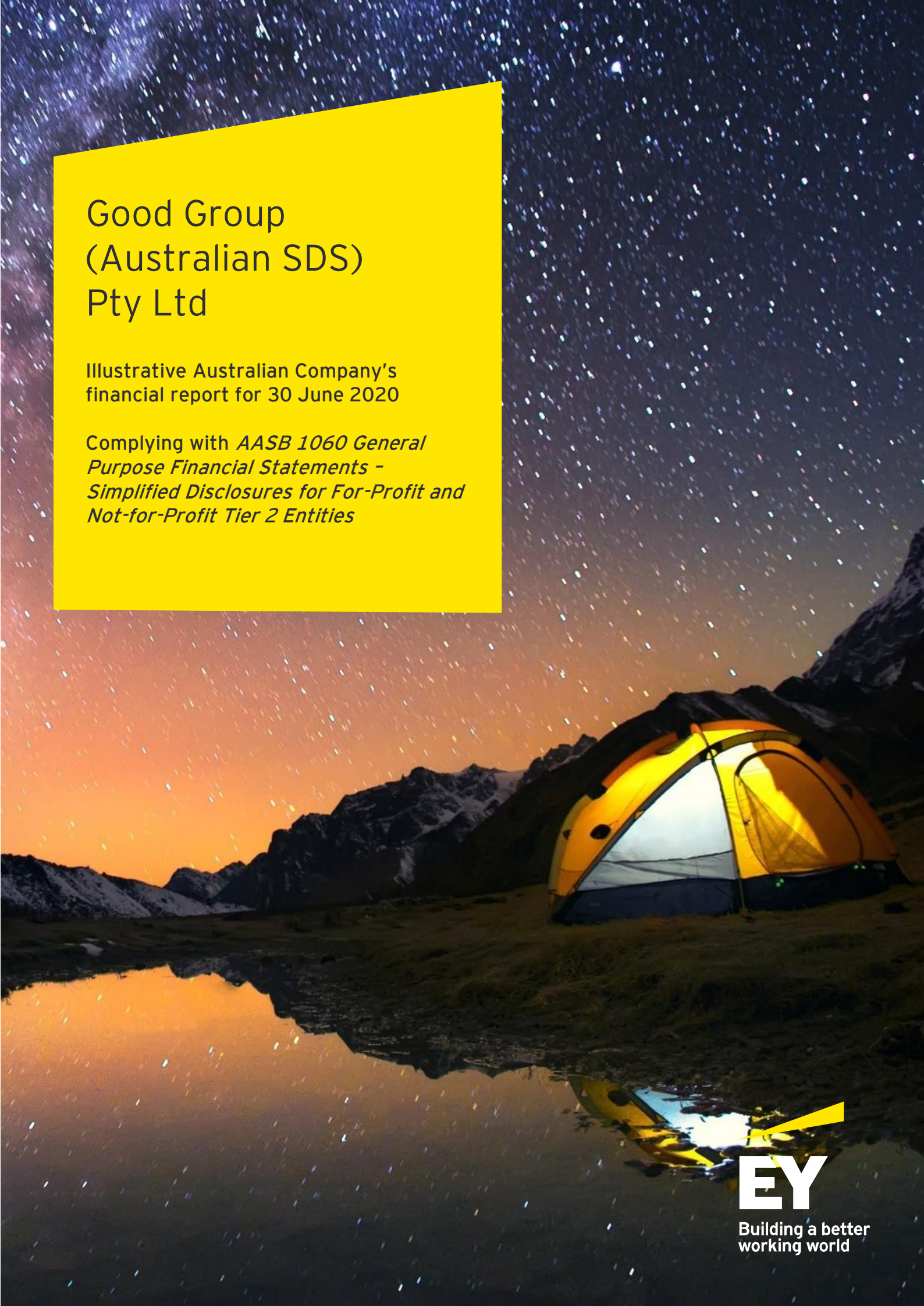
Good Group (Australian SDS) Pty Ltd

Illustrative Australian Company's financial report for 30 June 2020

Complying with *AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*



EY

Building a better working world

Foreword

Australia has a two tier reporting system for entities preparing general purpose financial statements (GPFS). This two tier regime allows certain entities to reduce the costs of financial reporting by simplifying the disclosures otherwise required by Australian Accounting Standards (AASs). Similar to how the current Reduced Disclosure Requirements (RDR) framework applies, an entity may adopt the new simplified disclosures when it is not considered to be publicly accountable. This determination requires the application of judgement.

This first edition of *Good Group (Australian SDS) Pty Ltd* provides illustrative financial statements prepared in accordance with AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* issued in March 2020. The objective of this publication is to assist Tier 2 for-profit private sector entities in the preparation of its financial statements.

The following assumptions were made in preparing these financial statements:

- Good Group (Australian SDS) Pty Ltd is an industrial company, incorporated in Australia, with a reporting date of 30 June 2020.
- AASB 1060 has been adopted early ahead of its mandatory effective date (i.e., for years beginning on or after 1 July 2021).
- The previous financial statements were prepared in full compliance with the recognition and measurement requirements of Australian Accounting Standards, including the presentation of consolidated financial statements, hence there are no adjustments on transition to AASB 1060.
- The Group includes wholly-owned subsidiaries and one associate.
- No business combinations have been undertaken during the current or prior year and the entity has not entered into any hedging relationships.
- The illustrative financial statements do not take advantage of relief, available when an entity early adopts AASB 1060, from providing comparatives which were not previously disclosed when it prepared special purpose financial statements (SPFS) or complied with the RDR framework.

I trust our *The time has come* publication together with the accompanying illustrative financial statements will prove useful for entities navigating Australia's new financial reporting landscape.

Frank Palmer
Partner - Ernst & Young Australia
EY Oceania IFRS Leader
June 2020

Introduction

Tiers of Australian Accounting Standards

AASB 1053 *Application of Tiers of Australian Accounting Standards* introduces two tiers of reporting requirements for preparing general purpose financial statements:

- Tier 1: Australian Accounting Standards
- Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements, which will be changed to Australian Accounting Standards – Simplified Disclosures (SDS) starting for annual periods beginning on or after 1 July 2021

Tier 1 incorporates International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and includes requirements that are specific to Australian entities.

Tier 2 comprises the recognition and measurement requirements of Tier 1 but substantially reduced disclosure requirements. The presentation requirements under Tier 1 and Tier 2 are the same under the:

- RDR regime, except for the presentation of a third statement of financial position in particular circumstances under Tier 1.
- SDS regime, except for the presentation of a third statement of financial position in particular circumstances under Tier 1 and the option of not presenting a separate statement of changes in equity. The option to present a single statement of income and retained earnings in place of the statement of changes in equity is available if the only changes to equity arise from these sources - profit or loss, declaration of dividends, corrections of prior period errors, and changes in accounting policies.

AASB's approach to developing Simplified Disclosures

The Australian Accounting Standards Board (AASB) developed AASB 1060 by using the disclosure requirements in IFRS for Small and Medium-sized Entities (SMEs) Standard as a starting base. These requirements were then adapted for the different recognition and measurement principles between Australian Accounting Standards and the IFRS for SMEs Standard, and for user needs including public interests and Australian specific issues.

Transitioning from the current RDR framework to the SDS framework of AASB 1060 is expected to reduce disclosures, particularly in the areas of revenue, financial instruments, leases, business combinations, discontinued operations and interests in other entities.

As AASB 1060 stands on its own by containing all required disclosures, those Australian Accounting Standards only dealing with presentation and disclosure (e.g., AASB 7 *Financial Instruments: Disclosures*, AASB 12 *Disclosure of Interests in Other Entities*, AASB 101 *Presentation of Financial Statements*, AASB 107 *Statement of Cash Flows* and AASB 124 *Related Party Disclosures*) have also been incorporated into AASB 1060 without all the additional guidance in those standards.

To reduce deviations from IFRS for SMEs disclosures, the AASB decided to also require some new disclosures, by carrying over some requirements in the IFRS for SMEs Standard to AASB 1060 even though they are not currently required under the RDR framework. These additional disclosures include general corporate information (i.e., domicile and legal form), factors that make up goodwill recognised in a business combination, and maturity analysis of lease contracts where the entity is a lessee.

In addition, disclosures of audit fees and imputation credits have been included for public interest reasons.

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

This document contains the consolidated financial statements of a fictitious entity, Good Group (Australian SDS) Pty Ltd, an industrial company with subsidiaries (the Group). Good Group (Australian SDS) Pty Ltd is incorporated in Australia, with a reporting date of 30 June 2020. These financial statements are intended to illustrate transactions, events and circumstances that we consider to be most common for a broad range of companies across a range of industries in accordance with AASB 1060. A directors' report (as required by the *Corporations Act* 2001) is not included in this document. For examples of other disclosures and commentary, refer to the December 2019 version of our full illustrative annual report *Good Group (Australia) Ltd*.

Notations shown in the right-hand margin of each page are references to AASB 1060, or other applicable pronouncements that require the specific disclosures. Additional line items, headings, subtotals and information not specifically required by AASB 1060 have been presented and disclosed in these financial statements on the basis that such presentation is relevant to an understanding of the entity.

Users of this publication are encouraged to prepare entity-specific disclosures. Transactions and arrangements other than those illustrated for the Group may require additional disclosures. For a more comprehensive list of disclosure requirements refer AASB 1060.

Australian Accounting Standards as at 30 April 2020

The standards applied in these illustrative financial statements are those that were on issue as at 30 April 2020 and effective for annual periods beginning on or after 1 July 2019. With the exception of the early adoption of AASB 1060, new standards issued but not yet effective as at 30 April 2020 have not been early adopted.

Users of this publication are cautioned to check for any changes in requirements of Australian Accounting Standards between 30 April 2020 and the date on which their financial statements are authorised for issue. Our *In Balance* publications will keep you informed of further changes.

Accounting policy choices

Accounting policies are broadly defined in AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* and include not just the explicit elections available in some standards, but also other conventions and practices that are adopted in applying principle-based standards.

In some cases, Australian Accounting Standards permit more than one accounting treatment for a transaction or event. Preparers of financial statements should select accounting treatments that are most relevant to their business and circumstances.

AASB 108 requires an entity to select and apply its accounting policies consistently for similar transactions, events and/or conditions, unless an Australian Accounting Standard specifically requires or permits categorisation of items for which different policies may be appropriate. Where an Australian Accounting Standard 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 the entity's 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.

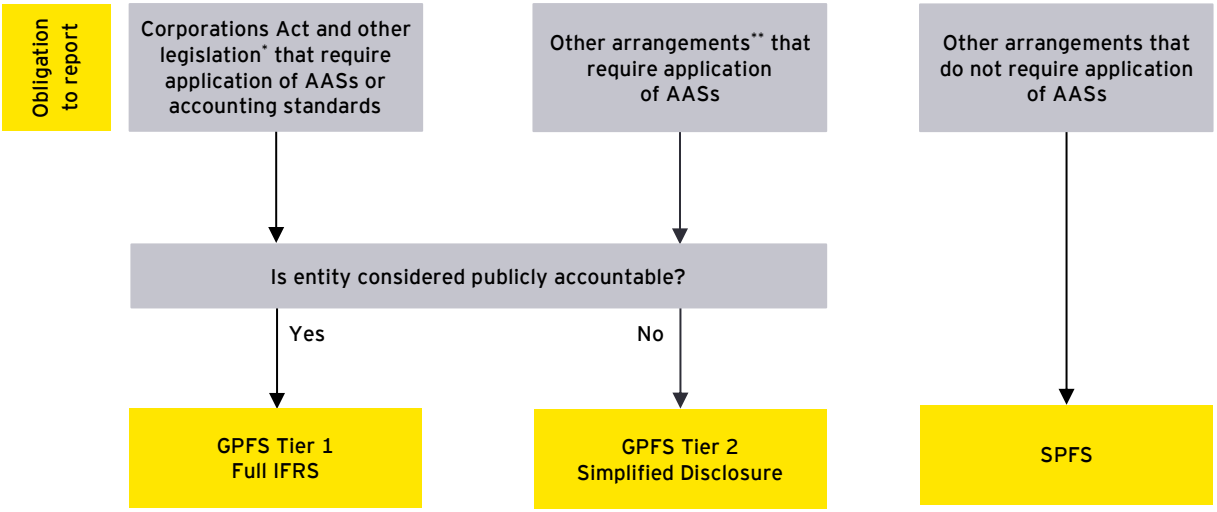
In this publication, when a choice is available in Australian Accounting Standards, the Group has adopted one of the treatments as appropriate to the circumstances of the Group.

Independent auditor's report

Good Group (Australian SDS) Pty Ltd is a proprietary limited company incorporated and domiciled in Australia and is a for-profit, private sector entity which is not publicly accountable. Financial statements of such an entity may be subject to audit, in which case an auditor's report should be provided together with the annual financial statements. However, this publication is not intended to provide guidance on the application of relevant auditing standards on auditor reporting. Hence, an illustrative auditor's report on the consolidated financial statements of Good Group (Australian SDS) Pty Ltd is not included.

SDS adoption

With the AASB's recent completion of its reporting framework reform for for-profit private sector entities, certain companies will no longer be permitted to prepare special purpose financial statements for financial reporting purposes. Below is a diagram that shows the application of tiers of financial reporting once AASB 2020-2 *Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities* and AASB 1060 become effective for reporting periods beginning on or after 1 July 2021:



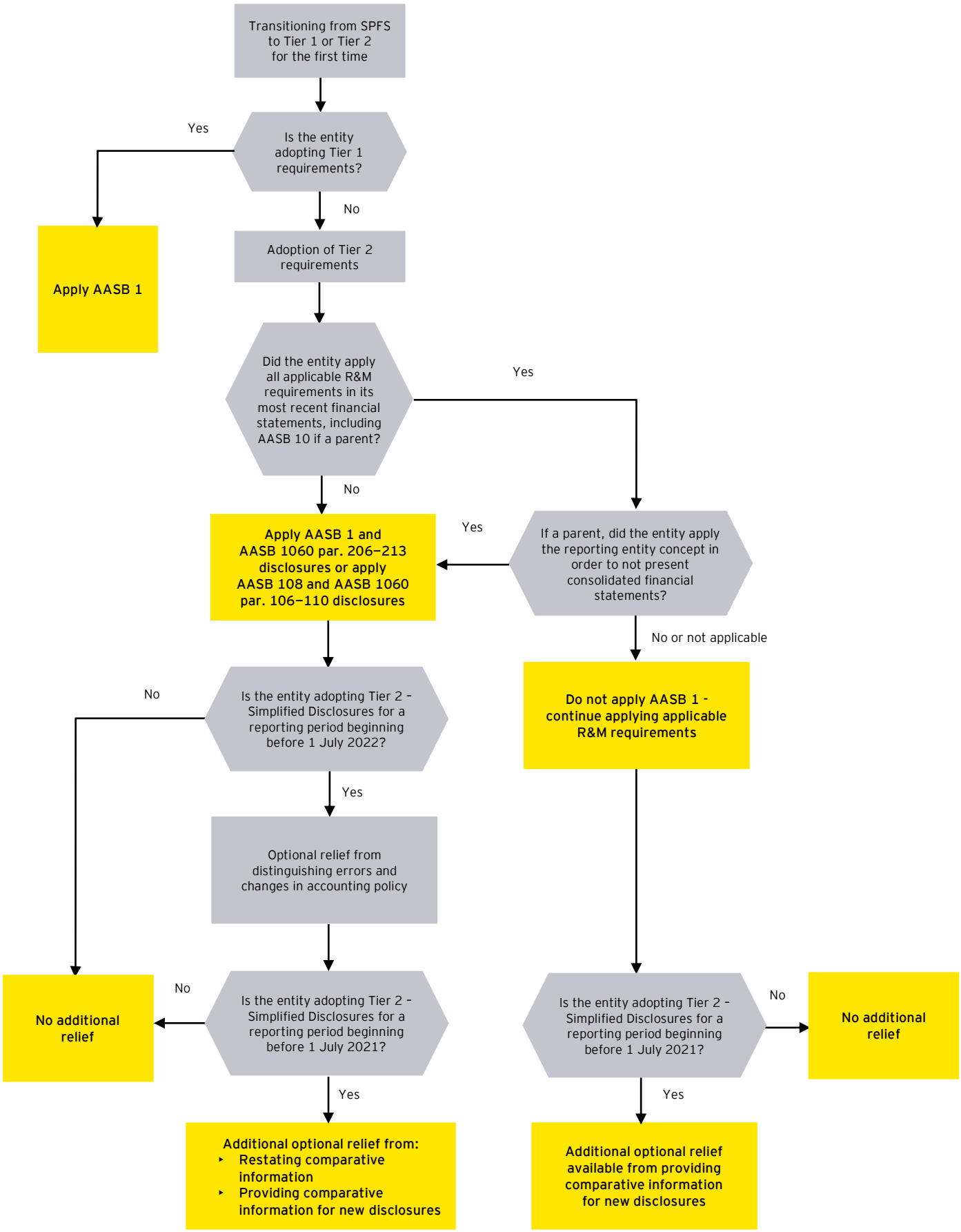
**Includes Commonwealth, State and Territory legislation*
***When preparing financial reports according to Australian Accounting Standards by other than legislation (e.g., constitution, trust deed), only if document is created or amended (for any reason) on or after 1 July 2021. Those created before 1 July 2021 are grandfathered to be permitted to prepare special purpose financial statements.*

Transitioning from SPFS to Tier 1 or Tier 2 reporting requirements

For entities affected, particularly those that have been preparing special purpose financial statements, an assessment on the entity's current compliance with all recognition and measurement requirements of Australian Accounting Standards should be made, including consolidation. Some of the considerations include:

- The areas of change (measurement and disclosure)
- Whether to adopt GPFS (Tier 2) early for the transition relief from comparatives
- If adopting GPFS (Tier 2) early, then adopting SDS early (rather than adopting RDR and changing to SDS from 1 July 2021)
- Whether there is a need to prepare financial statements based on the revised large proprietary thresholds
- The systems and processes in need of change to prepare general purpose financial statements

Entities transitioning from SPFS to Tier 1 or Tier 2 reporting requirements for the first-time may refer to the following decision tree when adopting AASB 2020-2 and AASB 1060:



Abbreviations and key

The following styles of abbreviation are used in these illustrative financial statements:

AASB 1060.25	AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*, paragraph 25
ASIC CI	*Australian Securities & Investments Commission Corporations Instrument*
Reg 2M.3.03(1)	*Corporations Regulations 2001*, Chapter 2M, Regulation 3.03, paragraph 1
CA 295	*Corporations Act 2001*, section 295

Caveat

The names of people and corporations, and also descriptions of events related to Good Group (Australian SDS) Pty Ltd included in these illustrative financial statements are fictitious and have been created for illustration only. Any resemblance to any person or business is purely coincidental.

These financial statements are illustrative only and do not attempt to show all possible accounting and disclosure requirements. In case of doubt as to the requirements, it is essential to refer to the relevant source and, where necessary, seek appropriate professional advice.

Good Group (Australian SDS) Pty Ltd

ABN 00 000 000 000

Illustrative Australian Company's financial report for 30 June 2020

Complying with *Australian Accounting Standards – Simplified Disclosures*

Contents

Consolidated statement of income and retained earnings[1]

For the year ended 30 June 2020

	Note	2020 $000	2019 $000	AASB 1060.25(b)(i), 26, 28, 29, 49(a), 51(a), 62
				AASB 1060.92
Revenue from contracts with customers	4	179,058	161,636	
Rental income	11, 13	1,404	1,377	
Revenue		**180,462**	**163,013**	AASB 1060.52(a)
Cost of sales		(136,549)	(128,386)	AASB 1060.58(b)
Gross profit		**43,913**	**34,627**	
Selling and distribution expenses		(14,025)	(12,964)	AASB 1060.58(b)
Administrative expenses		(18,290)	(12,523)	AASB 1060.58(b)
Other operating expenses		(119)	(353)	
Operating profit		**11,479**	**8,787**	
Finance costs	5	(1,366)	(1,268)	AASB 1060.52(b)
Finance income	6	202	145	AASB 1060.119(b)
Other income		98	66	
Share of profit of an associate		671	638	AASB 1060.52(c), 127
Profit before tax		**11,084**	**8,368**	
Income tax expense	7	(2,878)	(2,421)	AASB 1060.52(d)
Profit for the year		**8,206**	**5,947**	AASB 1060.27, 52(i), 61(a), 61(c)(i)
Retained earnings at start of year		25,929	21,582	AASB 1060.63(a)
Effect of adoption of new accounting standard	2.4	(110)	–	AASB 1060.61(b), 63(d)
Dividends	19	(2,389)	(1,600)	AASB 1060.61(c)(iii), 63(b)
Retained earnings at end of year		**31,636**	**25,929**	AASB 1060.61(c), 63(e)

[1] The Group opted to present a single consolidated statement of income and retained earnings as permitted by AASB 1060.26 as the only changes to equity arise from profit or loss, declaration of dividends and changes in accounting policy. The Group also elected to present expenses analysed by function as permitted by AASB 1060.58. Furthermore, an entity may use titles for the financial statements other than those used in AASB 1060 as long as they are not misleading (AASB 1060.30).

Consolidated statement of financial position[2]

As at 30 June 2020

	Note	2020 $000	2019 $000	AASB 1060.25(a), 28, 29
				AASB 1060.92
Assets				
Current assets				AASB 1060.37
Cash and cash equivalents	8	11,740	14,916	AASB 1060.35(a)
Trade receivables	9	25,672	22,926	AASB 1060.35(b)
Contract assets	9	4,941	5,180	AASB 1060.44(b), 159
Inventories	10	22,770	20,295	AASB 1060.35(d)
Right of return assets		1,124	929	
Other current assets	21	795	318	
		67,042	64,564	
Non-current assets				AASB 1060.37
Investment in an associate		3,187	2,516	AASB 1060.35(i), 125(b)
Investment properties	11	8,893	7,983	AASB 1060.35(f)
Property, plant and equipment	12	25,272	24,329	AASB 1060.35(e)
Right-of-use assets	13	2,908	–	
Intangible assets	14	6,019	4,557	AASB 1060.35(g)
Deferred tax assets	7	–	–	AASB 1060.35(n)
		46,279	39,385	
Total assets		**113,321**	**103,949**	
Liabilities and equity				
Current liabilities				AASB 1060.37
Trade and other payables	15	22,043	18,724	AASB 1060.35(k)
Income tax payable	7	3,511	3,563	AASB 1060.35(m)
Contract liabilities		4,328	2,562	AASB 1060.44(d), 159
Refund liabilities		6,242	5,844	AASB 1060.44(d)
Interest-bearing loans and borrowings	16	2,274	3,142	AASB 1060.35(l)
Dividends payable	19	410	–	AASB 1060.44(d)
Provisions	17	55	42	AASB 1060.35(o)
		38,863	33,877	
Non-current liabilities				AASB 1060.37
Interest-bearing loans and borrowings	16	22,147	23,313	AASB 1060.35(l)
Provisions	17	1,221	1,200	AASB 1060.35(o)
Deferred tax liabilities	7	66	242	AASB 1060.35(n)
		23,434	24,755	
Total liabilities		**62,297**	**58,632**	
Equity				AASB 1060.44(f)
Issued capital	19	19,388	19,388	
Retained earnings	19	31,636	25,929	
Total equity		**51,024**	**45,317**	AASB 1060.35(q)
Total liabilities and equity		**113,321**	**103,949**	

[2] An entity may use titles for the financial statements other than those used in AASB 1060 as long as they are not misleading (AASB 1060.30).

Consolidated statement of cash flows[3]

For the year ended 30 June 2020

	Note	2020 $000	2019 $000	AASB 1060.25(d), 28, 29, 66
				AASB 1060.92
Operating activities				AASB 1060.70(b)
Receipts from customers		170,519	164,249	
Payments to suppliers		(121,589)	(115,195)	
Payments to employees		(33,749)	(29,151)	
Interest received		202	145	AASB 1060.82
Interest paid		(1,067)	(1,173)	AASB 1060.82
Income tax paid		(3,053)	(3,999)	AASB 1060.85
Net cash flows from operating activities[4]		**11,263**	**14,876**	
Investing activities				AASB 1060.74
Proceeds from sale of property, plant and equipment		1,362	1,488	
Purchase of property, plant and equipment	12	(8,086)	(9,101)	
Purchase of investment properties	11	(910)	(1,192)	
Development expenditures	14	(587)	(390)	
Extension of loan to an associate	21	(200)	–	
Net cash flows used in investing activities		**(8,421)**	**(9,195)**	
Financing activities				AASB 1060.74
Payment of principal portion of lease liabilities	13	(422)	(341)	
Proceeds from borrowings	16	2,032	4,871	
Repayment of borrowings	16	(5,649)	(4,250)	
Payment of dividends	19	(1,979)	(1,600)	AASB 1060.82
Net cash flows used in financing activities		**(6,018)**	**(1,320)**	
Net increase (decrease) in cash and cash equivalents		(3,176)	4,361	
Cash and cash equivalents at start of year		14,916	10,555	
Cash and cash equivalents at end of year		**11,740**	**14,916**	

[3] An entity may use titles for the financial statements other than those used in AASB 1060 as long as they are not misleading (AASB 1060.30).

[4] An entity may present cash flows from operating activities using either the direct method or indirect method (AASB 1060.70).

Notes to the consolidated financial statements

Notes to the consolidated financial statements

1. Corporate information

AASB 1060.25(e)

The consolidated financial statements of Good Group (Australian SDS) Pty Ltd (the Company or the parent) and its subsidiaries (collectively, the Group) for the year ended 30 June 2020 were authorised for issue in accordance with a resolution of the Directors on 5 August 2020. Good Group (Australian SDS) Pty Ltd is a company limited by shares incorporated in Australia.

AASB 1060.31(a), 31(b), 31(c), 186

The ultimate parent of Good Group (Australian SDS) Pty Ltd is S.J. Limited which owns 97.85% of the ordinary shares.

AASB 1060.192

The Group is principally engaged in the provision of fire prevention and electronics equipment and services. The Group's principal place of business is Bush Avenue, Mulberry Park, Australia.

AASB 1060.32(a), 32(b)

2. Significant accounting policies

AASB 1060.91 (a), 95(b)

2.1 Basis of preparation

These general purpose financial statements have been prepared in compliance with the requirements of the *Corporations Act 2001* and *Australian Accounting Standards – Simplified Disclosures*. The Group is a for-profit, private sector entity which is not publicly accountable for the purposes of preparing these consolidated financial statements.

AASB 1060.10, 11(a), (b)

The Group has opted to adopt *Australian Accounting Standards – Simplified Disclosures* ahead of its mandatory effective date of 1 July 2021. Other than the change in disclosure requirements, the adoption of the *Australian Accounting Standards – Simplified Disclosures* has no significant impact on the consolidated financial statements because the Group's previous consolidated financial statements were prepared in full compliance with the recognition and measurement requirements of Australian Accounting Standards.

AASB 1060.208

The financial report has been prepared on a historical cost basis.

AASB 1060.95 (a)

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand ($000), except when otherwise indicated under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which this legislative instrument applies.

AASB 1060.31(d), 31(e)

2.2 Basis of consolidation

AASB 1060.104(a)

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2020. 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. 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.

2.3 Summary of significant accounting policies

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.

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.

2.3 Summary of significant accounting policies (continued)

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 AASB 9 *Financial Instruments*, is measured at fair value with the changes in fair value recognised in the statement of income and retained earnings in accordance with AASB 9. Other contingent consideration that is not within the scope of AASB 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

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.

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 (CGUs) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a 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 CGU retained.

b) Revenue from contracts with customers

AASB 1060.157(a)

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, except for the procurement services described below, because it typically controls the goods or services before transferring them to the customer.

Fire prevention and electronics equipment

Revenue from sale of fire prevention and electronics equipment is recognised at the point in time when control of the equipment is transferred to the customer, generally on delivery of the equipment at the customer's location. The normal credit term is 30 days upon delivery.

Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of electronics equipment provide customers with a right to return the goods within a specified period. The Group also provides retrospective volume rebates to certain customers once the quantity of electronics equipment purchased during the period exceeds the threshold specified in the contract. The rights of return and volume rebates give rise to variable consideration.

- *Rights of return*

The Group uses the expected value method to estimate the variable consideration given the large number of contracts that have similar characteristics.

2.3 Summary of significant accounting policies (continued)

- *Volume rebates*

The Group applies either the most likely amount method or the expected value method to estimate the variable consideration in the contract. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The most likely amount is used for those contracts with a single volume threshold, whereas the expected value method is used for those with more than one volume threshold.

The disclosures of significant estimates and assumptions relating to the estimation of variable consideration for returns and volume rebates are provided in Note 3.

Warranty obligations

The Group typically provides warranties for repairs of unknown defects that existed at the time of sale, as required by law. These assurance-type warranties are accounted for as warranty provisions.

Installation services

The Group provides installation services that are either sold separately or bundled together with the sale of equipment to a customer. The installation services do not significantly customise or modify the fire prevention equipment.

Contracts for bundled sales of equipment and installation services comprise two performance obligations because the equipment and installation services are both sold on a stand-alone basis and are distinct within the context of the contract. Accordingly, the Group allocates the transaction price based on the relative stand-alone selling prices of the equipment and installation services.

AASB 1060.158

The Group recognises revenue from installation services over time because the customer simultaneously receives and consumes the benefits provided to them. The Group uses an input method in measuring progress of installation services because there is a direct relationship between the Group's effort (i.e., based on the labour hours incurred) and the transfer of service to the customer. The Group recognises revenue on the basis of labour hours expended relative to total expected labour hours to complete the service. Payment is generally due upon completion of installation and acceptance of the customer. In some contracts, short-term advances are required before the installation service is provided.

Procurement services

The Group has contracts with customers to acquire, on their behalf, special fire prevention equipment produced by foreign suppliers. Under these contracts, the Group provides procurement services (i.e., coordinating the selection of suitable suppliers and managing the ordering and delivery of the imported equipment). The Group does not have control of the equipment before it is transferred to the customer. The Group is acting as an agent and recognises revenue at the net amount retained for these arrangements. Revenue is recognised at a point in time (i.e., upon receipt by the customer of the equipment) because this is when the customer benefits from the Group's procurement services. Payment is due upon receipt of the equipment by the customer.

Contract balances

Trade receivables

A receivable is recognised if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due).

Contract assets

A contract asset is initially recognised for revenue earned from installation services because the receipt of consideration is conditional on successful completion of the installation. Upon completion of the installation and acceptance by the customer, the amount recognised as contract assets is reclassified to trade receivables.

2.3 Summary of significant accounting policies (continued)

Contract liabilities

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Assets and liabilities arising from rights of return

Right of return assets

A right-of-return asset is recognised for the right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods and any potential decreases in value. The Group updates the measurement of the asset for any revisions to the expected level of returns and any additional decreases in the value of the returned products.

Refund liabilities

A refund liability is recognised for the obligation to refund some or all of the consideration received (or receivable) from a customer. The Group's refund liabilities arise from customers' right of return and volume rebates. The liability is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

Cost to obtain a contract

The Group pays sales commission to its employees for each contract that they obtain for bundled sales of equipment and installation services. The Group applies the optional practical expedient to immediately expense costs to obtain a contract if the amortisation period of the asset that would have been recognised is one year or less. As such, sales commissions are immediately recognised as an expense and included as part of employee benefits.

c) Investment in associate

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.

AASB 1060.125(a)

The Group's investment in its associate is accounted for using the equity method. Under the equity method, the investment in the associate is initially recognised at cost. The carrying amount of the investment is then adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. The statement of income and retained earnings reflects the Group's share of the results of operations of the associate. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

d) Income tax

Income tax expense represents the sum of tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year.

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 generally recognised for all temporary differences that will result in taxable amounts in determining taxable profit (tax loss) of future periods when the carrying amount of the asset or liability is recovered or settled (taxable temporary differences). Deferred tax assets are generally recognised for all temporary differences that will result in amounts that are deductible in determining taxable profit (tax loss) of future periods when the carrying amount of the asset or liability is recovered or settled (deductible temporary differences) — but only to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

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.

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.

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.

Australian Tax consolidation legislation

Good Group (Australian SDS) Pty Ltd and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 1 July 2005.

The head entity, Good Group (Australian SDS) Pty Ltd and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the Group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, Good Group (Australian SDS) Pty Ltd also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

e) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except:

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

f) Investment properties

Investment properties, which consist of parcels of land in Australia, are measured at cost net of accumulated impairment losses, if any.

AASB 1060.134(a)

2.3 Summary of significant accounting policies (continued)

g) Property, plant and equipment

Land is measured at cost net of accumulated impairment losses, if any. All other property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The present value of the expected cost of decommissioning an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. *AASB 1060.134(a)*

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows: *AASB 1060.134(b)* *AASB 1060.134(c)*

Buildings and office properties	15 to 20 years
Plant, machinery and equipment	5 to 15 years

Depreciation commences once the asset becomes available for its intended use.

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

h) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Plant and machinery 3 to 15 years
- Motor vehicles and other equipment 3 to 5 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

2.3 Summary of significant accounting policies (continued)

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in each lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in Interest-bearing loans and borrowings.

iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense 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 incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in profit or loss due to its operating nature. 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.

i) Intangible assets

Intangible assets are measured at cost on initial recognition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, 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.

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

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.

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.

2.3 Summary of significant accounting policies (continued)

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:

- 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.

Patents and licences

The Group made upfront payments to acquire 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. *AASB 1060.141*

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

	Licences	Patents	Development costs	
Useful lives	Indefinite	Finite (10 years)	Finite (10 - 20 years)	*AASB 1060.137(a)*
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	*AASB 1060.137(b)*
Internally generated or acquired	Acquired	Acquired	Internally generated	

j) 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.

2.3 Summary of significant accounting policies (continued)

k) Financial instruments

AASB 1060.112

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.

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group applies the practical expedient and does not adjust for the effects of a significant financing component as the period between transfer of the promised good or service and the payment is one year or less, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

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.

Subsequent measurement

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

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

The Group has no financial assets at fair value through profit or loss and OCI.

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes cash and cash equivalents, trade receivables, and a loan to an associate.

2.3 Summary of significant accounting policies (continued)

Impairment

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For all other debt instruments, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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, or payables.

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

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (loans and borrowings)

The Group has no financial liabilities at fair value through profit or loss.

Financial liabilities at amortised cost

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.

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

2.3 Summary of significant accounting policies (continued)

l) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprises cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

m) Inventories

Inventories are valued at the lower of cost and net realisable value. *AASB 1060.123(a)*

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

- Raw materials: purchase cost measured on a first-in/first-out basis
- 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

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.

n) Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset (e.g., property, plant and equipment, investment properties, intangible assets with finite useful lives, right-of-use assets, investment in an associate) 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 a 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, in which case, recoverable amount is determined for the CGU to which the asset belongs. 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.

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.

The Group bases its impairment calculation on most recent 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.

Goodwill is tested for impairment annually in December and when circumstances indicate that the carrying value may be impaired.

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

2.3 Summary of significant accounting policies (continued)

o) 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 profit or loss net of any reimbursement.

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.

Warranty provisions

The Group provides warranties for repairs of unknown defects that existed at the time of sale, as required by law. Provisions related to these assurance-type warranties are recognised when the product is sold. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

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 income and retained earnings as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the provision caused by changes in estimated future costs, or in the discount rate applied, are added to or deducted from the cost of the asset.

2.4 Changes in accounting policies

AASB 1060.106, 107

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting 1 July 2019:

AASB 16 *Leases*[5]

AASB 16.C12

AASB 16 supersedes AASB 117 *Leases* and related Interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statement of financial position.

Lessor accounting under AASB 16 is substantially unchanged from AASB 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in AASB 117. Therefore, AASB 16 does not have an impact for leases where the Group is the lessor.

The Group adopted AASB 16 using the modified retrospective method of adoption with the date of initial application of 1 July 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 July 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases, or as containing leases, applying AASB 117 and related Interpretations at the date of initial application.

[5] AASB 16 has been illustrated as being adopted applying the modified retrospective method. Note, where an entity has selected a transition option under another Standard and there are specific transition disclosure requirements in that Standard, the entity shall apply the full transition disclosure requirements in that Standard instead of the requirements in AASB 1060.106 (AASB 1060.107).

2.4 Changes in accounting policies (continued)

The effect of adopting AASB 16 as at 1 July 2019 is as follows:[6]

	Increase (Decrease) $000
Assets	
Other current assets	(38)
Property, plant and equipment	(1,488)
Right-of-use assets	2,732
	1,206
Liabilities	
Trade and other payables	(24)
Interest-bearing loans and borrowings	1,393
Deferred tax liabilities	(53)
	1,316
Equity	
Retained earnings	(110)

Accounting policies

- *Prior to 1 July 2019*

Before the adoption of AASB 16, the Group classified each of its leases (as lessee) at the inception date as either 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.

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 income and retained earnings.

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.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of income and retained earnings on a straight-line basis over the lease term.

- *Post 1 July 2019*

Upon adoption of AASB 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Note 2.3(h) *Leases* for the accounting policy beginning 1 July 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under AASB 117). The requirements of AASB 16 were applied to these leases from 1 July 2019.

[6] While not required by AASB 16 or AASB 1060, the Group elected to disclose the quantitative impact of the initial adoption of the new leases standard to the affected financial statement line items as of 1 July 2019.

2.4 Changes in accounting policies (continued)

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of an incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients allowed by AASB 16 wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with a lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

Based on the above, as at 1 July 2019:

- Right-of -use assets of $2,732,000 were recognised and presented separately in the statement of financial position. This includes the lease assets recognised previously under finance leases of $1,488,000 that were reclassified from Property, plant and equipment.
- Additional lease liabilities of $1,393,000 (included in Interest bearing loans and borrowings) were recognised.
- Prepayments of $38,000 and trade and other payables of $24,000 related to previous operating leases were derecognised.
- Deferred tax liabilities decreased by $53,000 because of the deferred tax impact of the changes in assets and liabilities.
- The net effect of these adjustments amounting to $110,000 has been adjusted to retained earnings.

The lease liabilities as at 1 July 2019 reconcile to the operating lease commitments as of 30 June 2019, as follows:

	$000
Operating lease commitments as at 30 June 2019	**1,985**
Less:	
Commitments relating to short-term leases	(22)
Commitments relating to leases of low-value assets	(96)
Operating lease commitments subject to discounting as at 1 July 2019	1,867
Weighted average incremental borrowing rate as at 1 July 2019	5.5%
Discounted operating lease commitments as at 1 July 2019	**1,247**
Add:	
Commitments relating to leases previously classified as finance leases	1,578
Lease payments relating to renewal periods not included in operating lease commitments as at 30 June 2019	146
Lease liabilities as at 1 July 2019	**2,971**

2.4 Changes in accounting policies (continued)

Other new accounting standards and interpretations

The Group also adopted the following pronouncements starting 1 July 2019 which did not have any significant impact on the Group's financial position or performance.

- AASB 2017-6 *Amendments to Australian Accounting Standards (AASs) – Prepayment Features with Negative Compensation*
- AASB 2017-7 *Amendments to AASs – Long-term Interests in Associates and Joint Ventures*
- AASB 2018-2 *Amendments to AASs – Plan Amendment, Curtailment or Settlement*
- AASB 2018-1 *Amendments to AASs – Annual Improvements 2015-2017 Cycle*
- AASB Interpretation 23 *Uncertainty over Income Tax Treatments*

Other than the early adoption of *Australian Accounting Standards – Simplified Disclosures*, the Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

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 estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities in future periods.

Judgements *AASB 1060.96*

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:

Determining the lease term of contracts with renewal options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew the lease. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew.

The Group included the renewal period as part of the lease term for leases of plant and machinery. The Group typically exercises its option to renew for these leases because there will be a significant negative effect on production if a replacement asset is not readily available. On the other hand, the renewal options for leases of motor vehicles are not included as part of the lease term because the Group typically leases motor vehicles for not more than five years and, hence, is not exercising any renewal options.

Determining the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Observable inputs such as market interest rates are used as applicable.

3. Significant accounting judgements, estimates and assumptions (continued)

Estimates and assumptions

AASB 1060.97

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 estimates and assumptions 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.

Impairment of goodwill and intangible assets with indefinite useful lives

Goodwill and intangible assets with indefinite useful lives are tested for impairment annually at the CGU level. This requires an estimation of the recoverable amount, which is the higher of fair value less costs of disposal and value in use of the CGU to which the asset is attributed. Estimating value in use requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. This estimate is based on the Group's past results and future expectations about cash flows from the CGU. There is no assurance that the Group will generate sufficient cash flows such that the CGU will not be impaired in the future.

The carrying amounts of goodwill and intangible assets with indefinite useful lives are disclosed in Note 14.

Provision for decommissioning obligations

The Group has recognised a provision for decommissioning obligations associated with a factory owned by Extinguishers Limited. In determining the present 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.

Further details on provision for decommissioning obligations are in Note 17.

Revenue recognition - estimating variable consideration for returns and volume rebates

The Group estimates variable consideration to be included in the transaction price for the sale of electronics equipment with rights of return and volume rebates.

The Group has developed a statistical model for forecasting sales returns. The model uses the historical return data of each product to come up with expected return percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical return patterns will impact the expected return percentages estimated by the Group.

The Group's expected volume rebates are analysed on a per customer basis for contracts that are subject to a single volume threshold. Determining whether a customer will be likely entitled to a rebate will depend on the customer's historical rebate entitlement and accumulated purchases to date.

The Group applied a statistical model for estimating expected volume rebates for contracts with more than one volume threshold. The model uses the historical purchasing patterns and rebate entitlements of customers to determine the expected rebate percentages and the expected value of the variable consideration. Any significant changes in experience as compared to historical purchasing patterns and rebate entitlements of customers will impact the expected rebate percentages estimated by the Group.

3. Significant accounting judgements, estimates and assumptions (continued)

The Group updates its assessment of expected returns and volume rebates quarterly and the refund liabilities are adjusted accordingly. Estimates of expected returns and volume rebates are sensitive to changes in circumstances and the Group's past experience regarding returns and rebate entitlements may not be representative of customers' actual returns and rebate entitlements in the future.

Right of return assets amounted to $1,124,000 (2019: $929,000) The amount recognised as refund liabilities for the expected returns and volume rebates was $6,242,000 (2019: $5,844,000).

Recoverability of deferred tax assets

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.

Further details on taxes are disclosed in Note 7.

4. Revenue from contracts with customers

Set out below is the disaggregation of the Group's revenue from contracts with customers: *AASB 1060.157(b)*

	2020	2019
	$000	$000
Type of goods or service		
Sale of fire prevention equipment	85,438	71,655
Sale of electronics equipment	69,263	66,621
Installation services	17,131	16,537
Procurement services	7,226	6,823
Total revenue from contracts with customers	**179,058**	**161,636**
Timing of revenue recognition		
Goods and services transferred at a point in time	161,927	145,099
Goods and services transferred over time	17,131	16,537
Total revenue from contracts with customers	**179,058**	**161,636**

5. Finance costs

	2020	2019	
	$000	$000	
Interest on debts and borrowings	1,470	1,064	
Interest capitalised (Note 12)	(303)	–	
Interest on lease liabilities	178	185	
Total interest expense	**1,345**	**1,249**	*AASB 1060.119(a)(iv)*
Unwinding of discount on provision (Note 17)	21	19	
Total finance costs	**1,366**	**1,268**	

6. Finance income

	2020	2019
	$000	$000
Interest income on cash and cash equivalents	185	145
Interest income on a loan to an associate (Note 21)	17	–
Total finance income	**202**	**145**

7. Income tax

Income tax expense comprises:

	2020	2019	
	$000	$000	
Current tax	3,001	2,726	*AASB 1060.177(a)*
Deferred tax	(123)	(305)	*AASB 1060.177(c)*
Income tax expense	**2,878**	**2,421**	

Total tax expense reconciles to the accounting profit multiplied by Australia's domestic tax rate follows: *AASB 1060.178(c)(i)*

	2020	2019
	$000	$000
Accounting profit before income tax	11,084	8,368
Income tax at Australia's statutory income tax rate of 30%	3,325	2,510
Income tax effect at 30% of reconciling items:		
Non-taxable income for tax purposes	(316)	–
Share of results of an associate	(201)	(191)
Non-deductible expenses for tax purposes	70	102
Income tax expense	**2,878**	**2,421**

Deferred tax *AASB 1060.178(e)*

Deferred tax comprises:

	Consolidated statement of financial position		Consolidated statement of income and retained earnings	
	2020	2019	2020	2019
	$000	$000	$000	$000
Accelerated depreciation for tax purposes	(701)	(744)	(43)	(244)
Expected credit losses of debt financial assets	103	65	(38)	(42)
Leases	129	72	(57)	(20)
Losses available for offsetting against future taxable profits	403	365	(38)	(44)
Deferred tax benefit			**(176)**	**(350)**
Recognised in profit or loss			(123)	(305)
Recognised in equity			(53)	(45)
Deferred tax liabilities, net	**(66)**	**(242)**		

7. Income tax (continued)

Reconciliation of net deferred tax liabilities	2020	2019	
	$000	$000	
At beginning of year	**(242)**	**(592)**	
Tax benefit during the period recognised in:			
Profit or loss	123	305	
Equity	53	45	*AASB 1060.178(b)*
At end of year	**(66)**	**(242)**	

AASB 1060.178(f)

The Group has capital losses that arose in Australia of $50,000 (2019: $50,000) that are available indefinitely for offsetting against future capital gains.

8. Cash and cash equivalents

AASB 1060.88

	2020	2019	
	$000	$000	
Cash at banks and on hand	11,161	11,125	
Cash equivalents	579	3,791	
	11,740	**14,916**	*AASB 1060.113(b)*

AASB 1060.114

Cash at banks earn interest at floating rates based on daily bank deposit rates. Cash equivalents comprises bank term deposits that are invested 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.

9. Trade receivables and contract assets

Trade receivables

AASB 1060.44(b)

	2020	2019	
	$000	$000	
Receivables from third-party customers	25,396	22,594	
Receivables from an associate (Note 21)	620	550	
	26,016	23,144	
Allowance for expected credit losses	(344)	(218)	
	25,672	**22,926**	*AASB 1060.113(b)*

Trade receivables are non-interest bearing and are generally on terms of 30 days.

AASB 1060.114, 198(b)

Contract assets

	2020	2019
	$000	$000
Contract assets	4,947	5,185
Allowance for expected credit losses	(6)	(5)
	4,941	**5,180**

9. Trade receivables and contract assets (continued)

Set out below is the movement in the allowance for expected credit losses of trade receivables and contract assets:

	2020	2019	
	$000	$000	
At beginning of year	223	244	
Provision for expected credit losses	185	76	*AASB 1060.119(c)*
Write-off	(58)	(97)	
At end of year	**350**	**223**	

10. Inventories

	2020	2019	*AASB 1060.44(c)*
	$000	$000	*AASB 1060.123(b)*
Raw materials (at cost)	6,240	7,136	
Work in progress (at cost)	10,100	6,817	
Finished goods (at lower of cost and net realisable value)	6,430	6,972	
Total inventories at the lower of cost and net realisable value	**22,770**	**20,925**	

Cost of inventories sold to customers amounting to $131,107,000 was recognised as an expense included in cost of sales during the year (2019: $121,298,000). *AASB 1060.123(c)*

The Group recognised $286,000 as an expense included in cost of sales for writing down inventories to net realisable value during the year (2019: $242,000). *AASB 1060.123(d)*

11. Investment properties

	$000	*AASB 1060.134(e)*
At 30 June 2019	**7,983**	*AASB 1060.134(d)*
Additions	910	*AASB 1060.134(e)(i)*
At 30 June 2020	**8,893**	*AASB 1060.134(d)*

The Group's investment properties consist of parcels of land in Queensland and Canberra that are leased out to third parties. During the year, rental income earned from these properties amounted to $1,404,000 (2019: $1,377,000). Refer to Note 13 for details.

12. Property, plant and equipment

AASB 1060.44(a)

	Freehold land and buildings	Office properties	Construction in progress	Plant and machinery	Other equipment	Total	
	$000	$000	$000	$000	$000	$000	*AASB 1060.134(e)*
Cost							
At 30 June 2019	**10,261**	**1,122**	**–**	**23,682**	**5,650**	**40,715**	*AASB 1060.134(d)*
Effect of AASB 16 (Note 2.4)	–	–	–	(3,878)	(350)	(4,228)	*AASB 1060.134(e)(viii)*
Additions	1,612	–	4,500	1,784	190	8,086	*AASB 1060.134(e)(i)*
Disposals	–	–	–	(4,908)	–	(4,908)	*AASB 1060.134(e)(viii)*
At 30 June 2020	**11,873**	**1,122**	**4,500**	**16,680**	**5,490**	**39,665**	*AASB 1060.134(d)*
Depreciation and impairment							
At 30 June 2019	**1,343**	**102**	**–**	**13,591**	**1,350**	**16,386**	*AASB 1060.134(d)*
Effect of AASB 16 (Note 2.4)	–	–	–	(2,563)	(177)	(2,740)	*AASB 1060.134(e)(viii)*
Depreciation	383	117	–	2,827	470	3,797	*AASB 1060.134(e)(vii)*
Impairment	–	–	–	400	–	400	*AASB 1060.134(e)(vi)*
Disposals	–	–	–	(3,450)	–	(3,450)	*AASB 1060.134(e)(viii)*
At 30 June 2020	**1,726**	219	**–**	**10,805**	**1,643**	**14,393**	*AASB 1060.134(d)*
Net book value							
At 30 June 2020	10,147	903	4,500	5,875	3,847	25,272	
At 30 June 2019	8,918	1,020	–	10,091	4,300	24,329	

Land and buildings

Land and buildings with a carrying amount of $7,400,000 (2019: $7,400,000) are used as collateral to secure the Group's bank borrowings (see Note 16). *AASB 1060.135(a)*

Construction in progress

The Group started the construction of a new fire safety facility in February 2020. This project is expected to be completed in April 2021.

The amount of borrowing costs capitalised during the year ended 30 June 2020 was $303,000 (2019: Nil). *AASB 1060.162*

Impairment of plant and machinery

The impairment charge relating to plant and machinery is included in administrative expenses. *AASB 1060.169(a)*

13. Leases

Group as a lessee

The Group has lease contracts for various items of plant, machinery, vehicles and other equipment used in its operations. Leases of plant and machinery generally have lease terms between 3 and 15 years, while motor vehicles and other equipment generally have lease terms between 3 and 5 years. The Group's obligations under its leases are secured over the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets. *AASB 1060.144(c)*

The Group's lease contracts for specific machinery contains payments that vary based on the number of units manufactured. These terms are negotiated by management for certain machinery that is used to manufacture products with intermittent customer demand. Management's objective is to align the lease expense with the units manufactured and revenue earned.

The Group also has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

The Group has several lease contracts that include extension options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension options are reasonably certain to be exercised.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Plant and machinery	Motor vehicles	Other equipment	Total	
	$000	$000	$000	$000	
As at 1 July 2019 (Note 2.4)	**1,518**	**626**	**588**	**2,732**	
Additions	424	108	78	**610**	*AASB 1060.145, 134(e)(i)*
Depreciation expense	(173)	(136)	(125)	**(434)**	*AASB 1060.134(e)(vii)*
As at 30 June 2020	**1,769**	**598**	**541**	**2,908**	*AASB 1060.144(a)*

Presented below is a maturity analysis of future lease payments: *AASB 1060.144(b)*

	2020	2019
	$000	$000
Not later than 1 year	485	438
Later than 1 year and not later than 5 years	2,424	1,132
Later than 5 years	573	300
	3,482	**1,870**

The amount of expense relating to short-term leases and leases of low-value assets recognised in profit or loss during the year ended 30 June 2020 was $40,000 (2019: $38,000). *AASB 1060.146(b)*

13. Leases (continued)

Group as a lessor

The Group has entered into operating leases on its investment property portfolio (see Note 11). These leases have terms of between five 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. Rental income recognised by the Group during the year is $1,404,000 (2019: $1,377,000). *AASB 1060.148(c)*

Future minimum rentals receivable under non-cancellable operating leases as at 30 June are as follows:

	2020	2019	
	$000	$000	*AASB 1060.148(a)*
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**	

14. Intangible assets

	Development costs	Patents and licences with definite useful life	Licences with indefinite useful life	Goodwill	Total	*AASB 1060.143*
	$000	$000	$000	$000	$000	
Cost						
At 30 June 2019	**1,975**	**257**	**240**	**2,481**	**4,953**	*AASB 1060.137(c)*
Additions	587	30	1,170	–	1,787	*AASB 1060.137(e)(i)*
At 30 June 2020	**2,562**	**287**	**1,410**	**2,481**	**6,740**	*AASB 1060.137(c)*
Amortisation and impairment						
At 30 June 2019	**289**	**107**	**–**	**–**	**396**	*AASB 1060.137(c)*
Amortisation	85	40	–	–	125	*AASB 1060.137(e)(v)*
Impairment	–	–	–	200	200	*AASB 1060.143(b), 169(a), 170(c)*
At 30 June 2020	**374**	**147**	**–**	**200**	**721**	*AASB 1060.137(c)*
Net book value						
At 30 June 2020	2,188	140	1,410	2,281	6,019	*AASB 1060.141*
At 30 June 2019	1,686	150	240	2,481	4,557	

The amortisation expense relating to intangible assets is included in cost of sales. The impairment charge relating to goodwill is included in administrative expenses. *AASB 1060.137(d)* *AASB 1060.169(a)*

Research and development costs

The Group's fire prevention equipment business's research and development concentrates on the development of sophisticated fire detection systems and fire-retardant fabrics. Research and development costs that are not eligible for capitalisation have been expensed in the period incurred (in 2020, this was $2,235,000 (2019: $1,034,000)), recognised in administrative expenses. *AASB 1060.139*

The remaining useful lives of capitalised development costs as of 30 June 2020 range from 11 to 12 years. *AASB 1060.138(a)*

15. Trade and other payables

AASB 1060.44(d)

	2020	2019
	$000	$000
Trade payables	20,495	17,252
Interest payable	83	291
Other payables	1,465	1,181
	22,043	**18,724**

AASB 1060.113(d)

Terms and conditions of the above financial liabilities: *AASB 1060.114*

- Trade payables are non-interest bearing and are normally settled on 30-day terms.
- Interest payable is normally settled quarterly throughout the financial year.
- Other payables are non-interest bearing and have an average term of six months

16. Interest-bearing loans and borrowings

AASB 1060.114

	Interest rate	Maturity	2020	2019
	%		$000	$000
Current interest-bearing loans and borrowings				
Lease liabilities (Note 13)	4.5-7.8	2020-2021	455	418
$2,700,000 unsecured bank loan (2019: $6,700,000)	BBSW+1.0	2020-2021	408	2,650
$1,400,000 unsecured bank loan	BBSW+0.5	31 Mar 2021	1,411	–
$2,100,000 unsecured bank loan (2019: $2,200,000)	BBSW+0.5	31 Mar 2020	–	74
Total current interest-bearing loans and borrowings			**2,274**	**3,142**
Non-current interest-bearing loans and borrowings				
Lease liabilities (Note 13)	4.5-7.8	2022-2033	2,706	1,160
7% unsecured debentures, repayable in annual instalments of $350,000 commencing on 1 January 2022	7	2022-2031	3,343	3,154
$2,700,000 unsecured bank loan (2019: $6,700,000)	BBSW+1.0	31 May 2026	2,236	4,037
$3,500,000 unsecured bank loan	BBSW+1.1	31 Jul 2026	3,489	3,489
$1,400,000 unsecured bank loan (2019: $1,400,000)	BBSW+0.5	31 Mar 2021	–	1,357
$2,500,000 unsecured bank loan (2019: $2,300,000), repayable in annual instalments of $820,000 starting 1 March 2023	BBSW+1.1	2023-2025	2,486	2,229
$2,100,000 unsecured bank loan (2019: $2,200,000)	BBSW+0.5	31 Mar 2024	2,078	2,078
$5,809,000 bank loan, secured by the Group's land and buildings with a carrying value of $7,400,000 (Note 12)	5.5	1 Jan 2024	5,809	5,809
Total non-current interest-bearing loans and borrowings			**22,147**	**23,313**
Total interest-bearing loans and borrowings			**24,421**	**26,455**

AASB 1060.113(d)

17. Provisions

	Assurance-type warranties	Decommissioning	Total	
	$000	$000	$000	
As at 1 July 2019	55	1,200	1,255	*AASB 1060.153(a)(i)*
Addition during the year	84	–	84	*AASB 1060.153(a)(ii)*
Utilised during the year	(93)	–	(93)	*AASB 1060.153(a)(iii)*
Unused amount reversed	(4)	–	(4)	*AASB 1060.153(a)(iv)*
Unwinding of the discount	–	21	21	*AASB 1060.153(a)(ii)*
At 30 June 2020	42	1,221	1,263	*AASB 1060.153(a)(i)*
Current	42	–	42	
Non-current	–	1,221	1,221	

Assurance-type warranties *AASB 1060.153(b)*

A provision is recognised for expected warranty claims on products sold during the year, based on
past experience of the level of repairs and returns. It is expected that these costs will be incurred in
the next financial year.

Decommissioning

A provision has been recognised for decommissioning costs associated with a factory owned by Extinguishers Limited. The Group is committed to decommissioning the facility at the end of its estimated service life, following its construction of fire retardant fabrics. The Group expects to disburse the decommissioning costs in 2035.

18. Commitments and contingencies

Commitments

The Group has contractual obligations to purchase certain machinery for $975,000 at year end (2019: $350,000). *AASB 1060.135(b)*

Legal claim contingency

A customer has commenced an action against the Parent in respect of equipment claimed to be defective. The estimated pay-out 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. *AASB 1060.154*

The Parent 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.

19. Equity

Issued capital

Issued capital as at 30 June 2020 and 2019 of $19,388,000 comprises of 1,000,000 ordinary shares with no specified par value. These shares are fully paid, issued and outstanding. *AASB 1060.45(a)(ii), 45(a)(iii)*

19. Equity (continued)

Dividends

	Year ended 30 June 2020		Year ended 30 June 2019	
	$000	Dollars per share	$000	Dollars per share
Cash dividends on ordinary shares declared and paid				
Final dividend	1,089	1.09	749	0.75
Interim dividend	890	0.89	851	0.85
	1,979		**1,600**	
Special cash dividends on ordinary shares declared but not yet paid				
Special dividends approved for declaration on 15 June 2020	410	4.10	–	
Total dividends declared during the year	**2,389**		**1,600**	

Imputation credit balance	**2020**	**2019**	
Imputation credits as at the end of year	9,057	7,627	
Imputation credits that will arise from the payment of current tax	1,245	1,264	*AASB 1060.102(a)*
Imputation debits that will arise from the payment of dividends recognised as liability at the end of the reporting period	(145)	–	*AASB 1060.102(b)*
Imputation credits available for use in subsequent reporting periods	**10,157**	**8,891**	*AASB 1060.101*

20. Subsidiaries

The consolidated financial statements of the Group include the following subsidiaries:

AASB 1060.192

Name	Principal activities	Country of Incorporation	% equity interest 2020	% equity interest 2019
Extinguishers Limited	Fire prevention equipment	Australia	100	100
Bright Sparks Limited	Fire prevention equipment	Australia	100	100
Fire Equipment Test Lab Limited	Fire prevention equipment	Australia	100	100
Lightbulbs Limited	Electronics	Australia	100	100
Hose Limited	Rubber equipment	Australia	100	100
Electronics Limited	Electronics	Australia	100	100

Entities subject to relief

ASIC CI 2016/785

Pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785, relief has been granted to the above subsidiaries from the Corporations Act 2001 requirements for the preparation, audit and lodgement of their financial report.

As a condition of the Corporations Instrument, Good Group (Australian SDS) Pty Ltd and the subsidiaries listed above ("The Closed Group"), entered into a deed of cross guarantee on 12 March 2004. The effect of the deed is that Good Group (Australian SDS) Pty Ltd has guaranteed to pay any deficiency in the event of winding up of a controlled entity or if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee. The controlled entities have also given a similar guarantee in the event that Good Group (Australian SDS) Pty Ltd is wound up or if it does not meet its obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee.

The consolidated statement of income and retained earnings and the consolidated statement of financial position of the members of the Closed Group are the same as those presented for the Group.

21. Related party disclosures

		Revenue	Outstanding receivable	
		$	$	AASB 1060.198(a), 198(b)
Sale of goods and services	2020	2,900,000	620,000*	
Power Works Limited	2019	2,100,000	550,000*	

		Interest earned	Outstanding receivable	
		$	$	
Extension of loan	2020	17,000	200,000**	AASB 1060.113(b)
Power Works Limited	2019	–	–	

The amounts are classified as trade receivables (see Note 9).

***The amount is included in other current assets presented in the statement of financial position.*

Loan to an associate

The loan granted to Power Works Limited is intended to finance the acquisition of new machines for the manufacturing of fire prevention equipment. The loan is unsecured and repayable in full on 1 May 2021. Interest is charged at 10%. *AASB 1060.114, 198(b)(i)*

Terms and conditions of transactions with related parties

The sales to 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 30 June 2020, the Group recognised a provision for expected credit losses of $3,000 relating to amounts owed by an associate (2019: $3,500). As at 30 June 2020, the allowance for expected credit losses relating to amounts owed by an associate amounted to $8,500 (2019: $5,500). *AASB 1060.198(b)(i), 198(b)(ii), 198(c), 198(d), 202*

Compensation of key management personnel

The compensation of key management personnel of the Group during the year ended 30 June 2020 was $4,891,000 (2019: $4,141,000). *AASB 1060.194*

22. Auditor's remuneration

The auditor of Good Group (Australian SDS) Pty Ltd is Ernst & Young Australia.

	2020	2019	
	$	$	
Amounts received or due and receivable by Ernst & Young Australia for:			
► An audit or review of the financial report of the entity and any other entity in the consolidated group	1,206,000	1,186,000	AASB 1060.98(a)
► Other services in relation to the entity and any other entity in the consolidated group:			AASB 1060.98(b), 99
Tax compliance	37,000	44,000	
Assurance related	50,000	80,000	
Special audits required by regulators	39,000	23,000	
	1,332,000	1,333,000	
Amounts received or due and receivable by related practices of Ernst & Young for:			
► Due diligence services provided by an overseas Ernst & Young firm	55,000	35,000	AASB 1060.98(b), 99
	1,387,000	1,368,000	

23. Events after the reporting period

On 14 July 2020, a building with a carrying value of $1,695,000 was severely damaged by flooding and inventories with a carrying 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. *AASB 1060.187*

24. Information relating to Good Group (Australian SDS) Pty Ltd (the Parent)

	2020 $000	2019 $000	
			Reg 2M.3.01(1)(k)
Current assets	44,183	39,413	*Reg 2M.3.01(1)(a)*
Total assets	75,672	72,586	*Reg 2M.3.01(1)(b)*
Current liabilities	17,444	20,233	*Reg 2M.3.01(1)(c)*
Total liabilities	22,980	25,223	*Reg 2M.3.01(1)(d)*
Issued capital	19,388	19,388	*Reg 2M.3.01(1)(e)*
Retained earnings	33,304	27,975	*Reg 2M.3.01(1)(e)*
	52,692	47,363	*Reg 2M.3.01(1)(e)*
Profit or loss of the Parent	7,771	5,228	*Reg 2M.3.01(1)(f)*
Total comprehensive income of the Parent	7,771	5,228	*Reg 2M.3.01(1)(g)*

The Parent has issued the following guarantees in relation to the debts of its subsidiaries: *Reg 2M.3.01(1)(h)*

- Pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785, Good Group (Australian SDS) Pty Ltd and all the subsidiaries disclosed in Note 20 of the consolidated financial statements have entered into a deed of cross guarantee on 12 March 2004. The effect of the deed is that Good Group (Australian SDS) Pty Ltd has guaranteed to pay any deficiency in the event of winding up of any controlled entity or if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee. The controlled entities have also given a similar guarantee in the event that Good Group (Australian SDS) Pty Ltd is wound up or if it does not meet its obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee.

A customer has commenced an action against the Parent in respect of equipment claimed to be defective. The estimated pay-out 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. *Reg 2M.3.01(1)(i)*

The Parent 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.

The Parent has contractual obligations to purchase certain machinery for $975,000 at year end (2019: $350,000). *Reg 2M.3.01(1)(j)*

Directors' declaration

for the year ended 30 June 2020

In accordance with a resolution of the directors of Good Group (Australian SDS) Pty Ltd, I state that: *CA 295(5)(a)*

In the opinion of the directors:

(a) the financial statements and notes of Good Group (Australian SDS) Pty Ltd for the financial year ended 30 June 2020 are in accordance with the *Corporations Act 2001*, including: *CA 295(4)(d)(i)-(ii)*

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the year then ended on that date; and

(ii) complying with Australian Accounting Standards.

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable. *CA 295(4)(c)*

(c) there are reasonable grounds to believe that the Company and the companies to which ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 applies, as detailed in note 20 to the financial statements, will, as a group, be able to meet any liabilities to which they are, or may become, subject because of the deed of guarantee. *ASIC CI 2016/785*

On behalf of the board

Frank Canuck

F. Canuck *CA 295(5)(c)*
Director

5 August 2020 *CA 295(5)(b)*

Key IFRS contacts:

Frank Palmer
Partner – Ernst & Young Australia
EY Oceania IFRS leader
Tel: +61 2 8295 6264
frank.palmer@au.ey.com

Melbourne
Georgina Dellaportas
Associate Partner
Ernst & Young Australia
Tel: +61 3 9288 8621
georgina.dellaportas@au.ey.com

Brett Rix
Associate Partner
Ernst & Young Australia
Tel: 61 3 9288 8899
brett.rix@au.ey.com

Vincent Sheehan
Partner
Ernst & Young Australia
Tel: +61 3 9655 2941
vincent.sheehan@au.ey.com

Michael Van Houten
Partner
Ernst & Young Australia
Tel: +61 3 9655 2705
michael.vanhouten@au.ey.com

Perth
Dennis Esterhuizen
Associate Partner
Ernst & Young Australia
Tel: +61 8 9217 1121
dennis.esterhuizen@au.ey.com

John Virgo
Partner
Ernst & Young Australia
Tel: +61 8 9429 2206
john.virgo@au.ey.com

Sydney
Charles Feeney
Senior Adviser
Ernst & Young Australia
Tel: +61 2 9248 4665
charles.feeney@au.ey.com

Melissa Sim
Partner
Ernst & Young Australia
Tel: +61 2 9276 9965
melissa.sim@au.ey.com

EY | Assurance | Tax | Transactions | Advisory

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation is available via ey.com/privacy. For more information about our organization, please visit ey.com.

About EY's International Financial Reporting Standards Group

A global set of accounting standards provides the global economy with one measure to assess and compare the performance of companies. For companies applying or transitioning to International Financial Reporting Standards (IFRS), authoritative and timely guidance is essential as the standards continue to change. The impact stretches beyond accounting and reporting to the key business decisions you make. We have developed extensive global resources — people and knowledge — to support our clients applying IFRS and to help our client teams. Because we understand that you need a tailored service as much as consistent methodologies, we work to give you the benefit of our deep subject matter knowledge, our broad sector experience and the latest insights from our work worldwide.

AUNZ00001372

ED None

In line with EY's commitment to minimise its impact on the environment, this document has been printed on paper with a high recycled content.

ey.com