact on defined benefit obligation	
	2017	2016
Assumptions for Euroland pension plan:	€000	€000
Future pension cost increase:		
1% increase	70	60
1% decrease	(80)	(70)
Discount rate:		
0.5% increase	(90)	(100)
0.5% decrease	80	70
Future salary increases:		
0.5% increase	120	110
0.5% decrease	(110)	(130)
Life expectancy of male pensioners:		
Increase by 1 year	110	100
Decrease by 1 year	(120)	(130)
Life expectancy of female pensioners:		
Increase by 1 year	70	60
Decrease by 1 year	(60)	(70)
Assumptions for US post-employment healthcare benefit plan:		
Future pension cost increase:		
1% increase	110	105
1% decrease	(90)	(95)
Discount rate:		
0.5% increase	(90)	(120)
0.5% decrease	100	80
Life expectancy of male pensioners:		
Increase by 1 year	130	125
Decrease by 1 year	(150)	(155)
Life expectancy of female pensioners:		
Increase by 1 year	90	75
Decrease by 1 year	(80)	(95)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation from one another.

IAS 19.145(b)

The following payments are expected contributions to the defined benefit plan in future years:

IAS 19.147(a)
IAS 19.147(b)
IAS 19.147(c)

	2017	2016
	€000	€000
Within the next 12 months (next annual reporting period)	1,500	1,350
Between 2 and 5 years	2,150	2,050
Between 5 and 10 years	2,160	2,340
Beyond 10 years	3,000	2,600
Total expected payments	8,810	8,340

The average duration of the defined benefit plan obligation at the end of the reporting period is 26.5 years (2016: 25.3 years).

29. Pensions and other post-employment benefit plans *continued*

Commentary

IAS 19.145(c) also requires disclosure of changes from the previous period in the methods and assumptions used in preparing the sensitivity analyses, and the reasons for such changes. The Group did not have such changes.

IAS 19.145(a) requires disclosure of sensitivity analyses showing how the defined benefit obligation would be affected by reasonably possible changes in actuarial assumptions. The purpose of this publication is to illustrate the disclosures required and the changes in the assumptions provided in the sensitivity analyses above are not necessarily reflective of those in the current markets.

The standard includes some overriding disclosure objectives and considerations that provide a framework to identify the overall tone and extent of disclosures that should be included in the financial statement notes. For example, IAS 19.136 indicates that entities should consider the following when providing defined benefit plan disclosures:

- The level of detail necessary to satisfy the disclosure requirements
- How much emphasis to place on each of the various requirements
- How much aggregation or disaggregation to undertake
- Whether users of financial statements need additional information to evaluate the quantitative information disclosed

These considerations are meant to assist entities in reconciling the overriding disclosure objective along with the fact that an extensive list of required disclosures still remains in the standard. In the Basis for Conclusions accompanying IAS 19, the IASB emphasise that information that is immaterial is not required to be disclosed, as set out in IAS 1.31.

The addition of clear disclosure objectives provides entities with an opportunity to take a fresh look at their defined benefit plan disclosures. Eliminating immaterial disclosures would enhance the financial statement users' ability to focus on those transactions and details that truly matter.

30. Share-based payments

Senior Executive Plan

IFRS 2.45(a)

Under the Senior Executive Plan (SEP), share options of the parent are granted to senior executives of the parent with more than 12 months' service. The exercise price of the share options is equal to the market price of the underlying shares on the date of grant. The share options vest if and when the Group's EPS (non-market condition) increases by 10% within three years from the date of grant and the senior executive remains employed on such date. The share options granted will not vest if the EPS performance condition is not met.

IFRS 2.46

The fair value of the share options is estimated at the grant date using a binomial option pricing model, taking into account the terms and conditions on which the share options were granted. However, the above performance condition is only considered in determining the number of instruments that will ultimately vest.

The share options can be exercised up to two years after the three-year vesting period and therefore, the contractual term of each option granted is five years. There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these share options. The Group accounts for the SEP as an equity-settled plan.

General Employee Share Option Plan

IFRS 2.45(a)

Under the General Employee Share Option Plan (GESP), the Group, at its discretion, may grant share options of the parent to employees other than senior executives, once the employee has completed two years of service. Vesting of the share options is dependent on the Group's total shareholder return (TSR) as compared to a group of principal competitors. Employees must remain in service for a period of three years from the date of grant. The fair value of share options granted is estimated at the date of grant using a Monte-Carlo simulation model, taking into account the terms and conditions on which the share options were granted. The model simulates the TSR and compares it against the group of principal competitors. It takes into account historical and expected dividends, and the share price volatility of the Group relative to that of its competitors so as to predict the share performance.

IFRS 2.46
IFRS 2.47(a)(iii)

IFRS 2.46

The exercise price of the share options is equal to the market price of the underlying shares on the date of grant. The contractual term of the share options is five years and there are no cash settlement alternatives for the employees. The Group does not have a past practice of cash settlement for these awards.

30. Share-based payments *continued*

Share Appreciation Rights

The Group's business development employees are granted share appreciation rights (SARs), settled in cash. The SARs vest when a specified target number of new sales contracts (non-market vesting condition) are closed within three years from the date of grant and the employee continues to be employed by the Group at the vesting date. The share options can be exercised up to three years after the three-year vesting period and therefore, the contractual term of the SARs is six years. The liability for the share appreciation rights is measured, initially and at the end of each reporting period until settled, at the fair value of the share appreciation rights, by applying an option pricing model, taking into account the terms and conditions on which the share appreciation rights were granted, and the extent to which the employees have rendered services to date.

IFRS 2.45(a)
IFRS 2.46
IFRS 2.47 (a)(iii)

The carrying amount of the liability relating to the SARs at 31 December 2017 was €299,000 (2016: €194,000). No SARs had vested, granted or forfeited at 31 December 2017 and 2016, respectively.

IFRS 2.50
IFRS 2.51(b)

The expense recognised for employee services received during the year is shown in the following table:

	2017	2016	
	€000	€000	
Expense arising from equity-settled share-based payment transactions	307	298	
Expense arising from cash-settled share-based payment transactions	105	194	
Total expense arising from share-based payment transactions	412	492	*IFRS 2.50* *IFRS 2.51(a)*

There were no cancellations or modifications to the awards in 2017 or 2016.

IFRS 2.47(c)

Movements during the year

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year (excluding SARs):

	2017 Number	2017 WAEP	2016 Number	2016 WAEP	
Outstanding at 1 January	575,000	€2.85	525,000	€2.75	
Granted during the year	250,000	€3.85	155,000	€3.13	
Forfeited during the year	–	–	(25,000)	€2.33	
Exercised during the year	(75,000)[2]	€2.33	(65,000)[1]	€3.08	*IFRS 2.45(c)*
Expired during the year	(25,000)	€3.02	(15,000)	€2.13	
Outstanding at 31 December	725,000	€3.24	575,000	€2.85	*IFRS 2.45(d)*
Exercisable at 31 December	110,000	€2.98	100,000	€2.51	*IFRS 2.45(b)*

[1] The weighted average share price at the date of exercise of these options was €4.09.
[2] The weighted average share price at the date of exercise of these options was €3.13.

IFRS 2.45(c)

The weighted average remaining contractual life for the share options outstanding as at 31 December 2017 was 2.94 years (2016: 2.60 years).

IFRS 2.45(d)

The weighted average fair value of options granted during the year was €1.32 (2016: €1.18).

IFRS 2.47(a)

The range of exercise prices for options outstanding at the end of the year was €2.33 to €3.85 (2016: €2.13 to €3.13).

IFRS 2.45(d)

The following tables list the inputs to the models used for the three plans for the years ended 31 December 2017 and 2016, respectively:

IFRS 2.47(a)(i)

	2017 SEP	2017 GESP	2017 SAR
Weighted average fair values at the measurement date	€3.45	€3.10	€2.80
Dividend yield (%)	3.13	3.13	3.13
Expected volatility (%)	15.00	16.00	18.00
Risk–free interest rate (%)	5.10	5.10	5.10
Expected life of share options/SARs (years)	3.00	4.25	6.00
Weighted average share price (€)	3.10	3.10	3.12
Model used	Binomial	Monte Carlo	Binomial

30. Share-based payments *continued*

	2016 SEP	2016 GESP	2016 SAR
Weighted average fair values at the measurement date	€3.30	€3.00	€2.60
Dividend yield (%)	3.01	3.01	3.01
Expected volatility (%)	16.30	17.50	18.10
Risk–free interest rate (%)	5.00	5.00	5.00
Expected life of options/SARs (years)	3.00	4.25	6.00
Weighted average share price (€)	2.86	2.86	2.88
Model used	Binomial	Monte Carlo	Binomial

The expected life of the share options and SARs is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

IFRS 2.47(a)(ii)

31. Trade and other payables

	2017 €000	2016 €000
Trade payables	17,528	18,945
Other payables	1,465	1,181
Interest payable	43	269
Related parties	40	22
	19,076	20,417

Terms and conditions of the above financial liabilities:

IFRS 7.39

- Trade payables are non-interest bearing and are normally settled on 60-day terms
- Other payables are non-interest bearing and have an average term of six months
- Interest payable is normally settled quarterly throughout the financial year
- For terms and conditions with related parties, refer to Note 33

For explanations on the Group's liquidity risk management processes, refer to Note 20.5.

IFRS 7.39(c)

32. Commitments and contingencies

Operating lease commitments – Group as a lessee

IAS 17.35(d)

The Group has entered into operating leases on certain motor vehicles and items of machinery, with lease terms between three and five years. The Group has the option, under some of its leases, to lease the assets for additional terms of three to five years.

Future minimum rentals payable under non-cancellable operating leases as at 31 December are, as follows:

IAS 17.35(a)

	2017 €000	2016 €000
Within one year	255	250
After one year but not more than five years	612	600
More than five years	408	400
	1,275	1,250

32. Commitments and contingencies *continued*

Operating lease commitments – Group as a lessor

The Group has entered into operating leases on its investment property portfolio consisting of certain office and manufacturing buildings. These leases have terms of between 5 and 20 years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. The total contingent rents recognised as income during the year is €13,900 (2016: €12,007).

IAS 17.56(c)

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are, as follows:

IAS 17.56(a)

	2017	2016
	€000	€000
Within one year	1,418	1,390
After one year but not more than five years	5,630	5,520
More than five years	5,901	5,864
	12,949	12,774

Finance lease and hire purchase commitments

The Group has finance leases and hire purchase contracts for various items of plant and machinery. The Group's obligations under finance leases are secured by the lessor's title to the leased assets. Future minimum lease payments under finance leases and hire purchase contracts, together with the present value of the net minimum lease payments are, as follows:

IAS 17.31(e)

	2017		2016	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
	€000	€000	€000	€000
Within one year	85	83	56	51
After one year but not more than five years	944	905	1,014	943
More than five years	–	–	–	–
Total minimum lease payments	1,029	988	1,070	994
Less amounts representing finance charges	(41)	–	(76)	–
Present value of minimum lease payments	988	988	994	994

IAS 17.31(b)

Commentary

IAS 17 *Leases* requires additional disclosures for material leasing arrangements, such as: the basis on which contingent rent payable is determined; the existence and terms of renewal or purchase options and escalation clauses; and restrictions imposed by the lease arrangements, such as dividends, additional debt and further leasing. Where these disclosures are absent in the Group's financial statements, it is because they are not applicable to the Group's lease arrangements.

Commitments

At 31 December 2017, the Group had commitments of €2,310,000 (2016: €4,500,000) including €2,000,000 (2016: €Nil) relating to the completion of the fire equipment safety facility and €310,000, (2016: €516,000) relating to trade purchase commitments by the Group's joint venture.

IAS 16.74(c)
IFRS 12.23 (a)
IFRS 12.B18-B19

Legal claim contingency

An overseas customer has commenced an action against the Group in respect of equipment claimed to be defective. The estimated payout is €850,000 should the action be successful. A trial date has not yet been set. Therefore, it is not practicable to state the timing of the payment, if any.

IAS 37.86

The Group has been advised by its legal counsel that it is only possible, but not probable, that the action will succeed. Accordingly, no provision for any liability has been made in these financial statements.

32. Commitments and contingencies *continued*

Guarantees

The Group has provided the following guarantees at 31 December 2017:

IAS 24.21(h)
IAS 24.19 (d)
IAS 24.19 (e)
IAS 37.86

- Guarantee of 25% of the bank overdraft of the associate to a maximum amount of €500,000 (2016: €250,000), which is incurred jointly with other investors of the associate (carrying amounts of the related financial guarantee contracts were €67,000 and €34,000 at 31 December 2017 and 2016, respectively)
- Guarantee to an unrelated party for the performance in a contract by the joint venture. No liability is expected to arise

IFRS 12.23 (b)

- Guarantee of its share of €20,000 (2016: €13,000) of the associate's contingent liabilities which have been incurred jointly with other investors

Contingent liabilities

The Group recognised a contingent liability of €400,000 in the course of the acquisition of Extinguishers Limited (see Notes 7 and 26).

33. Related party disclosures

Note 6 provides information about the Group's structure, including details of the subsidiaries and the holding company. The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

IAS 24.18
IAS 24.21

		Sales to related parties	Purchases from related parties	Amounts owed by related parties*	Amounts owed to related parties*
		€000	€000	€000	€000
Entity with significant influence over the Group:					
International Fires P.L.C.	2017	7,115	–	620	–
	2016	5,975	–	550	–
Associate:					
Power Works Limited	2017	2,900	–	551	–
	2016	2,100	–	582	–
Joint venture in which the parent is a venturer:					
Showers Limited	2017	–	590	–	30
	2016	–	430	–	12
Key management personnel of the Group:					
Other directors' interests	2017	225	510	–	10
	2016	135	490	–	10

* The amounts are classified as trade receivables and trade payables, respectively (see Notes 22 and 31).

IAS 24.13
IAS 24.18

		Interest received	Amounts owed by related parties
Loans from/to related parties		€000	€000
Associate:			
Power Works Limited	2017	20	200
	2016	–	–
Key management personnel of the Group:			
Directors' loans	2017	1	13
	2016	–	8

There were no transactions other than dividends paid between the Group and S.J. Limited, the ultimate parent during the financial year (2016: €Nil).

33. Related party disclosures *continued*

Loan to an associate

The loan granted to Power Works Limited is intended to finance an acquisition of new machines for the manufacturing of fire prevention equipment. The loan is unsecured and repayable in full on 1 June 2018. Interest is charged at 10%.

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2017, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2016: €Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

IAS 24.21
IAS 24.18(b)

Commentary

The disclosure that transactions with related parties are made on terms equivalent to an arm's length transaction is only required if an entity can substantiate such terms, but IAS 24.23 does not require such a disclosure. The Group was able to substantiate the terms and therefore provides the disclosure.

Commitments with related parties

On 1 July 2017, Bright Sparks Limited entered into a two-year agreement ending 30 June 2019 with Power Works Limited to purchase specific electrical and optical cables that Bright Sparks Limited uses in its production cycle. Bright Sparks Limited expects the potential purchase volume to be €750,000 in 2018 and €250,000 in the first 6 months of 2019. The purchase price is based on Power Works Limited's actual cost plus a 5% margin and will be settled in cash within 30 days of receiving the inventories.

IAS 24.18(b)
IAS 24.21(i)

The Group has provided a contractual commitment to Fire Equipment Test Lab Limited, whereby if the assets held as collateral by Fire Equipment Test Lab Limited for its borrowing fall below a credit rating of 'AA', the parent will substitute assets of an equivalent of 'AA' rating. The maximum fair value of the assets to be replaced is €200,000 as at 31 December 2017 (2016: €210,000).

IFRS 12.14-15

Transactions with key management personnel

Directors' loans

The Group offers senior management a facility to borrow up to €20,000, repayable within five years from the date of disbursement. Such loans are unsecured and the interest rate is the average rate incurred on long-term loans (currently EURIBOR + 0.8). Any loans granted are included in financial instruments on the face of the statement of financial position.

IAS 24.18

Other directors' interests

IAS 24.18
IAS 24.19(f)

During both 2017 and 2016, Group companies made purchases at market prices from Gnome Industries Limited, of which the spouse of one of the directors of the Group is a director and controlling shareholder.

One director has a 25% (2016: 25%) equity interest in Home Fires Limited. The Group has a contract for the supply of fire extinguishers to Home Fires Limited . During 2017 and 2016, the Group supplied fire extinguishers to Home Fires Limited at market prices.

Compensation of key management personnel of the Group

IAS 24.17

	2017	2016
	€000	€000
Short-term employee benefits	435	424
Post-employment pension and medical benefits	110	80
Termination benefits	40	–
Share-based payment transactions	18	12
Total compensation paid to key management personnel	603	516

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

Generally, the non-executive directors do not receive pension entitlements from the Group. During 2017, an amount of €40,000 was paid to a director who retired from an executive director's position in 2016.

33. Related party disclosures *continued*

Directors' interests in the Senior Executive Plan
Share options held by executive members of the Board of Directors under the Senior Executive Plan to purchase ordinary shares have the following expiry dates and exercise prices:

Date of grant	Expiry date	Exercise price	2017	2016
			Number outstanding	Number outstanding
2016	2021	€2.33	10,000	10,000
2016	2021	€3.13	83,000	83,000
2017	2022	€3.85	27,000	–
Total			120,000	93,000

IAS 24.17(e)

No share options have been granted to the non-executive members of the Board of Directors under this scheme. Refer to Note 30 for further details on the scheme.

Commentary

Certain jurisdictions may require additional and more extensive disclosures, e.g., remuneration and benefits of key management personnel and members of the Board of Directors.

34. Standards issued but not yet effective

IAS 8.30
IAS 8.31(d)

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9 *Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* that replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the required effective date and will not restate comparative information. During 2017, the Group has performed a detailed impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018 when the Group will adopt IFRS 9. Overall, the Group expects no significant impact on its statement of financial position and equity except for the effect of applying the impairment requirements of IFRS 9. The Group expects an increase in the loss allowance resulting in a negative impact on equity as discussed below. In addition, the Group will implement changes in classification of certain financial instruments.

(a) Classification and measurement
The Group does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value. Quoted equity shares currently held as available-for-sale (AFS) with gains and losses recorded in OCI will, instead, be measured at fair value through profit or loss, which will increase volatility in recorded profit or loss. The AFS reserve of €7,000 related to those securities in amount, which is currently presented as accumulated OCI, will be reclassified to retained earnings. Debt securities are expected to be measured at fair value through OCI under IFRS 9 as the Group expects not only to hold the assets to collect contractual cash flows, but also to sell a significant amount on a relatively frequent basis.

The equity shares in non-listed companies are intended to be held for the foreseeable future. No impairment losses were recognised in profit or loss during prior periods for these investments. The Group will apply the option to present fair value changes in OCI, and, therefore, the application of IFRS 9 will not have a significant impact.

34. Standards issued but not yet effective continued

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

(b) Impairment

IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group will apply the simplified approach and record lifetime expected losses on all trade receivables. The Group has determined that, due to the unsecured nature of its loans and receivables, the loss allowance will increase by €770,000 with corresponding related decrease in the deferred tax liability of €231,000.

(c) Hedge accounting

The Group determined that all existing hedge relationships that are currently designated in effective hedging relationships will continue to qualify for hedge accounting under IFRS 9. The Group has chosen not to retrospectively apply IFRS 9 on transition to the hedges where the Group excluded the forward points from the hedge designation under IAS 39. As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of IFRS 9 will not have a significant impact on Group's financial statements.

(d) Other adjustments

In addition to the adjustments described above, on adoption of IFRS 9, other items of the primary financial statements such as deferred taxes, assets held for sale and liabilities associated with them, investments in the associate and joint venture, will be adjusted as necessary. The exchange differences on translation of foreign operations will also be adjusted.

In summary, the impact of IFRS 9 adoption is expected to be, as follows:

Impact on equity (increase/(decrease)) as of 31 December 2017:

	Adjustments	€000
Assets		
Investments in associate and joint venture	(d)	(7)
Trade and other receivables	(b)	(770)
Assets held for sale	(d)	(349)
Total assets		*(1,126)*
Liabilities		
Deferred tax liabilities	(b)	(233)
Liabilities directly associated with assets held for sale	(d)	(105)
Total liabilities		*(338)*
Net impact on equity, Including		*(788)*
Retained earnings	(a)	(758)
Other components of equity	(a), (d)	2
Non-controlling interests	(d)	(32)

34. Standards issued but not yet effective *continued*

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014, and amended in April 2016, and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the full retrospective method. During 2016, the Group performed a preliminary assessment of IFRS 15, which was continued with a more detailed analysis completed in 2017.

The Group is in the business of providing fire prevention and electronics equipment and services. The equipment and services are sold both on their own in separate identified contracts with customers and together as a bundled package of goods and/or services.

(a) Sale of goods

For contracts with customers in which the sale of equipment is generally expected to be the only performance obligation, adoption of IFRS 15 is not expected to have any impact on the Group's revenue and profit or loss. The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

In preparing to adopt IFRS 15, the Group is considering the following:

(i) Variable consideration

Some contracts with customers provide a right of return, trade discounts or volume rebates. Currently, the Group recognises revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. If revenue cannot be reliably measured, the Group defers revenue recognition until the uncertainty is resolved. Such provisions give rise to variable consideration under IFRS 15, and will be required to be estimated at contract inception and updated thereafter.

IFRS 15 requires the estimated variable consideration to be constrained to prevent over-recognition of revenue. The Group expects that application of the constraint will result in more revenue being deferred than under current IFRS.

- *Rights of return*

When a contract with a customer provides a right to return the good within the specified period, the Group currently accounts for the right of return using a probability-weighted average amount of return approach similar to the expected value method under IFRS 15. Under the current accounting policy, the amount of revenue related to the expected returns is deferred and recognised in the statement of financial position within *Trade and other payables*. A corresponding adjustment is made to the cost of sales. The initial carrying amount of goods expected to be returned is included within *Inventories*.

Under IFRS 15, because the contract allows the customer to return the products, the consideration received from the customer is variable. The Group has decided to use the expected value method to estimate the goods that will be returned because this method better predicts the amount of variable consideration to which the Group will be entitled. The Group applied the requirements in IFRS 15 on constraining estimates of variable consideration to determine the amount of variable consideration that can be included in the transaction price. The Group concluded that, when it adopts IFRS 15, an adjustment to revenue from the sale of goods of €120,000 would be needed with a related adjustment to cost of sales of €100,000 for 2017. Under IFRS 15, the Group presents a refund liability and an asset for the right to recover products from a customer separately in the statement of financial position. On transition to IFRS 15, the Group will reclassify *Trade and other payables* in the amount of €1,215,000 to *Refund liabilities* and related *Inventories* in the amount of €834,000 to *Rights to recover products from customers on return*. In addition, *Refund liabilities* in the amount of €125,000 and *Rights to recover products from customers on return* in the amount of €95,000, will be recognised in the statement of financial position. As a result of these adjustments, *Retained earnings* as at 31 December 2017 will decrease by €30,000.

34. Standards issued but not yet effective *continued*

- *Volume rebates*

In the Electronics segment, the Group provides retrospective volume rebates to its customers on all products purchased by the customer once the quantity of products purchased during the period exceeds a threshold specified in the contract. Under its existing accounting policy, the Group estimates the expected volume rebates using the probability-weighted average amount of rebates approach and includes them in *Trade and other payables*. These amounts may subsequently be repaid in cash to the customer or are offset against amounts payable by customer.

Under IFRS 15, retrospective volume rebates give rise to variable consideration. To estimate the variable consideration to which it will be entitled, the Group considered that the most likely amount method better predicts the amount of variable consideration for contracts with only a single volume threshold while for contracts with more than one volume threshold it would apply either the expected value method or the most likely amount method, depending on which of them better predicts the amount of variable consideration for the particular type of contract. The Group applied the requirements in IFRS 15 on constraining estimates of variable consideration and concluded that an adjustment to reduce revenue from sale of goods by €1,315,000 would be needed in 2017, with a corresponding increase in *Trade and other payables (*to be presented under IFRS 15 as *Contract liabilities).* In addition, the Group would present a liability recognised for the expected future rebates as part of *Contract liabilities*. Therefore, an amount of €3,115,000 would be reclassified from *Trade and other payables* to *Contract liabilities.* In addition, *Contract liabilities* in amount of €474,000 will be recognised in the statement of financial position for the effects of restating of prior periods. As result of these adjustments *Retained earnings* as at 31 December 2017 will decrease by €1,789,000.

(ii) Warranty obligations
The Group generally provides for warranties for general repairs and does not provide extended warranties in its contracts with customers. As such, most existing warranties will be assurance-type warranties under IFRS 15, which will continue to be accounted for under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, consistent with its current practice. However, in certain non-standard contracts, the Group provides extended warranties that are currently accounted for under IAS 37. Under IFRS 15, such warranties will be accounted for as service-type warranties and, therefore, will be accounted for as separate performance obligations to which the Group allocates a portion of the transaction price. When the Group adopts IFRS 15 in 2018, the following adjustments are expected for 2017: the amount of €58,000 recognised as short-term *Provisions* under IAS 37; and the related expenses included in cost of sales (€58,000) will be derecognised. The revenue that should be allocated to the sale of service-type warranties (€60,000) will be deferred and presented as the current portion of *Contract liabilities* of €60,000. Since the Group did not have any unfulfilled extended warranties related to the years prior to 2017, *Retained earnings* as at 31 December 2017 will decrease by the difference of €2,000.

(iii) Loyalty points programme (GoodPoints)
Under IFRIC 13 *Customer Loyalty Programmes*, the loyalty programme offered by the Group's electronic segment results in the allocation of a portion of the transaction price to the loyalty programme using the fair value of points issued and recognition of the deferred revenue in relation to points issued but not yet redeemed or expired. The Group concluded that under IFRS 15 the loyalty programme gives rise to a separate performance obligation because it generally provides a material right to the customer. Under IFRS 15, the Group will need to allocate a portion of the transaction price to the loyalty programme based on relative stand-alone selling price instead of the allocation using the fair value of points issued, i.e. residual approach, as it did under IFRIC 13. The Group determined that more revenue must be allocated to the goods sold in comparison to the existing accounting policy. When IFRS 15 is adopted, the following adjustments are expected to the current year: revenue from the sale of goods would increase and the current portion of *Deferred revenue* would decrease by €18,000. In addition, €30,000 would be reclassified from the non-current portion of *Deferred revenue* to the opening *Retained earnings,* with a cumulative effect on *Retained earnings* as at 31 December 2017 in the amount of €48,000; the remaining balances of non-current *Deferred revenue* in the amount of €166,000 and current portion of *Deferred revenue* in the amount of € 202,000 will be reclassified as non-current and current portions of *Contract liabilities*.

(b) Rendering of services
The Group's fire prevention segment provides installation services. These services are sold either on their own in contracts with the customers or bundled together with the sale of equipment to a customer. Currently, the Group accounts for the equipment and service as separate deliverables of bundled sales and allocates consideration between these deliverables using the relative fair value approach. The Group recognises service revenue by reference to the stage of completion. Under IFRS 15, allocation will be made based on relative

34. Standards issued but not yet effective *continued*

stand-alone selling prices. Hence, the allocation of the consideration and, consequently, the timing of the amount of revenue recognised in relation to these sales would be affected.

The Group assessed that when IFRS 15 is adopted, the current reporting period would be adjusted such that revenue from sale of goods would increase by €170,000 because of re-allocation of the portion of contract consideration that, under IAS 18, was allocated to installation services and the current portion of *Deferred revenue* would be lower by the same amount. The effect on prior periods would be a decrease in the current portion of *Deferred revenue* and an increase in opening *Retained earnings* by €60,000. In addition, the Group would reclassify €30,000 from the non-current portion of *Deferred revenue* to the non-current portion of *Contract liabilities* and €55,000 from the current portion of *Deferred revenue* to the current portion of *Contract liabilities.*

The Group concluded that the services are satisfied over time given that the customer simultaneously receives and consumes the benefits provided by the Group. Consequently, under IFRS 15 the Group would continue to recognise revenue for these service contracts/service components of bundled contracts over time rather than at a point of time.

Applying a percentage of completion method, the Group currently recognises revenue and *Trade and other receivables*, even if receipt of the total consideration is conditional on successful completion of installation services. Under IFRS 15, earned consideration that is conditional should be recognised as a contract asset rather than receivable. Therefore, on adoption of IFRS 15, the Group will reclassify at 31 December 2017 €4,180,000 from *Trade and other receivables* to the current portion of *Contract assets*.

(c) Equipment received from customers

The Group receives transfers of moulds and other tools for its manufacturing process from customers, which are recognised at fair value as property, plant and equipment under IFRIC 18 *Transfers of Assets from Customers* with a corresponding increase in *Deferred revenue*.

IFRS 15 requires that the fair value of such non-cash consideration, received or expected to be received by the customer, is included in the transaction price. The Group has concluded that adoption of IFRS 15 would not have an effect on the accounting for equipment received from customers. However, amounts that were presented previously as *Deferred revenue* would be presented under IFRS 15 as *Contract liabilities*. This would result in reclassification as of 31 December 2017 of €43,000 from the current portion of *Deferred revenue* to the current portion of *Contract liabilities* and €133,000 from the non-current portion of *Deferred revenue* to the non-current portion of *Contract liabilities*.

(d) Advances received from customers

Generally, the Group receives only short-term advances from its customers. They are presented as part of *Trade and other payables*. However, from time to time, the Group may receive from customers long-term advances. Under the current accounting policy, the Group presents such advances as *Deferred revenue* under the non-current liabilities heading in the statement of financial position. No interest was accrued on the long-term advances received under the current accounting policy.

Under IFRS 15, the Group must determine whether there is a significant financing component in its contracts. However, the Group decided to use the practical expedient provided in IFRS 15, and will not adjust the promised amount of the consideration for the effects of a significant financing components in the contracts, where the Group expects, at contract inception, that the period between the Group transfer of a promised good or service to a customer and when the customer pays for that good or service will be one year or less. Therefore, for short-term advances, the Group will not account for a financing component even if it is significant.

Based on the nature of the goods and services offered and the purpose of payment terms, the Group determined that for the vast majority of the contracts that require customers to pay long-term advances, the payment terms were structured primarily for reason other than the provision of finance to the Group, i.e. advances are generally required from new customers, as well as customers with a history of late payments, they do not provide customers with an alternative to pay in arrears. In addition, the length of time between when the customer pays for the goods and the Group transfers goods to the customer is relatively short. Therefore, the Group has concluded that there is not a significant financing component in these contracts.

However, certain contracts between the Group and its customers include two alternative payment options: payments after a number of years when the customers obtain control over the assets and the payment of a smaller amount when the contracts are signed. For these contracts when the customer elects to use the prepayment option, the Group concluded that they contain a significant financing component because of the length of time between when the customer pays for the goods and when the Group transfers goods to the

customer, as well as the prevailing interest rates in the market. The transaction price for such contracts will be determined by discounting the amount of promised consideration using the appropriate discount rate. When IFRS 15 is adopted, adjustments to the current reporting period are expected such that *Deferred revenue* (presented under IFRS 15 as non-current portion of *Contract liabilities*) would increase by €32,000 reflecting the adjustment of the promised amount of consideration by the interest, with a related increase in the *Finance costs* for 2017 in the amount of €27,000 and a decrease of €5,000 in opening *Retaining earnings*. In addition, the Group would reclassify €100,000 from the non-current portion of *Deferred revenue* and €40,000 from the current portion of *Deferred revenue* to the current and non-current portions of *Contract liabilities*, respectively.

(e) Principal versus agent considerations

From time to time the Group enters into contracts with its customers to acquire, on their behalf, special fire prevention equipment produced by foreign suppliers. Under these contracts, the Group provides procurement services (i.e., selects suitable suppliers and manages the ordering and delivery of the imported equipment). In these contracts, the Group is not considered to be primarily responsible for fulfilling the promise to provide the specified equipment. The Group does not have inventory risk before or after the specified equipment has been transferred to the customer as it purchases equipment only upon approval of the customer and the foreign supplier ships equipment directly to the customers. In addition, the Group has no discretion in establishing the price for the specified equipment. However, the Group's consideration in these contracts is determined as the difference between the maximum purchase price quoted by the customer and the final price negotiated by the Group with the foreign supplier. The Group bears credit risk on these transactions as it is obliged to pay the foreign supplier even if the customer defaults on a payment. Under the current accounting policy, based on the existence of credit risk and the nature of the consideration in the contract, the Group concluded that it has an exposure to the significant risks and rewards associated with the sale of equipment to its customers, and accounted for the contracts as if it is a principal. IFRS 15 requires assessment of whether the Group controls a specified good or service before it is transferred to the customer. The Group has determined that it does not control the goods before they are transferred to customers, and hence, is an agent rather than principal in these contracts. In addition, the Group concluded that it transfers control over its services (of arranging for the provision of the equipment from a foreign supplier), at a point of time. When the Group adopts IFRS 15, adjustments to the current period would decrease revenue from the sale of goods by €3,956,000 and cost of sales by €3,440,000 and increase revenue from rendering of services by the difference of €516,000.

(f) Presentation and disclosure requirements

The presentation and disclosure requirements in IFRS 15 are more detailed than under current IFRS. The presentation requirements represent a significant change from current practice and significantly increases the volume of disclosures required in the Group's financial statements. Many of the disclosure requirements in IFRS 15 are new and the Group has assessed that the impact of some of these disclosures requirements will be significant. In particular, the Group expects that the notes to the financial statements will be expanded because of the disclosure of significant judgements made: when determining the transaction price of those contracts that include variable consideration, how the transaction price has been allocated to the performance obligations, and the assumptions made to estimate the stand-alone selling prices of each performance obligation. Also, extended disclosures are expected as a result of the significant judgement made when assessing the contracts where the Group has concluded that: it acts as an agent instead of a principal, there is a significant financing component, and service-type warranties are provided. In addition, as required by IFRS 15, the Group will disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. It will also disclose information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment. In 2017 the Group continued testing of appropriate systems, internal controls, policies and procedures necessary to collect and disclose the required information.

(g) Other adjustments

In addition to the major adjustments described above, on adoption of IFRS 15, other items of the primary financial statements such as deferred taxes, assets held for sale and liabilities associated with them, profit or loss after tax for the year from discontinued operations, investments in associate and joint venture, as well as share of profit of an associate and a joint venture, will be affected and adjusted as necessary. Furthermore, exchange differences on translation of foreign operations would also be adjusted.

The recognition and measurement requirements in IFRS 15 are also applicable for recognition and measurement of any gains or losses on disposal of non-financial assets (such as items of property and equipment and intangible assets), when that disposal is not in the ordinary course of business. However, on transition, the effect of these changes is not expected to be material for the Group.

34. Standards issued but not yet effective *continued*

In summary, the impact of IFRS 15 adoption is expected to be, as follows:

Impact on equity (increase/(decrease)) as of 31 December 2017 (1 January 2017: (€319,000)):

	Adjustments	€ 000
Assets		
Investments in associate and joint venture	(g)	(20)
Trade and other receivables	(b)	(4,180)
Inventories	(a)(i)	(834)
Rights to recover products from customers on return	(a)(i)	929
Contract assets (current)	(b)	4,180
Assets held for sale	(g)	12
Total assets		*87*
Liabilities		
Trade and other payables	(a)(i), (a)(i)	(4,330)
Refund liabilities	(a)(i)	1,340
Contract liabilities (current)	(a)(i), (a)(ii), (c), (d), (f)	5,264
Contract liabilities (non-current)	(c), (d), (f)	501
Provisions	(a)(ii)	(58)
Deferred revenue (non-current)	(a)(iii), (c), (d), (f)	(459)
Deferred revenue (current)	(a)(iii), (b),(c), (d), (f)	(588)
Deferred tax liabilities	(g)	(484)
Liabilities directly associated with assets held for sale	(g)	34
Total liabilities		*1,220*
Net impact on equity, Including		*(1,133)*
Retained earnings		(908)
Other components of equity		26
Non-controlling interests		(251)

Impact on the statement of profit or loss (increase/(decrease)) for 2017:

	Adjustments	€000
Sale of goods	(a)(i), (a)(ii), (a)(iii), (b),(e)	(5,263)
Rendering of services	(e)	516
Cost of sales	(a)(i), (a)(ii), (e)	3,598
Finance costs	(d)	(27)

34. Standards issued but not yet effective *continued*

Share of profit of an associate and a joint venture	(g)	(12)
Income tax expense	(g)	358
Profit or loss after tax for the year from discontinued operations	(g)	(5)
Net impact on profit for the year		(835)
Attributable to:		
Equity holders of the parent		(610)
Non-controlling interests		(225)

Impact on basic and diluted earnings per share (EPS):

Earnings per share	(increase/ (decrease)
Basic	*(0.04)*
Diluted	*(0.03)*
Earnings per share for continuing operations	
Basic	*(0.04)*
Diluted	*(0.03)*

Impact on other comprehensive income (increase/(decrease)):

	€000
Exchange differences on translation of foreign operations	21
Net impact on other comprehensive income for the year	*21*

Commentary

IAS 8.30 requires entities to disclose in the financial statements those standards that have been issued but are not yet effective and to provide known or reasonably estimable information to enable users to assess the possible impact of the application of such IFRSs on an entity's financial statements.

The International Organisation of Securities Commissions (IOSCO) and enforcement authorities in some jurisdictions (such as the European Securities and Markets Authority (ESMA)) issued recommendations on disclosure of the expected impact of major standards such as IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases* in the interim and annual financial statements of the companies within their jurisdictions. Good Group decided to provide detailed information on the expected impact on its consolidated financial statements of initial application of IFRS 15 and IFRS 9, which will be effective in the next reporting year. Since Good Group has not yet quantified the effect of the future adoption of IFRS 16, it has not provided quantitative information on the potential impact of the standard (see below).

Good Group stated that it has completed its detailed analysis of IFRS 15 and IFRS 9 adoption in 2017. Therefore, it disclosed the quantified impact of IFRS 15 for individual line items in the financial statements. However, paragraph 30 of IAS 8 does not require disclosures to be provided with this level of granularity. Entities may be only in the process of finalising their analysis at the date of issuing of their financial statements for 2017, and may wish to disclose the impact of IFRS 15 at a more aggregated level. Such entities would disclose the known or reasonably estimable information relevant to assessing the possible impact that application of IFRS 15 will have on their financial statements in the period of initial application. However, rather than disclosing the impact on each financial statement line item, entities may only be able to disclose an estimated range of the overall impact on profit or loss, assets, liabilities and equity, and they would state in their financial statements that quantitative information disclosed in this note may be subject to further changes in 2018.

34. Standards issued but not yet effective *continued*

Amendments to IFRS 10 and IAS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Group will apply these amendments when they become effective.

IFRS 2 Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2

The IASB issued amendments to IFRS 2 *Share-based Payment* that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Group is assessing the potential effect of the amendments on its consolidated financial statements.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

In 2018, the Group will continue to assess the potential effect of IFRS 16 on its consolidated financial statements.

IFRS 17 *Insurance Contracts*

In May 2017, the IASB issued IFRS 17 *Insurance Contracts* (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive

34. Standards issued but not yet effective *continued*

model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

Transfers of Investment Property – Amendments to IAS 40

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application in accordance with IAS 8 is only permitted if it is possible without the use of hindsight. Effective for annual periods beginning on or after 1 January 2018. Early application of the amendments is permitted and must be disclosed. The Group will apply amendments when they become effective. However, since Group's current practice is in line with the clarifications issued, the Group does not expect any effect on its consolidated financial statements.

Annual Improvements 2014-2016 Cycle (issued in December 2016)

These improvements include:

IFRS 1 *First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters*

Short-term exemptions in paragraphs E3–E7 of IFRS 1 were deleted because they have now served their intended purpose. The amendment is effective from 1 January 2018. This amendment is not applicable to the Group.

IAS 28 *Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice*

The amendments clarify that:

- An entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.
- If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

The amendments should be applied retrospectively and are effective from 1 January 2018, with earlier application permitted. If an entity applies those amendments for an earlier period, it must disclose that fact. These amendments are not applicable to the Group.

Applying IFRS 9 *Financial Instruments* with IFRS 4 *Insurance Contracts* - Amendments to IFRS 4

The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17 *Insurance Contracts,* which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after 1 January 2018. An entity may elect the overlay approach when it first applies IFRS 9 and apply that approach retrospectively to financial assets designated on transition to IFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying IFRS 9. These amendments are not applicable to the Group.

34. Standards issued but not yet effective *continued*

IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the Interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after:

(i) The beginning of the reporting period in which the entity first applies the interpretation
Or
(ii) The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

The Interpretation is effective for annual periods beginning on or after 1 January 2018. Early application of interpretation is permitted and must be disclosed. However, since the Group's current practice is in line with the Interpretation, the Group does not expect any effect on its consolidated financial statements.

IFRIC Interpretation 23 *Uncertainty over Income Tax Treatment*

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group will apply interpretation from its effective date. Since the Group operates in a complex multinational tax environment, applying the Interpretation may affect its consolidated financial statements and the required disclosures. In addition, the Group may need to establish processes and procedures to obtain information that is necessary to apply the Interpretation on a timely basis.

Commentary

IAS 8.30 requires disclosure of standards that have been issued but are not yet effective. These disclosures are required to provide known or reasonably estimable information to enable users to assess the possible impact of the application of such IFRSs on an entity's financial statements. The Group has listed all standards and interpretations that are not yet effective, primarily for the illustrative purpose of these financial statements. An alternative that entities may consider would be to only list and address those which are expected to have an impact on the Group's financial position, performance, and/or disclosures.

35. Events after the reporting period

On 14 January 2018, a building with a net book value of €1,695,000 was severely damaged by flooding and inventories with a net book value of €857,000 were destroyed. It is expected that insurance proceeds will fall short of the costs of rebuilding and loss of inventories by €750,000.

IAS 10.21
IAS 10.10

Appendix 1 – Consolidated statement of profit or loss and other comprehensive income (example of a single statement)

for the year ended 31 December 2017

IAS 1.49

Commentary

The Group presents the statement of profit or loss and statement of comprehensive income in two separate statements. For illustrative purposes, the statement of profit or loss and other comprehensive is presented as a single statement in this Appendix.

	Notes	2017	2016	
			Restated*	*IAS 1.10(b) IAS 1.10A IAS 1.51(c) IAS 8.28*
		€000	€000	*IAS 1.51(d)(e)*
Continuing operations				*IAS 1.81A*
Sale of goods		161,927	142,551	*IAS 18.35(b)(i)*
Rendering of services		17,131	16,537	*IAS 18.35(b)(ii)*
Rental income	17	1,404	1,377	*IAS 18.35(b)(ii)*
Revenue		180,462	160,465	*IAS 1.82(a)*
Cost of sales		(136,549)	(128,386)	*IAS 1.103*
Gross profit		43,913	32,079	*IAS 1.85, IAS 1.103*
Other operating income	12.1	2,435	2,548	*IAS 1.103*
Selling and distribution expenses		(14,001)	(12,964)	*IAS 1.99, IAS 1.103*
Administrative expenses	12.9	(18,428)	(12,156)	*IAS 1.99, IAS 1.103*
Other operating expenses	12.2	(2,554)	(353)	*IAS 1.99, IAS 1.103 IAS 1.85*
Operating profit		11,365	9,154	*IAS 1.BC55-56*
Finance costs	12.3	(1,264)	(1,123)	*IAS 1.82(b), IFRS 7.20*
Finance income	12.4	336	211	*IAS 1.82(a)*
Share of profit of an associate and a joint venture	9,10	671	638	*IAS 1.82(c)*
Profit before tax from continuing operations		11,108	8,880	*IAS 1.85*
Income tax expense	14	(3,098)	(2,233)	*IAS 1.82(d) IAS 12.77*
Profit for the year from continuing operations		8,010	6,647	*IAS 1.85*
Discontinued operations				
Profit/(loss) after tax for the year from discontinued operations	13	220	(188)	*IAS 1.82(ea) IFRS 5.33(a)*
Profit for the year		8,230	6,459	*IAS 1.81A(a)*
Other comprehensive income				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				*IAS 1.82A*
Net gain on hedge of net investment		278	-	*IAS 39.102(a)*
Exchange differences on translation of foreign operations		(246)	(117)	*IAS 21.32*
Net (losses)/gains of cash flow hedges	12.8	(732)	33	*IFRS 7.23(c)*
Net (losses)/gains on AFS financial assets	12.8	(58)	3	
Share of other comprehensive income of an associate	10	(43)	-	*IAS 1.82A(b)*
Income tax effect relating to the components of OCI	14	168	(10)	*IAS 1.91*
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:				
Remeasurement gains/(losses) on defined benefit plans	29	369	(389)	*IAS 19.120(c) IAS 19.122*
Revaluation of office properties in Euroland	16	846	-	*IAS 16.39*
Share of other comprehensive income of an associate	10	43	-	*IAS 1.82A(b)*
Income tax effect relating to the components of OCI	14	(379)	116	*IAS 1.90*
Other comprehensive income/(loss) for the year, net of tax		246	(364)	*IAS 1.81A(b)*
Total comprehensive income for the year, net of tax		8,476	6,095	*IAS 1.81A(c)*

* Certain numbers shown here do not correspond to those in the 2016 financial statements and reflect adjustments made as detailed in Note 2.5.

Appendix 1 – Consolidated statement of profit or loss and other comprehensive income (example of a single statement)

IAS 1.10(b)
IAS 1.51(b)

for the year ended 31 December 2017

IAS 1.51(c)

		2017	2016	
			Restated*	*IAS 8.28*
		€000	€000	
Profit attributable to:				
Equity holders of the parent		7,942	6,220	*IAS 1.81B (a)(ii)*
Non-controlling interests		288	239	*IAS 1.81B(a)(i)*
		8,230	6,459	
Total comprehensive income attributable to:				
Equity holders of the parent		8,188	5,856	*IAS 1.81(b)(ii)*
Non-controlling interests		288	239	*IAS 1.81B(b)(i)*
		8,476	6,095	
Earnings per share	15			*IAS 33.66*
Basic, profit for the year attributable to ordinary equity holders of the parent		€0.38	€0.33	
Diluted, profit for the year attributable to ordinary equity holders of the parent		€0.38	€0.32	
Earnings per share for continuing operations	15			
Basic, profit from continuing operations attributable to ordinary equity holders of the parent		€0.37	€0.34	
Diluted, profit from continuing operations attributable to ordinary equity holders of the parent		€0.37	€0.33	

* Certain numbers shown here do not correspond to those in the 2016 financial statements and reflect adjustments made as detailed in Note 2.5.

Commentary

The Group presents, for illustrative purposes, the disclosure of a single statement of profit or loss and OCI in this Appendix.

The different components of OCI are presented on a net basis in the statement above. Therefore, an additional note is required to present the amount of reclassification adjustments and current year gains or losses. Alternatively, the individual components could have been presented within the statement of profit or loss and OCI.

In this Appendix, the Group illustrates the presentation of the income tax effects on OCI items on an aggregated basis as allowed under IAS 1.91(b).

Appendix 2 – Consolidated statement of profit or loss (example of expenses disclosed by nature)

for the year ended 31 December 2017

Commentary

The Group presents the statement of profit or loss disclosing expenses by function. For illustrative purposes, the statement of profit or loss disclosing expenses by nature is presented in this appendix.

IAS 1.49
IAS 1.10(b)
IAS 1.10A
IAS 1.51(c)

	Notes	2017	2016	
			Restated*	*IAS 8.28*
		€000	€000	*IAS 1.51(d)(e)*
Continuing operations				*IAS 1.81A*
Sale of goods		161,927	142,551	*IAS 18.35(b)(i)*
Rendering of services		17,131	16,537	*IAS 18.35(b)(ii)*
Rental income	17	1,404	1,377	*IAS 18.35(b)(ii)*
Revenue		180,462	160,465	*IAS 1.82(a)*
Other operating income	12.1	2,435	2,548	*IAS 1.102*
Changes in inventories of finished goods and work in progress		(1,133)	(3,342)	*IAS 1.99, IAS 1.102*
Raw materials and consumables used		(129,974)	(117,456)	*IAS 1.99, IAS 1.102*
Employee benefits expense	12.6	(33,749)	(29,151)	*IAS 1.99, IAS 1.102*
Depreciation and amortisation	16,18	(3,922)	(3,256)	*IAS 1.99, IAS 1.102*
Impairment of non-current assets	16,19	(200)	(301)	*IAS 1.99, IAS 36.126*
Other operating expenses	12.2	(2,554)	(353)	*IAS 1.99, IAS 1.102*
Finance costs	12.3	(1,264)	(1,123)	*IAS 1.82(b), IFRS 7.20*
Finance income	12.4	336	211	*IAS 1.82(a)*
Share of profit of an associate and a joint venture	9, 10	671	638	*IAS 1.82(c)*
Profit before tax from continuing operations		11,108	8,880	*IAS 1.85*
Income tax expense	14	(3,098)	(2,233)	*IAS 1.82(d)* *IAS 12.77*
Profit for the year from continuing operations		8,010	6,647	*IAS 1.85*
Discontinued operations				
Profit/(loss) after tax for the year from discontinued operations	13	220	(188)	*IAS 1.82(ea)* *IFRS 5.33(a)*
Profit for the year		8,230	6,459	*IAS 1.81A(a)*
Attributable to:				
Equity holders of the parent		7,942	6,220	*IAS 1.81B(a)(ii)*
Non-controlling interests		288	239	*IAS 1.81B(a)(i)*
		8,230	6,459	
Earnings per share	15			*IAS 33.66*
Basic, profit for the year attributable to ordinary equity holders of the parent		€0.38	€0.33	
Diluted, profit for the year attributable to ordinary equity holders of the parent		€0.38	€0.32	
Earnings per share for continuing operations	15			
Basic, profit from continuing operations attributable to ordinary equity holders of the parent		€0.37	€0.34	
Diluted, profit from continuing operations attributable to ordinary equity holders of the parent		€0.37	€0.33	

* Certain numbers shown here do not correspond to those in the 2016 financial statements and reflect adjustments made as detailed in Note 2.5.

Appendix 3 – Consolidated statement of cash flows (example of the direct method)

for the year ended 31 December 2017

Commentary

IAS 7.18 allows entities to report cash flows from operating activities using either the direct or indirect methods. The Group presents cash flows using the indirect method. However, the statement of cash flows prepared using the direct method for operating activities is presented in this appendix for illustrative purposes.

	Notes	2017 €000	2016 €000	IAS 1.10(d) IAS 1.51(c) IAS 1.51(d),(e)
Operating activities				IAS 7.10, IAS 7.18(a)
Receipts from customers		227,113	235,776	
Payments to suppliers		(175,975)	(184,105)	
Payments to employees		(35,815)	(35,048)	
Interest received		336	211	IAS 7.31
Interest paid		(484)	(1,025)	IAS 7.31
Income tax paid		(3,131)	(3,200)	IAS 7.35
Net cash flows from operating activities		13,300	12,351	
Investing activities				IAS 7.10, IAS 7.21
Proceeds from sale of property, plant and equipment		1,990	2,319	IAS 7.16(b)
Purchase of property, plant and equipment	16	(10,162)	(7,672)	IAS 7.16(a)
Purchase of investment properties	17	(1,216)	(1,192)	IAS 7.16(a)
Purchase of financial instruments		(3,054)	(225)	IAS 7.16(c)
Proceeds from AFS financial assets		–	145	IAS 7.16(d)
Purchase of intangible assets	18	(587)	(390)	IAS 7.16(a)
Acquisition of a subsidiary, net of cash acquired	7	230	(1,450)	IAS 7.39
Receipt of government grants	27	2,951	642	
Net cash flows used in investing activities		(9,848)	(7,823)	
Financing activities				IAS 7.10, IAS 7.21
Proceeds from exercise of share options	30	175	200	IAS 7.17(a)
Acquisition of non-controlling interests	7	(325)	–	IAS 7.42A
Transaction costs of issue of shares	24	(32)	–	IAS 7.17(a)
Payment of finance lease liabilities		(51)	(76)	IAS 7.17(e)
Proceeds from borrowings		6,341	4,871	IAS 7.17(c)
Repayment of borrowings		(2,724)	(4,250)	IAS 7.17(d)
Dividends paid to equity holders of the parent	25	(1,972)	(1,600)	IAS 7.31
Dividends paid to non-controlling interests		(30)	(49)	IFRS 12.B10(a)
Net cash flows from/(used in) financing activities		1,382	(904)	
Net increase in cash and cash equivalents		4,834	3,624	
Net foreign exchange difference		340	326	IAS 7.28
Cash and cash equivalents at 1 January		12,266	8,316	
Cash and cash equivalents at 31 December	23	17,440	12,266	IAS 7.45

Commentary

IAS 7.33 permits interest paid to be shown as operating or financing activities and interest received to be shown as operating or investing activities, as deemed relevant for the entity. The Group has elected to classify interest received and paid as cash flows from operating activities.

Appendix 4 – Information in other illustrative financial statements available

IFRS are illustrated across our various illustrative financial statements, as follows:

		Good Group	Good Group –Alternative Format	Good Group Interim	Good First-time Adopter	Good Investment Fund (Equity and Liability)	Good Real Estate	Good Mining	Good Petroleum	Good Bank	Good Insurance
International Financial Reporting Standards (IFRS)											
IFRS 1	*First-time Adoption of International Financial Reporting Standards*				ü				ü		
IFRS 2	*Share-based Payment*	ü	ü	ü	ü		ü				ü
IFRS 3	*Business Combinations*	ü	ü	ü	ü		ü	ü	ü	ü	ü
IFRS 4	*Insurance Contracts*										ü
IFRS 5	*Non-current Assets Held for Sale and Discontinued Operations*	ü	ü	ü	ü		ü			ü	
IFRS 6	*Exploration for and Evaluation of Mineral Resources*							ü	ü		
IFRS 7	*Financial Instruments: Disclosures*	ü	ü	ü	ü	ü	ü	ü	ü	ü	ü
IFRS 8	*Operating Segments*	ü	ü	ü	ü	ü	ü	ü	ü	ü	ü
IFRS 9	*Financial Instruments*										
IFRS 10	*Consolidated Financial Statements*	ü	ü	ü						ü	ü
IFRS 11	*Joint Arrangements*	ü	ü	ü					ü		
IFRS 12	*Disclosure of Interests in Other Entities*	ü	ü					ü	ü	ü	ü
IFRS 13	*Fair Value Measurement*	ü	ü	ü				ü	ü	ü	ü
IFRS 14	*Regulatory Deferral Accounts*										
IFRS 15	*Revenue from Contracts with Customers*										
IFRS 16	*Leases*										
IFRS 17	*Insurance Contracts*										
International Accounting Standards (IAS)											
IAS 1	*Presentation of Financial Statements*	ü	ü	ü	ü	ü	ü	ü	ü	ü	ü
IAS 2	*Inventories*	ü	ü	ü	ü		ü	ü	ü		
IAS 7	*Statement of Cash Flows*	ü	ü	ü	ü	ü	ü	ü	ü	ü	ü
IAS 8	*Accounting Policies, Changes in Accounting Estimates and Errors*	ü	ü	ü	ü	ü	ü	ü	ü		ü
IAS 10	*Events after the Reporting Period*	ü	ü	ü	ü	ü	ü	ü	ü	ü	ü
IAS 11	*Construction Contracts*						ü				
IAS 12	*Income Taxes*	ü	ü	ü	ü	ü	ü	ü	ü	ü	ü
IAS 16	*Property, Plant and Equipment*	ü	ü		ü		ü	ü	ü	ü	ü
IAS 17	*Leases*	ü	ü	ü	ü		ü	ü	ü	ü	ü
IAS 18	*Revenue*	ü	ü	ü	ü	ü	ü	ü	ü	ü	ü
IAS 19	*Employee Benefits*	ü	ü	ü	ü			ü	ü	ü	ü
IAS 20	*Accounting for Government Grants and Disclosure of Government Assistance*	ü	ü	ü	ü						
IAS 21	*The Effects of Changes in Foreign Exchange Rates*	ü	ü	ü	ü	ü	ü	ü	ü	ü	ü
IAS 23	*Borrowing Costs*	ü	ü	ü	ü		ü	ü	ü	ü	ü
IAS 24	*Related Party Disclosures*	ü	ü	ü	ü	ü	ü	ü	ü	ü	ü
IAS 26	*Accounting and Reporting by Retirement Benefit Plans*										
IAS 27	*Separate Financial Statements*										
IAS 28	*Investments in Associates and Joint Ventures*	ü	ü	ü	ü		ü		ü	ü	ü

		Good Group	Good Group – Alternative Format	Good Group Interim	Good First-time Adopter	Good Investment Fund (Equity and Liability)	Good Real Estate	Good Mining	Good Petroleum	Good Bank	Good Insurance
International Accounting Standards (IAS) ***continued***											
IAS 29	*Financial Reporting in Hyperinflationary Economies*										
IAS 32	*Financial Instruments: Presentation*	ü	ü	ü	ü	ü	ü	ü	ü	ü	ü
IAS 33	*Earnings per Share*	ü	ü	ü	ü	ü	ü	ü	ü	ü	ü
IAS 34	*Interim Financial Reporting*			ü							
IAS 36	*Impairment of Assets*	ü	ü	ü	ü		ü	ü	ü	ü	ü
IAS 37	*Provisions, Contingent Liabilities and Contingent Assets*	ü	ü	ü	ü	ü	ü	ü	ü	ü	ü
IAS 38	*Intangible Assets*	ü	ü	ü	ü		ü	ü	ü	ü	ü
IAS 39	*Financial Instruments: Recognition and Measurement*	ü	ü	ü	ü	ü	ü	ü	ü	ü	ü
IAS 40	*Investment Property*	ü	ü	ü	ü		ü				ü
IAS 41	*Agriculture*										
Interpretations											
IFRIC 1	*Changes in Existing Decommissioning, Restoration and Similar Liabilities*	ü	ü	ü	ü			ü	ü		
IFRIC 2	*Members' Shares in Co–operative Entities and Similar Instruments*										
IFRIC 4	*Determining whether an Arrangement contains a Lease*	ü	ü	ü	ü			ü	ü		
IFRIC 5	*Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*			ü				ü	ü		
IFRIC 6	*Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment*	ü	ü	ü	ü						
IFRIC 7	*Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies*										
IFRIC 9	*Reassessment of Embedded Derivatives*	ü	ü	ü						ü	ü
IFRIC 10	*Interim Financial Reporting and Impairment*	ü	ü	ü							
IFRIC 12	*Service Concession Arrangements*										
IFRIC 13	*Customer Loyalty Programmes*	ü	ü	ü	ü						
IFRIC 14	*IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*										
IFRIC 15	*Agreements for the Construction of Real Estate*						ü				
IFRIC 16	*Hedges of a Net Investment in a Foreign Operation*	ü	ü	ü	ü						
IFRIC 17	*Distributions of Non-cash Assets to Owners*	ü	ü	ü	ü						
IFRIC 18	*Transfers of Assets from Customers*	ü	ü	ü	ü						
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*			ü							
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*							ü			
IFRIC 21	*Levies*	ü	ü	ü						ü	
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*										
IFRIC 23	*Uncertainty over Income Tax Treatments*										
SIC 7	*Introduction of the Euro*										
SIC 10	*Government Assistance – No Specific Relation to Operating Activities*										
SIC 15	*Operating Leases – Incentives*	ü	ü	ü	ü		ü				

		Good Group	Good Group –Alternative Format	Good Group Interim	Good First-time Adopter	Good Investment Fund (Equity and Liability)	Good Real Estate	Good Mining	Good Petroleum	Good Bank	Good Insurance
Interpretations *continued*											
SIC 25	*Income Taxes – Changes in the Tax Status of an Entity or its Shareholders*				ü						
SIC 27	*Evaluating the Substance of Transactions Involving the Legal Form of a Lease*	ü	ü	ü	ü						
SIC 29	*Service Concession Arrangements: Disclosures*										
SIC 31	*Revenue – Barter Transactions Involving Advertising Services*										
SIC 32	*Intangible Assets – Web Site Costs*										

ü This standard or interpretation is incorporated into these illustrative financial statements.

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