Good Group (Australia) Limited

Illustrative Australian company's interim financial report

For 30 June 2018 and
31 December 2018

EY
Building a better working world

Foreword

A new era of accounting has arrived, with significant changes in accounting policies resulting from the application of AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments*.

This new edition of *Good Group (Australia) Limited (interim)*, previously included in *Endeavour (International) Limited*, provides illustrative interim condensed consolidated financial statements for the six months ended 30 June 2018, prepared in accordance with Australian Accounting Standards. It is closely aligned with *Good Group (International) Limited (interim)* – the EY global illustrative financial statements prepared in accordance with International Financial Reporting Standards (IFRS).

Good Group provides illustrative examples of the types of disclosures which may be required (where material) and follows from the format presented in our annual edition of *Good Group (Australia) Limited (annual)*. Entities may present disclosures in an alternative format or provide more detail to improve communication effectiveness. Management should carefully assess their circumstances and the preferences of their primary users before preparing the disclosures. Further discussion on this can be found at pages 4-5.

When transitioning to AASB 15 and AASB 9, management should consider which method of transition to adopt and the practical expedients to apply. For the purpose of these illustrative financial statements, the Group has adopted AASB 15 using the full retrospective method and did not apply any practical expedients. With the exception of hedge accounting which was applied prospectively, the Group has applied AASB 9 retrospectively and comparatives have been restated. The key differences of using alternative methods for adopting AASB 15 and AASB 9 are noted in Appendix A.

I trust this publication will prove useful when preparing your interim financial statements for the next reporting season.

Frank Palmer
Partner and EY Oceania IFRS Leader
Ernst & Young Australia

Contents

Abbreviations and key

The following styles of abbreviation are used in these Illustrative Financial Statements:

IAS 33.41	International Accounting Standard No. 33, paragraph 41
IAS 1.BC13	International Accounting Standard No. 1, Basis for Conclusions, paragraph 13
IFRS 2.44	International Financial Reporting Standard No. 2, paragraph 44
SIC 29.6	Standing Interpretations Committee Interpretation No. 29, paragraph 6
IFRIC 4.6	International Financial Reporting Interpretations Committee Interpretation No. 4, paragraph 6
IFRS 9.IG.G.2	International Financial Reporting Standard No. 9 – Guidance on Implementing IFRS 9 - Section G: Other, paragraph G2
IAS 32.AG3	International Accounting Standard No. 32 – Appendix A-Application Guidance, paragraph AG3
Commentary	The commentary explains how the requirements of IFRS have been implemented in arriving at the illustrative disclosure
GAAP	Generally Accepted Accounting Principles/Practice
IFRS	International Financial Reporting Standards
IASB	International Accounting Standards Board
Interpretations Committee	IFRS Interpretations Committee (formerly International Financial Reporting Interpretations Committee (IFRIC))
SIC	Standing Interpretations Committee
AASB	Australian Accounting Standards that are issued by the Australian Accounting Standards Board (AASB). The numbering convention is as follows: ▸ AASB 1 – AASB 17 represents Australian Accounting Standards issued by the AASB that are equivalent to the IFRS issued by the IASB. For example, AASB 15 is the equivalent of IFRS 15. ▸ AASB 101 – AASB 141 represents Australian Accounting Standards issued by the AASB that are equivalent to the IAS issued by the IASB. For example, AASB 108 is the equivalent of IAS 8. ▸ AASB 1004 – AASB 1059 represents Australian Accounting Standards issued by the AASB that have no equivalent in IFRS. That is, they are Australian-specific reporting requirements.
AASB Int	Australian Interpretations that are issued by the AASB. The numbering convention is as follows: ▸ AASB Interpretations 1 – 23 represents Australian Interpretations issued by the AASB that are equivalent to the Interpretations issued by the IFRS Interpretations Committee. For example, AASB Interpretation 14 is the equivalent to Interpretation 14. ▸ AASB Interpretations 107 – 132 represents Australian Interpretations issued by the AASB that are equivalent to the Interpretations issued by the SIC. For example, AASB Interpretation 115 is the equivalent of SIC 15. ▸ AASB Interpretations 1003 – AASB 1055 represents Australian Interpretations issued by the AASB that have no equivalent international Interpretation. That is, they are Australian-specific reporting requirements.
CA 300A	*Corporations Act 2001*, section 300A
Reg 2M.3.03(1)	*Corporations Regulations 2001*, Chapter 2M, Regulation 3.03, paragraph 1
ASIC CI	*Australian Securities & Investments Commission Corporations Instrument*
ASIC RG	*Australian Securities & Investments Commission Regulatory Guidance*

Introduction

This publication contains an illustrative set of interim condensed consolidated financial statements for Good Group (Australia) Limited and its subsidiaries (the Group) for the six months ended 30 June 2018. These interim financial statements have been prepared in accordance with AASB 134 *Interim Financial Reporting* and should be read in conjunction with the Group's annual financial statements as at 31 December 2017. The Group is a fictitious, large publicly listed manufacturing company. The parent company is incorporated in in Australia. The presentation currency of the Group is the Australian dollar ($).

Objective

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

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

Users of this publication are encouraged to prepare entity-specific disclosures. Transactions and arrangements other than those addressed by the Group may require additional disclosures. It should be noted that the illustrative financial statements of the Group are not designed to reflect disclosure requirements that apply mainly to regulated or specialised industries. For a more detailed list of disclosures, please refer to EY's Financial reporting standards disclosure checklist. Enquiries regarding specialised industries and areas of accounting (e.g., insurance, US GAAP) should be directed to an EY professional.

Notations shown in the right-hand margin of each page are references to accounting standards or other pronouncements that describe the specific disclosure requirements. References made to International Financial Reporting Standards should be read as the Australian equivalent standard as set out in the 'Abbreviations and key' section above. Where amending standards are referred to, the local standard title is used. Disclosures arising from Australian-specific accounting standards are captured within dashed boxes. Commentary is provided to explain the basis for the disclosure or to address alternative disclosures not included in the illustrative financial statements. In case of doubt, it is essential to refer to the relevant source material and, where necessary, to seek appropriate professional advice.

Improving disclosure effectiveness

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

Effective reporting – A practical guide for financial reporters provides examples, based on the disclosures within this illustrative set of financial statements, of how an entity might structure, apply materiality and group their disclosures to improve communication effectiveness. Such judgments are entity-specific – that is, they must be tailored to meet the needs of an entity's stakeholders – and therefore the alternative disclosures provided in Effective reporting – A practical guide for financial reporters should be used as guidance only.

Applying the concept of materiality requires judgement, in particular, in relation to matters of presentation and disclosure, and inappropriate application of the concept may be another cause of the perceived disclosure overload problem. Australian Accounting Standards set out minimum disclosure requirements that, in practice, are too often complied with without consideration of the information's relevance for the specific entity. That is, if the transaction or item is immaterial to the entity, then it is not relevant to users of financial statements, in which case Australian Accounting Standards do not require the item to be disclosed. If immaterial information is included in the financial statements, the amount of information may potentially reduce the transparency and usefulness of the financial statements as material, and thus relevant information, loses prominence. Paragraph 23 of AASB 134 requires the materiality of disclosures to be assessed in relation to the respective interim period.

In September 2017, the IASB issued Practice Statement 2 *Making Materiality Judgements*. The Practice Statement gathers all the materiality requirements in IFRS Standards and it adds practical guidance and examples that companies may find helpful when deciding whether information is material. The Practice Statement also provides guidance on how to make materiality judgements specific for interim reporting. The Practice Statement is not mandatory and neither changes the existing requirements nor introduces new ones. However, entities are encouraged to consider it when making materiality judgements.

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

As explained above, the primary purpose of these illustrative interim condensed consolidated financial statements is to illustrate how the most commonly applicable disclosure requirements in AASB 134 can be met. Therefore, they include disclosures that may, in practice, be deemed not material to Good Group. It is essential that entities consider their particular circumstances in determining which disclosures to include. These illustrative interim condensed consolidated financial statements are not intended to act as guidance for making the materiality assessment; they must always be tailored to ensure that an entity's financial statements reflect and portray the entity's specific circumstances and the entity's own materiality considerations. Only then will the financial statements provide decision-useful financial information.

Furthermore, entities should consider the requirements in AASB 134 when determining the materiality of the interim condensed consolidated financial statements for the purposes of deciding how to recognise, measure, classify, or disclose an item. In making assessments of materiality, interim measurements may rely on estimates to a greater extent than measurements of annual financial data. Therefore, materiality judgements at interim dates may differ from those at year-end.

Interim financial reporting

An interim financial report may contain either a complete set of financial statements (as described in AASB 101) or a condensed set of financial statements as described in AASB 134. This publication contains an illustrative set of interim condensed consolidated financial statements of the Group for the six months ended 30 June 2018. These interim condensed consolidated financial statements assume that the Group only publishes half-year interim financial statements. If the Group issued quarterly interim financial statements, the second quarter information would include, in addition to the information included here, statements of profit or loss for the three months ended 30 June 2018 and 2017, irrespective of whether the Group presents a condensed or complete set of interim financial statements.

In these interim condensed consolidated financial statements, the Group presents the statement of profit or loss, statement of comprehensive income, statement of financial position, statement of changes in equity and statement of cash flows in the same format as the annual financial statements. An acceptable alternative would be to provide condensed primary statements, including a minimum of each of the headings and subtotals that were included in the most recent annual financial statements (AASB 134.10).

As the Group is not including the full set of disclosures, as required in a complete set of financial statements, the interim financial statements of the Group are regarded as 'condensed', as per AASB 134.

Disclosure of significant events and transactions

The disclosure requirements in AASB 134 are less prescriptive than those applicable to complete financial statements, but entities must include explanations of events and transactions that are necessary to provide an understanding of the changes in financial position and performance of the entity since the last annual reporting date (AASB 134.15). In a few cases, the requirements are the same as those for complete financial statements (e.g., full disclosure in respect of business combinations is required under AASB 134.16A(i)).

Examples of situations in which disclosures are required are provided in AASB 134, but the exact content and format of such disclosures must generally be determined by the reporting entity.

Comparative information

Financial statements must include the comparable interim period of the previous financial year for the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows. A comparative statement of financial position must be provided as of the end of the preceding annual period. AASB 101 requires that complete financial statements include comparative information for disclosures provided outside the primary financial statements (i.e., in the notes). However, a similar explicit requirement is not applicable to interim condensed financial statements. When quantitative disclosures are provided in the notes, it is common practice to provide the same disclosures for the comparative periods presented in the primary financial statements, in order to explain the performance of the entity. This practice has been applied in these condensed interim financial statements.

Disclosure of required information outside the financial statements

Paragraph 51 of AASB 101 requires each financial statement and the corresponding notes to be clearly identified. Paragraph 50 of AASB 101 requires that the financial statements and the notes are distinguished from other information included in an annual report or similar documents. These requirements are met by including all of the information required by IFRS in a separate document. Paragraph 16A of AASB 134 specifies the information required to be provided in the interim financial statements and explicitly allows some of the required disclosures to be presented elsewhere in the interim financial report.

Paragraph 16A of AASB 134 further clarifies that if disclosures are provided outside the interim financial statements elsewhere in the interim report, a cross-reference from the interim financial statements to the location of this information is required.

Furthermore, entities are required to make available the information incorporated by cross-reference on the same terms as the interim financial statements and at the same time. The Group has included all required disclosures in the notes to the interim financial statements; as such, the issue of cross-referencing is not relevant. However, entities that include required disclosures elsewhere in the interim financial report, must ensure that this information is made available to users at the same basis and at the same time as the interim financial statements. We also encourage entities to ensure that the cross-references are clear to users of the interim financial statements, for example, through separately identifiable headings and/or where possible, page number references.

Australian Accounting Standards as at 31 March 2018

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

The standards applied in these interim condensed consolidated financial statements are those in issue as at 31 March 2018 and are effective for annual periods beginning on or after 1 January 2018. Standards and interpretations issued but not yet effective as at 1 January 2018 are not reflected in these interim financial statements. It is important to note that these interim condensed consolidated financial statements require continual updating as standards are issued and/or revised.

Users of this publication are advised to check that there has been no change in the requirements of Australian Accounting Standards between 31 March 2018 and the date on which their financial statements are authorised for issue. Furthermore, if the financial year of an entity is other than the calendar year, new and revised standards applied in these interim condensed consolidated financial statements may not be applicable.

Changes in 2018 edition

The 2018 *Good Group (Australia) Limited (interim)* differ from the previous version included in *Endeavour (International) Limited* due to new standards and interpretations becoming effective. The following amendments to standards have been illustrated as if they were applied for the first time in the 2018 interim financial period, resulting in consequential changes to the accounting policies and other note disclosures, where applicable:

- AASB 15 *Revenue from Contracts with Customers*, and relevant amending standards
- AASB 9 *Financial Instruments*, and relevant amending standards
- AASB Interpretation *22 Foreign Currency Transactions and Advance Consideration*
- AASB 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions*
- AASB 2016-6 *Amendments to Australian Accounting Standards - Applying AASB 9* Financial Instruments *with AASB 4* Insurance Contracts
- AASB 2017-1 *Amendments to Australian Accounting Standards – Transfer of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments*
- AASB 2017-3 *Amendments to Australian Accounting Standards – Clarifications to AASB 4*

Not all of these amendments impact the Group's interim condensed consolidated financial statements. If an amendment affects the Group, it is described, together with the impact, in Note 2 of these interim condensed consolidated financial statements.

Financial review by management

Many entities present a financial review by management that is outside the financial statements. Australian Accounting Standards do not require the presentation of such information, although paragraph 13 of AASB 101 gives a brief outline of what might be included in an annual report. The IASB's IFRS Practice Statement, *Management Commentary*, provides a broad non-binding framework for the presentation of a management commentary that relates to financial statements prepared in accordance with IFRS. If management decides to follow the guidance in the Practice Statement, it is encouraged to explain the extent to which the Practice Statement has been followed. A statement of compliance with the Practice Statement is only permitted if it is followed in its entirety.

Preparers of financial statements that comply with Australian Accounting Standards should note that other guidance on management commentary already exists in Australia (for example, ASIC Regulatory Guide 230 *Disclosing non-IFRS financial information*) which may take precedence over the IFRS Practice Statement. Further, the content of a financial review by management in relation to the financial statements is often determined by the requirements of the *Corporations Act 2001*.

Caveat

The names of people and corporations included in these illustrative financial statements are fictitious and have been created for the purpose of illustration only. Any resemblance to any person or business is purely coincidental.

Good Group (Australia) Limited

ABN 00 000 000 000

Interim condensed consolidated financial statements for the half-year ended 30 June 2018

(also applicable for 31 December 2018)

Directors' report

Directors' report

Your directors submit their report for the half-year ended 30 June 2018. *CA 302(a)*

Directors

The names of the Company's directors in office during the half-year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated. *CA 306(1)(b)*

V. Sheen (Chair)
F. Canuck, B.Sc (Managing Director)
P. G. Gerherns (Finance Director)
M. Smith (resigned 31 January 2018)
C. Feens
C. Buffy
J. Vargo
K. Chopper
M.A. Pryce

Review and results of operations *CA 306(1)(a)*

The Group experienced an increase in both revenue and profits during the half-year. Revenue for the half-year was $89,235,000 (2017: $72,807,000) representing an increase of 22.56%. This was largely a result of the strategic acquisitions that occurred in the second half of the previous financial year. Gross profit also increased in the half-year at $24,607,000 (2017: $19,211,000).

Consolidated net profit from continuing operations after income tax for the half-year was $1,875,000 (2017: $3,151,000), down 40.50% on the previous corresponding half-year. This was largely the result of the increased costs of concentrated marketing efforts in both television and newspaper mediums as well as the additional administrative costs of establishing and providing on-site child care and gymnasium facilities so as to ensure the well-being of our staff. We firmly believe that these additional costs will provide on-going benefits in the form of lower staff turnover and improved productivity.

Rounding *ASIC CI 2016/191*

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (unless otherwise stated) 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 the legislative instrument applies.

Auditor independence declaration

We have obtained the following independence declaration from our auditors, Ernst & Young. *CA 306(2)*

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
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Auditor's independence declaration to the Directors of Good Group (Australia) Limited

As lead auditor for the review of Good Group (Australia) Limited for the half-year ended 30 June 2018, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Good Group (Australia) Limited and the entities it controlled during the financial period.

D.G. Brown
Partner
Sydney
27 July 2018

Ernst & Young

Liability limited by a scheme approved under Professional Standards Legislation.

Signed in accordance with a resolution of the directors. *CA 306(3)(a)*

CA 306(3)(c)

V. Sheen
Director
Sydney, 27 July 2018

CA 306(3)(b)

Condensed consolidated financial statements

Interim condensed consolidated statement of profit or loss

for the six months ended 30 June

	Notes	2018 $000	2017 $000 Restated (Note 2)	
				IAS 1.49 IAS 1.10(b) IAS 1.10A IAS 1.51(c) IAS 1 .81A IAS 34.10 IAS 34.20(b) IAS 1.51(d),(e)
Continuing operations				
Revenue from contracts with customers	3	88,465	72,092	IFRS 15.113(a)
Rental income		770	715	
Revenue	4	**89,235**	**72,807**	IAS 1.82(a)
Cost of sales		(64,628)	(53,596)	IAS 1.103
Gross profit		**24,607**	**19,211**	IAS 1.85, IAS 1.103
Other operating income		617	1,728	IAS 1.103
Selling and distribution expenses		(9,253)	(7,228)	IAS 1.99, IAS 1.103
Administrative expenses	3,7	(11,118)	(9,334)	IAS 1.99, IAS 1.103
Other operating expenses	10, 11, 14	(1,497)	(91)	IAS 1.99, IAS 1.103
Operating profit		**3,356**	**4,286**	IAS 1.85, IAS 1.BC55-56
Finance costs		(1,662)	(436)	IAS 1.82(b), IFRS 7.20
Finance income		204	166	IAS 1.82(a)
Share of profit of an associate and a joint venture		366	329	IAS 1.82(c)
Profit before tax from continuing operations	4	**2,264**	**4,345**	IAS 1.85
Income tax expense	8	(389)	(1,194)	IAS 1.82(d), IAS 12.77
Profit for the period from continuing operations		**1,875**	**3,151**	IAS 1.85
Discontinued operations				
Profit/(loss) after tax for the period from discontinued operations	6	619	(18)	IAS 1.82(ea) IFRS 5.33(a)
Profit for the period		**2,494**	**3,133**	IAS 1.81A(a)
Attributable to:				
Equity holders of the parent		2,447	3,072	IAS 1.81B(a)(ii)
Non-controlling interests		47	61	IAS 1.81B(a)(i)
		2,494	**3,133**	
Earnings per share (EPS):				IAS 33.66, IAS 34.11
▸ Basic, profit for the period attributable to ordinary equity holders of the parent		$0.11	$0.15	IAS 33.69 IAS 34.11
▸ Diluted, profit for the period attributable to ordinary equity holders of the parent		$0.10	$0.14	
Earnings per share from continuing operations:				
▸ Basic, profit from continuing operations attributable to ordinary equity holders of the parent		$0.08	$0.15	
▸ Diluted, profit from continuing operations attributable to ordinary equity holders of the parent		$0.08	$0.14	

Commentary

IAS 1.10 suggests titles for the primary financial statements, such as 'statement of profit or loss and other comprehensive income' or 'statement of financial position'. However, entities are permitted to use other titles, such as 'income statement' or 'balance sheet'.

In a condensed interim financial statement, IAS 34 requires, at a minimum, each of the headings and subtotals that were included in its most recent annual financial statements. The Group has chosen to include not only this minimum, but all line items included in the 2017 annual financial statements. As the Group is not providing the full set of disclosures, as required in a complete set of financial statements, the interim financial statements of the Group are regarded as 'condensed', as per IAS 34.

IAS 1.99 requires expenses to be analysed by the nature of the expense or by their function within the entity, whichever provides information that is reliable and more relevant. In line with its annual financial statements, the Group has presented the analysis of expenses by function. Our publication, *Good Group (Australia) Limited (annual)* includes an appendix that illustrates a statement of profit or loss presented with an analysis of expenses by nature.

IFRS 15.113(a) requires revenue recognised from contracts with customers to be disclosed separately from other sources of revenue, unless presented separately in the statement of comprehensive income. The Group has elected to present the revenue from contracts with customers as a line item in the statement of profit or loss separate from the other source of revenue.

IAS 33 *Earnings per Share*, paragraph 68 requires presentation of basic and diluted amounts per share for discontinued operations either in the statement of profit or loss or in the notes to the financial statements. The Group has elected to show this information with other disclosures required for discontinued operations in Note 6 and to show the earnings per share information for continuing operations in the statement of profit or loss.

The Group presents operating profit in the statement of profit or loss; this is not required by IAS 1. However, in disclosing operating profit, an entity needs to ensure that the amount disclosed is representative of activities that would normally be regarded as 'operating' and that it is relevant to the understanding of the financial statements.

IAS 1.82(c) requires 'Share of the profit or loss of associates and joint ventures accounted for using the equity method' to be presented in a separate line item on the face of the statement of profit or loss. In complying with this requirement, the Group combines the share of profit or loss from associates and joint ventures in one line item. Alternatively, two separate line items could be presented if it is considered relevant – one for associates and one for joint ventures. If two line items are presented, a total of the two shall also be presented in a separate line item in the statement of profit or loss.

IAS 1.82(ba) requires that the statement of profit or loss include line items that present the impairment losses (including reversals of impairment losses or impairment gains) determined in accordance with IFRS 9. The Group did not present its impairment losses determined in accordance with IFRS 9 separately in the statement of profit or loss as the amounts are not material.

Interim condensed consolidated statement of comprehensive income

for the six months ended 30 June

	Notes	2018 $000	2017 $000 Restated (Note 2)	
				IAS 1.49
				IAS 1.10(b)
				IAS 1.51(c)
				IAS 1 .81A
				IAS 34.10
				IAS 34.20(b)
				IAS 1.90
				IAS 1.51(d),(e)
				IAS 12.61A
Profit for the period		**2,494**	**3,133**	*IAS 1.81A(a)*
Other comprehensive income				*IAS 1.82A*
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):				
Net gain on hedge of net investment		192	90	
Exchange differences on translation of foreign operations		(205)	(96)	*IAS 21.32* *IAS 21.52(b)*
Net gain on cash flow hedges	9	–	28	
Net gain on debt instruments at fair value through other comprehensive income	9	16	57	*IFRS 7.20(a)(vii)*
Share of other comprehensive income of an associate	9	(10)	–	*IAS 1.82A(b)*
Net other comprehensive income to be reclassified to profit or loss in subsequent periods, net of tax		**(7)**	**79**	*IAS 1.82A*
Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax):				
Net loss on cash flow hedges	9	(238)	–	
Net loss on equity instruments at fair value through other comprehensive income		(182)	(17)	*IFRS 7.20(a)(vii)*
Remeasurement gains/(losses) on defined benefit plans		(19)	132	*IAS 19.120(c)*
Revaluation of office properties in Australia		–	592	*IAS 19.122* *IAS 16.39*
Share of other comprehensive income of an associate		10	–	*IAS 1.82A(b)*
Net other comprehensive income/(loss) not being reclassified to profit or loss in subsequent periods, net of tax		**(429)**	**707**	*IAS 1.82A*
Other comprehensive income/(loss), net of tax		**(436)**	**786**	*IAS 1.81A(b)*
Total comprehensive income, net of tax		**2,058**	**3,919**	*IAS 1.81A(c)*
Attributable to:				
Equity holders of the parent		2,011	3,858	*IAS 1.81B(b)(ii)*
Non-controlling interests		47	61	*IAS 1.81B(b)(i)*
		2,058	**3,919**	

Commentary

The Group has elected in its annual financial statements to present two statements, a statement of profit or loss and a statement of comprehensive income, rather than a single statement of profit or loss and other comprehensive income combining the two elements. The selection between these two alternatives is a policy choice. Consistent with its annual financial statements, the Group presents the interim statement of profit or loss and other comprehensive income in two statements.

As the Group presents items of other comprehensive income net of the related tax effects in its annual financial statements, the same presentation applies to its interim financial statements. The Group has elected to provide additional information, not required by IAS 34, in the notes (Note 9) to present the amount of reclassification adjustments and current period gains or losses. If the Group changes its presentation policy, the items of other comprehensive income could be presented before the related tax effects, with the income tax relating to each item presented within the statement of comprehensive income. Alternatively, the total of the related income tax could be presented in the statement of comprehensive with a breakdown disclosed in the notes (IAS 1.90-91).

IAS 1.82A requires that items that will be reclassified subsequently to profit or loss, when specific conditions are met, must be grouped on the face of the statement of comprehensive income. Similarly, items that will not be reclassified must also be grouped. Both IAS 1.82A and the Implementation Guidance further clarify that that entities must present the share of the other comprehensive income items of associates and joint ventures accounted for using the equity method, in aggregate as single line items within the 'to be reclassified' and the 'not to be reclassified' groups. As at 30 June 2018, the Group's associate has financial assets at fair value through other comprehensive income (FVOCI) and an office building located in Australia that is accounted for under the revaluation model. Consequently, the Group presents items of other comprehensive income related to the associate in two separate line items in the condensed consolidated statement of comprehensive income.

Interim condensed consolidated statement of financial position

as at

	Notes	30 June 2018 $000	31 December 2017 $000 Restated (Note 2)	IAS 1.10(a),(f) IAS 1.49,IAS 1.51(c) IAS 34.10 IAS 34.20(a) IAS 1.51(d),(e) IAS 1.60, IAS 1.66
Assets				
Current assets				
Cash and short-term deposits	13	15,819	17,114	IAS 1.54(i)
Trade and other receivables		22,424	20,722	IAS 1.54(h), IFRS 15.105
Inventories	11	23,064	22,928	IAS 1.54(g)
Right of return assets		1,161	929	IFRS 15.B21
Contract assets		4,598	4,180	IFRS 15.105
Prepayments		208	244	IAS 1.55
Other current financial assets	12	421	551	IAS 1.54(d), IFRS 7.8
		67,695	66,668	
Assets held for sale	6	–	13,215	IAS 1.54(j), IFRS 5.38
		67,695	79,883	
Non-current assets				IAS 1.60
Property, plant and equipment	10	39,056	32,979	IAS 1.54(a)
Investment properties		8,951	8,893	IAS 1.54(b)
Intangible assets		4,990	6,019	IAS 1.54(c)
Investments in an associate and a joint venture		3,526	3,160	IAS 1.54(e)
Non-current financial assets	12	5,596	6,425	IAS 1.54(d), IFRS 7.8
Deferred tax assets		657	383	IAS 1.54(o), IAS 1.56
		62,776	57,859	
Total assets		**130,471**	**137,742**	
Liabilities and equity				
Current liabilities				IAS 1.60, IAS 1.69
Trade and other payables		20,162	14,746	IAS 1.54(k)
Contract liabilities		5,485	5,336	IFRS 15.105
Refund liabilities		1,528	1,340	IFRS 15.B21
Interest-bearing loans and borrowings	12	2,381	2,460	IAS 1.54(m), IFRS 7.8(g)
Other current financial liabilities	5, 12	2,234	3,040	IAS 1.54(m), IFRS 7.8
Government grants		80	149	IAS 1.55, IAS 20.24
Income tax payable		3,337	3,511	IAS 1.54(n)
Dividends payable	18	–	410	
Provisions	14	683	850	IAS 1.54(l)
		35,890	31,842	
Liabilities directly associated with the assets held for sale	6	–	13,054	IAS 1.54(p), IFRS 5.38
		35,890	44,896	
Non-current liabilities				IAS 1.60
Interest-bearing loans and borrowings	12	21,259	20,346	IAS 1.54(m)
Other non-current financial liabilities	12	806	806	IAS 1.54(m), IFRS 7.8
Provisions	14	1,551	1,892	IAS 1.54(l)
Government grants		2,164	3,300	IAS 20.24
Contract liabilities		605	429	IFRS 15.105
Net employee defined benefit liabilities		2,972	3,050	IAS 1.55, IAS 1.78(d)
Deferred tax liabilities		3,253	2,214	IAS 1.54(o), IAS 1.56
		33,610	32,037	
Total liabilities		**68,500**	**76,933**	
Equity				
Issued capital		26,668	26,668	IAS 1.54(r), IAS 1.78(e)
Treasury shares		(508)	(508)	
Other capital reserves		1,374	1,171	
Retained earnings		33,353	31,926	
Other components of equity		(1,078)	(621)	
Reserves of a disposal group held for sale	6	–	46	
Equity attributable to equity holders of the parent		**59,809**	**58,682**	
Non-controlling interests		2,162	2,127	IAS 1.54(q)
Total equity		**61,971**	**60,809**	
Total liabilities and equity		**130,471**	**137,742**	

Commentary

IAS 1.54(e) requires investments accounted for using the equity method to be presented as a separate line item in the statement of financial position, if material. In complying with this requirement, the Group has combined the investments in an associate and a joint venture in one line. Alternatively, two separate line items could be presented if it is considered relevant – one for associates and one for joint ventures, together with a total.

Consistent with its annual financial statements, the Group has presented separate classifications on the face of the interim condensed consolidated statement of financial position for current and non-current assets and current and non-current liabilities. IAS 1.60 requires entities to present assets and liabilities in the order of their liquidity when this provides information that is reliable and more relevant.

Under IAS 1.10(f) and IAS 1.40A, an entity must present an opening statement of financial position (third balance sheet) when it changes its accounting policies, makes retrospective restatements or reclassifications, and that change has a material effect on the statement of financial position. However, as indicated in IAS 1.40C, the related notes to support the third balance sheet are not required, nor are additional statements of profit or loss and other comprehensive income, changes in equity or cash flows. Unless an entity presents a complete set of financial statements under IAS 34.9, there is no requirement to present a third balance sheet in the interim financial statements. Thus, as the Group applies the condensed format defined in IAS 34.8, there is no requirement to include a third balance sheet even if it had made retrospective restatements in the interim period (see Note 2). Where an entity believes that it is helpful to explain the effect of the retrospective restatements in its interim condensed financial statements, it may voluntarily present an additional third balance sheet.

IFRS 15.105 requires presentation of the following items separately in the statement of financial position: (i) 'contract asset' for the right to consideration in exchange for goods or services that has transferred to a customer; (ii) 'contract liability' for the obligation to transfer goods and services to a customer for which the entity has received consideration (or an amount of consideration is due) from the customer; and (iii) 'receivable' for the right to consideration that is unconditional (only the passage of time is required before payment of that consideration is due). The Group presented these separately in the statement of financial position using the terminology from the standard. The standard allows an entity to use alternative descriptions. However, an entity must disclose sufficient information so that users of the financial statements can clearly distinguish between unconditional rights to receive consideration (receivables) and conditional rights to receive consideration (contract assets).

IFRS 15.B21 provides that, in order to account for the transfer of products with a right of return (and for some services that are provided subject to a refund), an entity must recognise all of the following: (a) revenue for the transferred products in the amount of consideration to which the entity expects to be entitled (therefore, revenue would not be recognised for the products expected to be returned); (b) a refund liability; and (c) an asset (and corresponding adjustment to cost of sales) for its right to recover products from customers on settling the refund liability. The standard requires the carrying value of the return asset to be presented separately from inventory and to be subject to impairment testing on its own, separately from inventory on hand. The standard also requires the refund liability to be presented separately from the corresponding asset (on a gross basis, rather than a net basis). The Group presented 'right of return asset' and 'refund liabilities' separately in the statement of financial position.

Interim condensed consolidated statement of changes in equity

For the six months ended 30 June 2018

IAS 1.10(c)
IAS 1.49
IAS 1.51(b)(c)
IAS 34.10
IAS 34.20(c)
IAS 1.106(d)

	Attributed to equity holders of the parent												
	Issued capital	Treasury shares	Other capital reserves	Retained earnings	Cash flow hedge reserve	Financial assets at FVOCI	Foreign currency translation reserve	Asset revaluation surplus	Reserve of disposal group held for sale	Total	Non-controlling interests	Total equity	
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	*IAS 1.51(d),(e)*
As at 1 January 2018	**26,668**	**(508)**	**1,171**	**31,926**	**(580)**	**(114)**	**(469)**	**542**	**46**	**58,682**	**2,127**	**60,809**	
Profit for the period	–	–	–	2,447	–	–	–	–	–	2,447	47	2,494	*IAS 1.106(d)(i)*
Other comprehensive income	–	–	–	(19)	(238)	(176)	(13)	10	–	(436)	–	(436)	*IAS 1.106(d)(ii)*
Total comprehensive income	**–**	**–**	**–**	**2,428**	**(238)**	**(176)**	**(13)**	**10**	**–**	**2,011**	**47**	**2,058**	*IAS 1.106(a)*
Depreciation transfer for office properties in Australia	–	–	–	40	–	–	–	(40)	–	–	–	–	*IAS 1.96*
													IAS 1.106(d)(iii)
Share-based payments (Note 15)	–	–	203	–	–	–	–	–	–	203	–	203	*IFRS 2.50*
Dividends (Note 18)	–	–	–	(1,087)	–	–	–	–	–	(1,087)	–	(1,087)	*IAS 1.107*
Dividends paid to non-controlling interest	–	–	–	–	–	–	–	–	–	–	(12)	(12)	*IAS 1.106(d)(iii)*
Transfer of reserve of disposal group held for sale upon disposal	–	–	–	46	–	–	–	–	(46)	–	–	–	
At 30 June 2018	**26,668**	**(508)**	**1,374**	**33,353**	**(818)**	**(290)**	**(482)**	**512**	**–**	**59,809**	**2,162**	**61,971**	

Interim condensed consolidated statement of changes in equity

For the six months ended 30 June 2017

IAS 1.51(b),(c)
IAS 1.10(c)
IAS 34.10
IAS 34.20(c)
IAS 1.49
IAS 1.106(d)

	Attributed to equity holders of the parent											
	Issued capital	**Treasury shares**	**Other capital reserves**	**Retained earnings**	**Cash flow hedge reserve**	**Financial assets at FVOCI**	**Foreign currency translation reserve**	**Asset revaluation surplus**	**Total**	**Non-controlling interests**	**Total equity**	
	$000	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	*IAS 1.51(d),(e)*
As at 1 January 2017 (restated) (Note 2)	**19,468**	**(654)**	**864**	**26,135**	**(245)**	**2**	**(444)**	**–**	**45,126**	**457**	**48,841**	
Profit for the period	–	–	–	3,072	–	–	–	–	3,072	61	3,133	*IAS 1.106(d)(i)*
Other comprehensive income	–	–	–	132	28	40	(6)	592	786	–	786	*IAS 1.106(d)(ii)*
Total comprehensive income	**–**	**–**	**–**	**3,204**	**28**	**40**	**(6)**	**592**	**3,858**	**61**	**3,919**	*IAS 1.106(a)*
Depreciation transfer for office properties in Australia	–	–	–	40	–	–	–	(40)	–	–	–	*IAS 1.96*
Issue of share capital	7,203	–	–	–	–	–	–	–	7,203	–	7,203	*IAS 1.106(d)(iii)*
Transaction costs	(32)	–	–	–	–	–	–	–	(32)	–	(32)	*IAS 32.39, IAS 1.109*
Share-based payments (Note 15)	–		150						150		150	*IAS 1.106(d)(iii)* *IFRS 2.50*
Dividends (Note 18)	–	–	–	(1,082)	–	–	–	–	(1,082)	–	(1,082)	*IAS 1.107*
Dividends paid to non-controlling interest	–	–	–	–	–	–	–	–	–	(20)	(20)	*IAS 1.106(d)(iii)*
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	1,547	1,547	*IAS 1.106(d)(iii)*
At 30 June 2017	**26,639**	**(654)**	**1,014**	**28,297**	**(217)**	**42**	**(450)**	**552**	**55,223**	**2,045**	**57,268**	

Commentary

For equity-settled share-based payment transactions, IFRS 2.7 requires entities to recognise an increase in equity when goods or services are received. However, IFRS 2 *Share-based payment* does not specify where in equity this should be recognised. The Group has chosen to recognise the credit in other capital reserves.

IAS 32.35 requires transaction costs of an equity transaction to be accounted for as a deduction from equity, but does not specify where in equity this should be recognised. The Group has chosen to recognise the charge as a reduction of share premium.

According to IAS 1.106(d), a reconciliation between the carrying amount at the beginning and end of the period, separately disclosing changes resulting from profit or loss, other comprehensive income, and transactions with owners must be presented for each component of equity. The Group provides this reconciliation for total other comprehensive income on a more granular basis, presenting some of the components of other comprehensive income as separate columns. Alternatively, the Group could have presented the total other comprehensive income as one component of equity only.

IAS 1.106A requires an entity to present, either in the statement of changes in equity or in the notes, an analysis of other comprehensive income by item. However, IAS 34 does not require this additional information. The Group provides additional information in Note 9 for line items that are significant to the understanding of the financial statements (given the significance of the amounts, it is debatable whether the disclosures provided in Note 9 are required, but for the purpose of these illustrative financial statements, they have been included). For items that are not considered significant, the Group has concluded that such additional information would not be useful.

Amounts presented as change in 'Asset revaluation surplus' and 'Financial assets at FVOCI' reserves include a share of the other comprehensive income of the associate, which relates to the revaluation of an office building in Australia and the remeasurement of financial assets at FVOCI. While IAS 1 specifically requires that entities must present the share of the other comprehensive income items of their equity method investees, in aggregate, as a single line items within the 'to be reclassified' and the 'not to be reclassified' groups, IAS 28 *Investments in Associates and Joint Ventures,* IAS 1 and IFRS 12 do not provide guidance on the presentation of accumulated shares of other comprehensive income of equity-accounted investees by the investor. The *Guidance on implementing IAS 1* contains an example in which the accumulated property, plant and equipment revaluation gain is included in the revaluation surplus of the investor. Good Group applies similar presentation of accumulated items of other comprehensive income of its associate. However, as current IFRS does not have specific requirements for this issue, other presentation approaches are also acceptable.

Interim condensed consolidated statement of cash flows

For the six months ended 30 June

	Notes	2018 $000	2017 $000 Restated (Note 2)	IAS 1.49 IAS 1.51(c) IAS 34.20(d) IAS 1.10(d) IAS 1.51(d),(e) IAS 7.10, IAS 7.18(b)
Operating activities				
Receipts from customers		104,958	108,757	
Payments to suppliers		(78,509)	(84,638)	
Payments to employees		(15,959)	(17,205)	
Settlement of contingent consideration of business combination		(411)	-	
Interest received		250	319	
Interest paid		(596)	(424)	
Income tax paid		(774)	(846)	
Net cash flows from operating activities		**8,959**	**5,963**	
Investing activities				IAS 7.10, IAS 7.21
Proceeds from sale of property, plant and equipment	10	1,352	1,415	IAS 7.16(b)
Proceeds from sale of discontinued operations, net of cash disposed	6	515	–	IAS 7.39
Purchase of property, plant and equipment	10	(4,087)	(1,320)	IAS 7.16(a)
Acquisition of a subsidiary, net of cash acquired	5	(5,929)	(370)	IAS 7.39
Settlement of contingent consideration of business combination	12	(714)	–	IAS 7.16, IAS 7.39, IAS 7.12
Collection of loan notes	12	1,100	–	IAS 7.16(f)
Currency forward contracts paid		(1,061)	–	IAS 7.16(g)
Loan to an associate		(50)	–	IAS 7.16(e)
Net cash flows used in investing activities		**(8,874)**	**(275)**	
Financing activities				IAS 7.10, IAS 7.21
Proceeds from borrowings	12	1,270	2,271	IAS 7.17(c)
Repayment of borrowings	12	(1,253)	(108)	IAS 7.17(d)
Transaction costs of issue of shares		–	(32)	IAS 7.17(a)
Dividend paid to equity holders of the parent	18	(1,497)	(1,082)	IAS 7.31
Dividend paid to non-controlling interests	18	(12)	(20)	IFRS 12.B10(a)
Net cash flows (used in)/from financing activities		**(1,492)**	**1,029**	
Net (decrease)/increase in cash and cash equivalents		(1,407)	6,717	
Net foreign exchange difference		(373)	266	IAS 7.28
Cash and cash equivalents at 1 January		16,699	8,024	
Cash and cash equivalents at 30 June	13	**14,919**	**15,007**	IAS 7.45

Commentary

IAS 7.18 allows entities to report cash flows from operating activities using either the direct method or the indirect method. The Group presents its cash flows using the direct method. Note 23 of *Good Group (Australia) Limited (annual)* illustrates the presentation of operating cash flows using the indirect method.

IAS 7 permits interest paid to be shown as an operating or financing activity and interest received to be shown as an operating or investing activity, as deemed relevant for the entity. Interest paid is classified as an operating activity as the Group considers this to relate directly to the cost of operating the business. Interest received is also considered an operating activity by the Group.

Notes to the financial statements

Notes to the interim condensed consolidated financial statements

1. Corporate information

The interim condensed consolidated financial statements of Good Group (Australia) Limited and its subsidiaries (collectively, the Group) for the six months ended 30 June 2018 were authorised for issue in accordance with a resolution of the directors on 10 August 2018. *IAS 10.17*

Good Group (Australia) Limited (the Company) is a limited company, incorporated and domiciled in Australia, whose shares are publicly traded. The registered office is located at Fire House, Ashdown Square, Australia. The Group is principally engaged in the provision of fire prevention and electronics equipment and services and the management of investment property. *IAS 1.138(a)* *IAS 1.138(b)*

Commentary

There is no explicit requirement in IAS 34 to include corporate information in a condensed set of interim financial statements, as is required in a complete set of financial statements under IAS 1. However, it is good practice to disclose such information to provide users insights into the specifics of the reporting entity and its business.

2. Basis of preparation and changes to the Group's accounting policies

2.1. Basis of preparation *IAS 34.19*

The interim condensed consolidated financial statements for the six months ended 30 June 2018 have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2017.

Commentary

IAS 34.19 clarifies that an interim financial report must not be described as complying with IFRS unless it complies with all of the requirements of IFRS. In these interim condensed consolidated financial statements, the Group is not claiming compliance with IFRS in its entirety, but rather, with the requirements of IAS 34. If a complete set of interim financial statements was provided complying with all requirements of IFRS, entities may be able to include in their compliance statement, with reference to IFRS as issued by the IASB, in addition to IAS 34.

2.2. New standards, interpretations and amendments adopted by the Group *IAS 34.16A(a)*

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* that require restatement of previous financial statements. As required by IAS 34, the nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the interim condensed consolidated financial statements of the Group.

Commentary

The Group has prepared and presented interim condensed consolidated financial statements. IAS 34 requires an entity to include a 'description of the nature and effect' of changes in accounting policies' and disclosure of 'the nature and amount of changes in estimates of amounts reported in prior periods'. IAS 34 does not require an entity to include the disclosures required by IAS 8.28 regarding the initial application of an IFRS. These interim condensed consolidated financial statements include the disclosures required under IAS 8.28 for illustrative purposes, as it is one of the ways in which an entity may comply with the requirements in IAS 34.16A(a). Some of the changes described may not be material to the Group, but were provided for illustrative purposes. Entities will need to exercise judgement in determining the level of disclosures to include. For example, less granular disclosures may be sufficient if the potential impact of the adoption of new accounting standards was previously disclosed in the most recent annual financial statements.

2. Basis of preparation and changes to the Group's accounting policies *continued*

AASB 15 *Revenue from Contracts with Customers*

IFRS 34.16A(a),(d)
IAS 8.28

IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted IFRS 15 using the full retrospective method of adoption. The effect of adopting IFRS 15 is, as follows:

IFRS 15.C3(a)

Commentary

The Group elected to apply the full retrospective method in adopting IFRS 15. The Group did not apply any of the practical expedients available under the full retrospective method (IFRS 15.C5).

Entities have an option to adopt IFRS 15 using a modified retrospective method of adoption (IFRS 15.C3(b)). Refer to Appendix A for guidance on using this method.

Impact on the statement of financial position (increase/(decrease)) as at 31 December 2017:

IAS 8.28(f)

	Adjustments	$000
Assets		
Investments in an associate and joint venture	(g)	(20)
Total non-current assets		**(20)**
Inventories	(a.i)	(834)
Right of return assets	(a.i)	929
Trade and other receivables	(b)	(4,180)
Contract assets	(b)	4,180
Assets held for sale	(g)	12
Total current assets		**107**
Total assets		**87**
Equity		
Retained earnings		(908)
Other components of equity		26
Non-controlling interests		(251)
Total equity		**(1,133)**
Liabilities		
Contract liabilities (non-current)	(a.iii),(b),(c),(d)	429
Deferred revenue (non-current)	(a.iii),(b),(c),(d)	(459)
Deferred tax liabilities	(g)	(484)
Total non-current liabilities		(514)
Trade and other payables	(a.i)	(4,330)
Contract liabilities (current)	(a.i),(a.ii),(a.iii),(b),(c),(d)	5,336
Refund liabilities	(a.i)	1,340
Deferred revenue (current)	(a.iii),(b),(c),(d)	(588)
Provisions	(a.ii)	(58)
Liabilities directly associated with assets held for sale	(g)	34
Total current liabilities		**1,734**
Total liabilities		**1,220**

2. Basis of preparation and changes to the Group's accounting policies *continued*

Impact on the statement of profit or loss (increase/(decrease)) for the six months ended 30 June 2017: *IAS 8.28(f)*

	Adjustments	$000
Revenue from contracts with customers	(a.i),(a.ii),(a.iii),(b),(e)	(2,136)
Cost of sales	(a.i),(a.ii),(e)	(1,619)
Finance costs	(d)	12
Share of profit of an associate and a joint venture	(g)	(5)
Income tax expense	(g)	(161)
Loss after tax for the period from discontinued operations	(g)	2
Profit for the period		**(375)**
Attributable to:		
Equity holders of the parent		(274)
Non-controlling interests		(101)

Impact on other comprehensive income (increase/(decrease)) for the six months ended 30 June 2017: *IAS 8.28(f)*

	Adjustments	$000
Exchange differences on translation of foreign operations	(g)	9
Other comprehensive income for the year		**9**

There is no material impact on the statement of cash flows. The impact on basic and diluted EPS is, as follows: *IAS 8.28(f)*

Basic, profit for the period attributable to ordinary equity holders of the parent	($0.01)
Diluted, profit for the period attributable to ordinary equity holders of the parent	($0.01)

Commentary

While IFRS 15 does not change an entity's cash flows, cash or cash equivalents, it does affect the balance sheet presentation and, indirectly, can have an impact on the presentation of the statement of cash flows as well.

The effect of the transition to IFRS 15 on the current period as required by IAS 8.28(f) has not been disclosed as IFRS 15.C4 provides an exemption from this requirement.

The Group is in the business of providing fire prevention and electronics equipment and installation services. The equipment and services are sold both on their own in separately identified contracts with customers and together as a bundled package of goods and/or services.

(a) Sale of goods

The Group's contracts with customers for the sale of equipment generally include one performance obligation. The Group has concluded that revenue from sale of equipment should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment. Therefore, the adoption of IFRS 15 did not have an impact on the timing of revenue recognition. However, the amount of revenue to be recognised was affected, as noted below.

(i) Variable consideration *IFRS 15.50-59*

Some contracts for the sale of equipment provide customers with a right of return and volume rebates. Prior to the adoption of IFRS 15, the Group recognised revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of returns and volume rebates. If revenue could not be reliably measured, the Group deferred revenue recognition until the uncertainty was resolved.

Under IFRS 15, rights of return and volume rebates give rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved. The application of the constraint on variable consideration increases the amount of revenue that will be deferred.

- *Rights of return* *IFRS 15.B20*

When a contract provides a customer with a right to return the goods within a specified period, the Group previously estimated expected returns using a probability-weighted average amount approach similar to the expected value method under IFRS 15. Prior to adoption of IFRS 15, the amount of revenue related to the

expected returns was deferred and recognised in the statement of financial position within *Trade and other payables* with a corresponding adjustment to *Cost of sales*. The initial carrying amount of goods expected to be returned was included within *Inventories*.

Under IFRS 15, the consideration received from the customer is variable because the contract allows the customer to return the products. The Group uses the expected value method to estimate the goods that will be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The Group applies the requirements in IFRS 15 on constraining estimates of variable consideration to determine the amount of variable consideration that can be included in the transaction price. The Group presents a refund liability and an asset for the right to recover products from a customer separately in the statement of financial position. Upon adoption of IFRS 15, the Group reclassified the provision for the right of return from *Trade and other payables* to *Refund liabilities* and the related return asset from *Inventories* to *Right of return assets*. Additional amounts of *Refund liabilities* and *Right of return assets* were recognised and the net effect was adjusted in *Retained earnings*.

The statement of financial position as at 31 December 2017 was restated resulting in recognition of *Right of return assets* and *Refund liabilities* amounting to $929,000 and $1,340,000, respectively and decreases in *Trade and other payables, Inventories* and *Retained earnings* amounting to $1,215,000, $834,000, and $30,000, respectively. The statement of profit or loss for the six months ended 30 June 2017 was also restated, resulting in decreases in *Revenue from contracts with customers* and *Cost of sales* amounting to $54,000 and $45,000, respectively.

- *Volume rebates*

In the Electronics segment, the Group provides retrospective volume rebates to its customers on all products purchased by the customer once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer on subsequent purchases. Prior to adoption of IFRS 15, the Group estimated the expected volume rebates using the probability-weighted average amount of rebates approach and included a provision for rebates in *Trade and other payables*.

Under IFRS 15, retrospective volume rebates give rise to variable consideration. To estimate the variable consideration to which it will be entitled, the Group applied the 'most likely amount method' for contracts with a single volume threshold and the 'expected value method' for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration was primarily driven by the number of volume thresholds contained in the contract. The Group then applies the requirements on constraining estimates of variable consideration. Upon adoption of IFRS 15, the Group recognised *Contract liabilities* for the expected future rebates, derecognised the provision for rebates under *Trade and other payables* and adjusted the *Retained earnings* for the difference.

The statement of financial position as at 31 December 2017 was restated resulting in recognition of *Contract liabilities (current)* amounting to $4,904,000 and decreases in *Trade and other payables* and *Retained earnings* amounting to $3,115,000, and $1,789,000, respectively. The statement of profit or loss for the six months ended 30 June 2017 was also restated resulting in a decrease in *Revenue from contracts with customers* amounting to $592,000.

(ii) Warranty obligations *IFRS 15.B28-B33*

The Group generally provides warranties for general repairs of defects that existed at the time of sale, as required by law. As such, most warranties are assurance-type warranties under IFRS 15, which the Group accounts for under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, consistent with its practice prior to the adoption of IFRS 15. However, in certain non-standard contracts, the Group provides one-year extended warranties, which were accounted for under IAS 37 prior to the adoption of IFRS 15. Under IFRS 15, such warranties are accounted for as service-type warranties and, therefore, are accounted for as separate performance obligations to which the Group allocates a portion of the transaction price based on the relative stand-alone selling price. Revenue is subsequently recognised over time based on the time elapsed. Upon adoption of IFRS 15, the Group recognised *Contract liabilities* for the unfulfilled extended warranties, derecognised the short-term *Provisions* previously recognised and the difference adjusted to *Retained earnings*.

2. Basis of preparation and changes to the Group's accounting policies *continued*

The statement of financial position as at 31 December 2017 was restated, resulting in recognition of *Contract liabilities (current)* amounting to $60,000 and decreases in *Provisions (current)* and *Retained earnings* amounting to $58,000 and $2,000, respectively. The statement of profit or loss for the six months ended 30 June 2017 was also restated, resulting in decreases in *Revenue from contracts with customers* and *Cost of sales* amounting to $27,000 and $26,000, respectively.

(iii) Loyalty points programme *IFRS 15.B39*

The Group's Electronics segment operates a loyalty points programme, *GoodPoints*, which allows customers to accumulate points when they purchase products in the Group's retail stores. The points can be redeemed for free products, subject to a minimum number of points obtained. Prior to adoption of IFRS 15, the loyalty programme offered by the Group resulted in the allocation of a portion of the transaction price to the loyalty programme using the fair value of points issued and recognition of the deferred revenue in relation to points issued but not yet redeemed or expired. The Group concluded that under IFRS 15 the loyalty points gives rise to a separate performance obligation because they provide a material right to the customer and allocated a portion of the transaction price to the loyalty points awarded to customers based on the relative stand-alone selling price. The Group determined that, considering the relative stand-alone selling prices, the amount allocated to the loyalty programme should be lower compared to the previous accounting policy. The *Deferred revenue* related to this loyalty points programme was reclassified to *Contract liabilities* and the excess was adjusted to *Retained earnings*.

The statement of financial position as at 31 December 2017 was restated, resulting in: recognition of current and non-current portions of *Contract liabilities* amounting to $202,000 and $166,000, respectively; decreases in current and non-current portions of *Deferred revenue* amounting to $220,000 and $196,000, respectively; and an increase in *Retained earnings* amounting to $48,000. The statement of profit or loss for the six months ended 30 June 2017 was also restated resulting in an increase in *Revenue from contracts with customers* amounting to $8,000.

(b) Rendering of services *IFRS 15.22*

The Group's Fire prevention segment provides installation services. These services are sold either separately or bundled together with the sale of equipment to a customer. The installation services can be obtained from other providers and do not significantly customise or modify the fire prevention equipment.

Prior to the adoption of IFRS 15, the Group accounted for the equipment and installation service as separate deliverables within the bundled sales and recognised revenue based on the invoiced amounts.

Under IFRS 15, the Group assessed that there are two performance obligations in a contract for bundled sales of equipment and installation services, because its promises to transfer equipment and provide installation services are capable of being distinct and separately identifiable.

The Group performed a re-allocation of contract consideration based on the relative stand-alone selling prices of the equipment and installation services, which decreased the amount allocated to installation services. Therefore, the Group reduced its *Deferred revenue* with a corresponding adjustment to *Retained earnings*. In addition, the Group also reclassified the remaining *Deferred revenue* for installation services yet to be rendered to *Contract liabilities*.

Prior to adoption of IFRS 15, the Group determined the total labour hours incurred as a percentage of expected total hours to perform the service to recognise revenue. The Group recognised *Trade and other receivables,* even if receipt of the total consideration was conditional on successful completion of installation services.

Under IFRS 15, the Group concluded that revenue from installation services will continue to be recognised over time, using an input method to measure progress towards complete satisfaction of the service similar to the previous accounting policy, because the customer simultaneously receives and consumes the benefits provided by the Group. Revenue from the sale of the fire prevention equipment will continue to be recognised at a point in time, upon delivery of the equipment. Moreover, under IFRS 15, any earned consideration that is conditional should be recognised as a contract asset rather than receivable. Therefore, upon adoption of IFRS 15, the Group made reclassifications from *Trade and other receivables* to *Contract assets*.

2. Basis of preparation and changes to the Group's accounting policies *continued*

The statement of financial position as at 31 December 2017 was restated, resulting in: recognition of *Contract assets* amounting to $4,180,000; decrease in *Trade and other receivables* amounting to $4,180,000; increases in current and non-current portions of *Contract liabilities* amounting to $55,000 and $30,000, respectively and decreases in current and non-current portions of *Deferred revenue* amounting to $285,000, and $30,000, respectively; and an increase in *Retained earnings* amounting to $230,000. The statement of profit or loss for the six months ended 30 June 2017 was also restated, resulting in an increase in *Revenue from contracts with customers* amounting to $77,000.

(c) Equipment received from customers *IFRS 15.66*

The Group received moulds and other tools from certain customers that were used in manufacturing fire prevention equipment to be sold to them. Prior to the adoption of IFRS 15, these were recognised at fair value as property, plant and equipment upon receipt, with a corresponding increase in *Deferred revenue*. However, under IFRS 15, the fair value of such non-cash consideration, received or expected to be received from the customer, is included in the transaction price. The Group concluded that the adoption of IFRS 15 did not have a significant effect on the accounting as the equipment received from customers is still measured at fair value upon receipt and included in the transaction price of the fire prevention equipment. However, amounts that were presented previously as *Deferred revenue* are now presented under IFRS 15 as *Contract liabilities*.

The statement of financial position as at 31 December 2017 was restated, resulting in recognition of current and non-current portions of *Contract liabilities* amounting to $43,000 and $133,000, respectively and decreases in current and non-current portions of *Deferred revenue* amounting to $43,000 and $133,000, respectively.

(d) Advances received from customers *IFRS 15.60-64*

Generally, the Group receives short-term advances from its customers. However, from time to time, the Group also receives long-term advances from customers. Prior to the adoption of IFRS 15, the Group presented these advances as *Deferred revenue* in the statement of financial position. No interest was accrued on the long-term advances received under the previous accounting policy.

Upon the adoption of IFRS 15, for short-term advances, the Group used the practical expedient. As such, the Group will not adjust the promised amount of the consideration for the effects of a financing component in contracts, where the Group expects, at contract inception, that the period between the time the customer pays for the good or service and when the Group transfers that promised good or service to the customer will be one year or less.

Meanwhile, the Group sells customised fire prevention equipment where the manufacturing lead time after signing the contract is two years. This type of contract includes two alternative payment options for the customer, i.e., payment of the transaction price equal to the cash selling price upon delivery of the equipment or payment of a lower transaction price when the contract is signed. The Group concluded that there is a significant financing component for those contracts where the customer elects to pay in advance considering the length of time between the customer's payment and the transfer of equipment to the customer and the prevailing interest rates in the market. The transaction price for such contracts is discounted to take into consideration the significant financing component. Upon adoption of IFRS 15, the Group recognised *Contract liabilities* for the interest on the advances received from customers with a significant financing component and charged this to *Retained earnings*. In addition, reclassifications have been made from *Deferred revenue* to *Contract liabilities* for the outstanding balance of advances from customers.

The statement of financial position as at 31 December 2017 was restated, resulting in: increases in current and non-current portions of *Contract liabilities* amounting to $72,000 and $100,000, respectively; decreases in current and non-current portions of *Deferred revenue* amounting to $40,000, and $100,000, respectively; and a decrease in retained earnings amounting to $32,000. The statement of profit or loss for the six months ended 30 June 2017 was also restated, resulting in an increase in *Finance costs* amounting to $12,000.

2. Basis of preparation and changes to the Group's accounting policies *continued*

(e) Principal versus agent considerations *IFRS 15.B34-B38*

From time to time, the Group enters into contracts with its customers to acquire, on their behalf, special fire prevention equipment produced by foreign suppliers. Under these contracts, the Group provides procurement services (i.e., selecting suitable suppliers and managing the ordering and delivery of the imported equipment). In these contracts, the Group is not primarily responsible for fulfilling the promise to provide the specified equipment. The Group does not have inventory risk before or after the specified equipment has been transferred to the customer as it purchases equipment only upon approval of the customer and the foreign supplier ships equipment directly to the customers. In addition, the Group has no discretion in establishing the price for the specified equipment. However, the Group's consideration in these contracts is determined as the difference between the maximum purchase price quoted by the customer and the final price negotiated by the Group with the foreign supplier. The Group bears credit risk on these transactions as it is obliged to pay the foreign supplier even if the customer defaults on a payment.

Prior to the adoption of IFRS 15, based on the existence of credit risk, the Group concluded that it has an exposure to the significant risks and rewards associated with the sale of equipment to its customers, and accounted for the contracts as if it is a principal. Upon adoption of IFRS 15, the Group determined that it does not control the goods before they are transferred to customers, and hence, is an agent in these contracts because it does not have the ability to direct the use of the equipment or obtain benefits from the equipment. In addition, the Group concluded that it transfers control over its services (of arranging for the provision of the equipment from a foreign supplier), at a point in time, upon receipt by the customer of the equipment, because this is when the customer benefits from the Group's service. This change resulted in a decrease in revenue from the sale of goods and cost of sales and an increase in revenue from rendering of services by the difference.

There is no impact in the statement of financial position as at 31 December 2017. The statement of profit or loss for the six months ended 30 June 2017 was restated resulting in decreases in both *Revenue from contracts with customers* and *Cost of sales* amounting to $1,548,000.

(f) Presentation and disclosure requirements *IAS 34.114*

As required for the condensed interim financial statements, the Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Group also disclosed information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment. Refer to Note 3 for the disclosure on disaggregated revenue.

(g) Other adjustments

In addition to the adjustments described above, upon adoption of IFRS 15, other items of the primary financial statements such as deferred taxes, assets held for sale and liabilities associated with them, profit or loss after tax for the period from discontinued operations, investments in associate and a joint venture, share of profit of an associate and a joint venture, income tax expense, and retained earnings, were adjusted as necessary. Furthermore, exchange differences on translation of foreign operations were also adjusted.

2. Basis of preparation and changes to the Group's accounting policies *continued*

AASB 9 *Financial Instruments*

IAS 34.16A(a),(d)
IAS 8.28
IFRS 9.7.1.1
IFRS 9.7.2.21

IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

IFRS 9.7.2.1
IFRS 9.7.2.22

With the exception of hedge accounting, which the Group applied prospectively, the Group has applied IFRS 9 retrospectively, with the initial application date of 1 January 2018 and adjusting the comparative information for the period beginning 1 January 2017.

Commentary

The standard requires, in order to avoid the use of hindsight at a later date, that entities conclude on the following matters as at the date of initial application:

- Electing and/or revoking the fair value through profit or loss (FVPL) option for eligible financial instruments
- Electing to measure non-financial contracts held for own use at FVPL
- The choice of classifying eligible equity instruments as financial assets at fair value through other comprehensive income (FVOCI)
- Determining whether recognising own credit in OCI for liabilities for which the Fair Value Option (FVO) has been elected would enlarge an accounting mismatch
- Concluding on the business model for financial assets
- Concluding whether or not, at the date of initial application of IFRS 9, to continue to follow hedge accounting under the requirements of IAS 39
- If concluding to apply hedge accounting under IFRS 9 (along with its benefits e.g., forward points, option premiums, currency basis) whether to:
  - Voluntarily de-designate any existing hedge relationship before the date of application as IFRS 9 will not allow voluntary de-designation any longer
  - Continue to apply the choice to use IAS 39 on macro fair value hedging, even when applying IFRS 9 for all other hedge relationships
- Updating hedge documentation for the new IFRS 9 requirements, including re-designation for component hedging features and choices around retrospective application of cost of hedging
- Concluding whether the Expected Credit Loss (ECL) is calculated based on the general or simplified approach for trade receivables and contract assets having a significant financing component and for lease receivables

Entities with insurance activities should also (if they are eligible) decide whether to adopt IFRS 9 or to defer the application of IFRS 9 until the adoption of IFRS 17 *Insurance Contracts* and if choosing to adopt IFRS 9, whether they will do so with or without the overlay approach.

These matters may also impact an entity's decision whether to restate its comparatives. In choosing whether to restate, entities should also consider IFRS 9.7.2.15, which allows entities to "restate prior periods if, and only if, it is possible without the use of hindsight". Hindsight in this context will include factors influencing measurement such as fair values and ECL calculations.

Other considerations, regarding whether or not to restate comparatives also include:

- Entities electing to restate comparatives must still continue to account for items that were derecognised in the comparative period in accordance with IAS 39, and so, will need to continue to disclose their IAS 39 accounting policies.
- While more relevant for the year-end financial statements, entities that elect not to restate comparatives are expected to have more extensive primary financial statements and notes, as line items and the related accounting policies and disclosures will need to be provided for all relevant items in each year. However, IFRS 7 *Financial Instruments: Disclosures* provides some exceptions related to the new disclosures.

Refer to Appendix A for the guidance when comparatives are not restated.

2. Basis of preparation and changes to the Group's accounting policies *continued*

The effect of adopting IFRS 9 is, as follows:

Impact on the statement of financial position (increase/(decrease)) as at 31 December 2017: *IAS 8.28(f)*

	Adjustments	$000
Assets		
Investments in an associate and joint venture	(d)	(7)
Non-current financial assets	(b)	(18)
Total non-current assets		**(25)**
Trade and other receivables	(b)	(752)
Assets held for sale	(d)	(349)
Total current assets		**(1,101)**
Total assets		**(1,126)**
Equity		
Retained earnings	(a),(b),(d)	(758)
Other components of equity	(a),(d)	2
Non-controlling interests		(32)
Total equity		**(788)**
Liabilities		
Deferred tax liabilities	(d)	(233)
Total noncurrent liabilities		**(233)**
Liabilities directly associated with assets held for sale	(d)	(105)
Total current liabilities		**(105)**
Total liabilities		**(338)**

Impact on the statement of profit or loss (increase/(decrease)) for the six months ended 30 June 2017: *IAS 8.28(f)*

	Adjustments	$000
Administrative expenses	(b)	68
Finance costs	(b)	4
Finance income	(a)	4
Share of profit of an associate and a joint venture	(d)	(3)
Income tax expense	(d)	(21)
Loss after tax for the period from discontinued operations	(d)	34
Profit for the period		**(84)**
Attributable to:		
Equity holders of the parent		(62)
Non-controlling interests		(22)

Impact on other comprehensive income (increase/(decrease)) for the six months ended 30 June 2017: *IAS 8.28(f)*

	Adjustments	$000
Exchange differences on translation of foreign operations	(d)	2
Net gain on available-for-sale financial assets	(a)	(3)
Other comprehensive income for the period		**(1)**

There is no material impact on the statement of cash flows and the basic and diluted EPS. *IAS 8.28(f)*

Commentary

While IFRS 9 does not change an entity's cash flows, cash or cash equivalents, it does affect the balance sheet presentation and, indirectly, can have an impact on the presentation of the statement of cash flows as well.

2. Basis of preparation and changes to the Group's accounting policies *continued*

(a) Classification and measurement

Except for certain trade receivables, under IFRS 9, 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.

Under IFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

The new classification and measurement of the Group's debt financial assets are, as follows:

- *Debt instruments at amortised cost* for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's *Trade and other receivables*, and Loans included under *Other non-current financial assets*. *IFRS 9.4.1.1 IFRS 9.4.1.2 IFRS 15.108*
- *Debt instruments at FVOCI, with gains or losses recycled to profit or loss on derecognition. Financial assets in this category are the Group's quoted debt instruments that meet the SPPI criterion and are held within a business model both to collect cash flows and to sell. Under IAS 39, the Group's quoted debt instruments were classified as available-for-sale (AFS) financial assets.* *IFRS 9.4.1.2A*

Other financial assets are classified and subsequently measured, as follows:

- *Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition or transition. The Group classified its unquoted equity instruments as equity instruments at FVOCI. Equity instruments at FVOCI are not subject to an impairment assessment under IFRS 9. Under IAS 39, the Group's unquoted equity instruments were classified as AFS financial assets.* *IFRS 9.4.1.4*
- *Financial assets at FVPL comprise derivative instruments and quoted equity instruments which the Group had not irrevocably elected, at initial recognition or transition, to classify at FVOCI. This category would also include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model* whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. *Under IAS 39, the Group's quoted equity securities were classified as AFS financial assets. Upon transition the AFS reserve relating to quoted equity securities, which had been previously recognised under accumulated OCI, was reclassified to Retained earnings.* *IFRS 9.4.1.4*

The assessment of the Group's business models was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets. *IFRS 9.7.2.1 IFRS 9.7.2.15*

The statement of financial position as at 31 December 2017 was restated, resulting in a decrease in *Other components of equity* and increase in *Retained earnings* amounting to $7,000. The statement of profit or loss for the six months ended 30 June 2017 was also restated, resulting in an increase in *Finance income* amounting to $4,000 and a decrease in *Other comprehensive income* (net of tax) amounting to $3,000.

Commentary

The Group only has simple financial instruments. For entities that have complex financial instruments, the SPPI assessment can be particularly challenging. IFRS 9's application guidance and EY's *International GAAP 2018* publication provide specific examples of instruments that pass or fail the SPPI test. Such entities should also consider providing more detailed accounting policies in relation to their SPPI and business model assessments. Only equity instruments that meet the definition of equity from the issuer's perspective can be designated at FVOCI at initial recognition. IFRS 9 also allows entities to elect to designate non-financial contracts such as commodity contracts held for own use as financial assets at FVPL under certain circumstances.

2. Basis of preparation and changes to the Group's accounting policies *continued*

The accounting for the Group's financial liabilities remains largely the same as it was under IAS 39. Similar to the requirements of IAS 39, IFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in the statement of profit or loss.

IFRS 9.4.2.1(a)-(e)
IFRS 3.39
IFRS 3.58

Commentary

The requirements in IFRS 9 for adjusting the amortised cost of a financial liability, when a modification (or exchange) does not result in derecognition, are consistent with those applied to the modification of a financial asset that does not result in derecognition. This means that the gain or loss arising on modification of a financial liability that does not result in derecognition, is calculated by discounting the change in contractual cash flows using the original effective interest rate (EIR), and is immediately recognised in profit or loss. Considering that IFRS 9 has to be applied retrospectively, entities that treated such modifications as changes to the EIR under IAS 39 will need to make a retrospective adjustment on transition to IFRS 9.

Under IFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on their contractual terms and the Group's business model.

IFRS 9.4.3.3
IFRS 9.B4.3.1

The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed from that required by IAS 39.

(b) Impairment

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

IFRS 9.5.5.1

IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL.

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. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For *Contract assets* and *Trade and other receivables*, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

IFRS 9.5.5.15
IFRS 9.B5.5.35

For other debt financial assets (i.e., loans and debt securities at FVOCI), the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

IFRS 9.5.5.3
IFRS 9.5.5.5
IFRS 9.A

The Group's debt instruments at FVOCI comprised solely of quoted bonds that are graded in the top investment category (Very Good and Good) by the *Good Credit Rating Agency* and, therefore, are considered to be low credit risk investments. It is the Group's policy to measure such instruments on a 12-month ECL basis. In all cases, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

IFRS 7.35F(a)
IFRS 7.35G(a)(ii)
IFRS 9.B5.5.22-27
IAS 34.16A(d)

The Group considers a financial asset in default when contractual payment 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.

IFRS 7.35F(b)
IFRS 9.5.5.9
IFRS 9.B5.5.37

The adoption of the ECL requirements of IFRS 9 resulted in increases in impairment allowances of the Group's debt financial assets. The increase in allowance resulted in an adjustment to *Retained earnings*.

The statement of financial position as at 31 December 2017 was restated, resulting in decreases in *Trade and other receivables*, *Non-current financial assets* and *Retained earnings* amounting to $752,000, *$18,000, and $770,000,* respectively. The statement of profit or loss for the six months ended 30 June 2017 was also restated, resulting in increases in *Administrative expenses* and *Finance costs* amounting to $68,000 and *$4,000, respectively*.

(c) Hedge accounting

The Group applied hedge accounting prospectively. At the date of the initial application, all of the Group's existing hedging relationships were eligible to be treated as continuing hedging relationships. Consistent with prior periods, the Group has continued to designate the change in fair value of the entire forward contract in the Group's cash flow hedge relationships and, as such, the adoption of the hedge accounting requirements of IFRS 9 had no significant impact on the Group's financial statements.

2. Basis of preparation and changes to the Group's accounting policies *continued*

Under IAS 39, all gains and losses arising from the Group's cash flow hedging relationships were eligible to be subsequently reclassified to profit or loss. However, under IFRS 9, gains and losses arising on cash flow hedges of forecast purchases of non-financial assets need to be incorporated into the initial carrying amounts of the non-financial assets. Therefore, upon adoption of IFRS 9, the *Net gain or loss on cash flow hedges* was presented under *'Other comprehensive income not to be reclassified to profit or loss in subsequent periods'*. This change only applies prospectively from the date of initial application of IFRS 9 and has no impact on
the presentation of comparative figures.

IAS 1.96
IFRS 9.6.5.11(d)(i)

(d) Other adjustments

In addition to the adjustments described above, upon adoption of IFRS 9, other items of the primary financial statements such as deferred taxes, assets held for sale and liabilities associated with them, investments in the associate and joint venture (arising from the financial instruments held by these entities), income tax expense, retained earnings and exchange differences on translation of foreign operations were adjusted as necessary. The *adjustment* to *Liabilities directly associated with assets held for sale* only relates to the deferred tax impact of the IFRS 9 adjustments to the underlying assets.

AASB Interpretation 22 *Foreign Currency Transactions and Advance Considerations*

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Group's consolidated financial statements.

AASB 2017-1 *Amendments to Australian Accounting Standards – Transfer of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments*

Amendments to AASB 140 *Transfer of Investment Property*

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments do not have any impact on the Group's consolidated financial statements.

Amendments to AASB 128 *Investments in Associates and Joint Ventures*

The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. These amendments do not have any impact on the Group's consolidated financial statements.

Amendments to AASB 101 *First-time Adoption of Australian Accounting Standards*

Short-term exemptions in paragraphs E3–E7 of IFRS 1 were deleted because they have now served their intended purpose. These amendments do not have any impact on the Group's consolidated financial statements.

2. Basis of preparation and changes to the Group's accounting policies *continued*

AASB 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions*

The IASB issued amendments to IFRS 2 *Share-based Payment* that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The Group's accounting policy for cash-settled share based payments is consistent with the approach clarified in the amendments. In addition, the Group has no share-based payment transaction with net settlement features for withholding tax obligations and had not made any modifications to the terms and conditions of its share-based payment transaction. Therefore, these amendments do not have any impact on the Group's consolidated financial statements.

AASB 2016-6 *Amendments to Australian Accounting Standards – Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts*

The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17 *Insurance Contracts*, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. These amendments are not relevant to the Group.

AASB 2017-3 *Amendments to Australian Accounting Standards – Clarifications to AASB 4*

This Standard amends AASB 4 to confirm that in Australia compliance with AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts* ensures simultaneous compliance with AASB 4. This Standard also amends AASB 4 to ensure that the relief available to issuers of insurance contracts set out in AASB 2016-6 can be applied by an entity applying either AASB 1023 or AASB 1038 if the entity otherwise meets the qualifying criteria. These amendments are not relevant to the Group.

Commentary

Generally, an entity may chose only to comment on those amendments that directly impact the condensed interim financial statements. Alternatively, an entity may choose to provide disclosures on amendments to IFRS that have no impact on the condensed interim financial statements, but are expected to impact the annual financial statements.

In Australia, the adoption of IFRS for reporting purposes is subject to an approval of the Australian Accounting Standards Board. Therefore, the effective dates may therefore differ from the IASB's effective dates.

IAS 8.30 requires entities to disclose in the complete set of financial statements those standards that have been issued but are not yet effective and to provide known or reasonably estimable information to enable users to assess the possible impact of the application of such IFRSs on an entity's financial statements. There is no similar requirement for the interim condensed financial statements. However, IAS 34 requires updates of relevant information presented and disclosed in the most recent annual financial statements. The International Organisation of Securities Commissions (IOSCO) and Australian Securities and Investments Commission (ASIC) issued recommendations on disclosure of the expected impact of major standards such as IFRS 16 *Leases*. These disclosures will be entity-specific, and will also depend on previously disclosed information in the most recent annual financial statements. They are not illustrated in these illustrative interim condensed financial statements.

3. Revenue from contracts with customers

Set out below is the disaggregation of the Group's revenue from contracts with customers:

IAS 34.16A(l)
IFRS 15.114-115

	For the six months ended 30 June 2018		
Segments	**Fire prevention equipment**	**Electronics**	**Total**
Type of goods or service	**$000**	**$000**	**$000**
Sale of fire prevention equipment	42,492	–	**42,492**
Sale of electronics equipment	–	37,395	**37,395**
Installation services	8,578	–	**8,578**
Total revenue from contracts with customers	**51,070**	**37,395**	**88,465**
Geographical markets			
Australia	36,291	26,573	**62,864**
United States	14,779	10,822	**25,601**
Total revenue from contracts with customers	**51,070**	**37,395**	**88,465**
Timing of revenue recognition			
Goods transferred at a point in time	42,492	37,395	**79,887**
Services transferred over time	8,578	–	**8,578**
Total revenue from contracts with customers	**51,070**	**37,395**	**88,465**

	For the six months ended 30 June 2017		
Segments	**Fire prevention equipment**	**Electronics**	**Total**
Type of goods or service	**$000**	**$000**	**$000**
Sale of fire prevention equipment	41,941	–	**41,941**
Sale of electronics equipment	–	22,058	**22,058**
Installation services	8,093	–	**8,093**
Total revenue from contracts with customers	**50,034**	**22,058**	**72,092**
Geographical markets			
Australia	35,104	15,476	**50,580**
United States	14,930	6,582	**21,512**
Total revenue from contracts with customers	**50,034**	**22,058**	**72,092**
Timing of revenue recognition			
Goods transferred at a point in time	41,941	22,058	**63,999**
Services transferred over time	8,093	–	**8,093**
Total revenue from contracts with customers	**50,034**	**22,058**	**72,092**

The Group recognised impairment losses on receivables and contract assets arising from contracts with customers, included under *Administrative expenses* in the statement of profit or loss, amounting to $77,000 and $68,000 for the six months ended 30 June 2018 and 2017, respectively.

IFRS 15.113(b)

3. Revenue from contracts with customers *continued*

Set out below, is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information: *IFRS 15.115*

	For the six months ended 30 June			
	2018		2017	
	Fire prevention equipment	Electronics	Fire prevention equipment	Electronics
Revenue	**$000**	**$000**	**$000**	**$000**
External customer	70,925	37,395	86,605	22,058
Inter-segment	–	1,845	–	4,094
	70,925	39,240	86,605	26,152
Adjustments and eliminations	(19,855)	(1,845)	(36,571)	(4,094)
Total revenue from contracts with customers	**51,070**	**37,395**	**50,034**	**22,058**

Commentary

IAS 34.16A(l) requires disclosure of disaggregated revenue information, consistent with the requirement included in IFRS 15 for annual financial statements.

The Group presented disaggregated revenue based on the type of goods or services provided to customers, the geographical region, and the timing of transfer of goods and services. Entities will need to make this determination based on entity-specific and/or industry-specific factors that would be most meaningful to their business.

The Group presented a reconciliation of the disaggregated revenue with the revenue information disclosed for each reportable segment. Other entities may find it appropriate to provide disaggregated revenue information within the segment reporting disclosures.

4. Segment information

The following tables present revenue and profit information for the Group's operating segments for the six months ended 30 June 2018 and 2017, respectively:

Six months ended 30 June 2018	Fire prevention equipment	Electronics	Investment properties	Total segments	Adjustments and eliminations	Consolidated	
	$000	$000	$000	$000	$000	$000	
Revenue							
External customer	70,925	37,395	770	109,090	(19,855)	89,235	*IAS 34.16A(g)(i)*
Inter-segment	–	1,845	–	1,845	(1,845)	–	*IAS 34.16A(g)(ii)*
Total revenue	**70,925**	**39,240**	**770**	**110,935**	**(21,700)**	**89,235**	
Results							
Segment profit	**1,038**	**2,989**	**164**	**4,191**	**(1,927)**	**2,264**	*IAS 34.16A(g)(iii)*

Six months ended 30 June 2017	Fire prevention equipment	Electronics	Investment properties	Total segments	Adjustments and eliminations	Consolidated	
	$000	$000	$000	$000	$000	$000	
Revenue							
External customer	86,605	22,058	715	109,378	(36,571)	72,807	*IAS 34.16A(g)(i)*
Inter-segment	–	4,094	–	4,094	(4,094)	–	*IAS 34.16A(g)(ii)*
Total revenue	**86,605**	**26,152**	**715**	**113,472**	**(40,665)**	**72,807**	
Results							
Segment profit	**3,375**	**1,330**	**176**	**4,881**	**(536)**	**4,345**	*IAS 34.16A(g)(iii)*

The following table presents assets and liabilities information for the Group's operating segments as at 30 June 2018 and 31 December 2017, respectively:

	Fire prevention equipment	Electronics	Investment properties	Total segments	Adjustments and eliminations	Consolidated	
	$000	$000	$000	$000	$000	$000	
Assets							
30 June 2018	**58,409**	**50,482**	**16,978**	**125,869**	**4,602**	**130,471**	*IAS 34.16A(g)(iv)*
31 December 2017	**58,696**	**44,814**	**18,467**	**121,977**	**15,765**	**137,742**	
Liabilities							
30 June 2018	**22,887**	**7,002**	**4,234**	**34,123**	**34,377**	**68,500**	*IAS 34.16A(g)(iv)*
31 December 2017	**18,309**	**7,252**	**4,704**	**30,265**	**46,668**	**76,933**	

4. Segment information *continued*

Commentary

IAS 34.16A(g)(iv) requires disclosure of total assets and total liabilities where there has been a material change from the total assets and total liabilities disclosed in the last annual consolidated financial statements, if this information is provided to the chief operating decision maker (CODM) on a regular basis. To fulfil this requirement, the Group has disclosed segment assets and liabilities at the end of the current period and at the end of the most recent annual financial year.

The Group has disposed of an entire operating segment in February 2018. IFRS 8 *Operating Segments* does not provide guidance as to whether segment disclosures apply to discontinued operations. Although the disposed segment is material, the Group has not disclosed the results within the segment disclosures under IFRS 8. Paragraph 5B of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* states that the requirements of other standards do not apply to discontinued operations, unless they specify disclosures applicable to them. Since IFRS 8 does not refer to discontinued operations, entities are not required to include them as a reportable segment. This would be the case even if the CODM continued to monitor the discontinued operations until disposal. Nevertheless, an entity would not be prohibited from disclosing such information if it wished to do so.

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

Adjustments and eliminations *IFRS 8.28*

Finance income, finance costs, taxes and fair value gains and losses on certain financial assets and liabilities are not allocated to individual segments as these are managed on an overall group basis. These are included in adjustments and eliminations in the segment disclosures.

Reconciliation of profit	**For six months ended 30 June**		*IAS 34.16A(g)(vi)*
	2018	**2017**	
	$000	**$000**	
Segment profit	**4,191**	**4,881**	
Finance income	204	166	
Finance costs	(1,579)	(364)	
Inter-segment profit/(elimination)	(552)	(338)	
Profit before tax and discontinued operations	**2,264**	**4,345**	

Seasonality of operations *IAS 34.16A(b)*

The electronics segment is a supplier of electronic equipment for defence, aviation, electrical safety markets and consumer electronic equipment for home use. It offers products and services in the areas of electronics, safety, thermal and electrical architecture. Due to the seasonal nature of this segment, higher revenues and operating profits are usually expected in the second half of the year rather than in the first six months. Higher sales during the period June to August are mainly attributed to the increased demand for aviation electronic equipment during the peak holiday season, as well as in December, due to increased demand for electronic equipment from private customers. This information is provided to allow for a better understanding of the results, however, management has concluded that this is not 'highly seasonal' in accordance with IAS 34.

Commentary

The business of the Group is seasonal and, therefore, the interim condensed financial statements include disclosure under IAS 34.16A(b). However, the business is not regarded as highly seasonal. Therefore, the additional disclosure of financial information for the twelve months up to the end of the interim period and comparative information for the prior twelve-month period, encouraged in IAS 34.21, are not provided. If the business were regarded as 'highly seasonal', these additional disclosures are recommended.

5. Business combinations

IAS 34.16A(i)

Acquisition of Electra Limited

On 1 June 2018, the Group acquired 100% of the voting shares of Electra Limited (Electra), an unlisted company based in Australia that specialises in the manufacture of electronic equipment. The Group has acquired Electra because it expands both its existing product portfolio and customer base. The acquisition has been accounted for using the acquisition method. The interim condensed consolidated financial statements include the results of Electra for the one month period from the acquisition date.

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

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

IFRS 3.B64(i), (

	Fair value recognised on acquisition
	$000
Assets	
Property, plant and equipment	4,571
Cash	642
Trade receivables	1,763
Inventories	961
Deferred tax asset	175
Patents (provisional)*	375
	8,487
Liabilities	
Trade payables	(1,246)
Deferred tax liability	(880)
	(2,126)
Total identifiable net assets at fair value	**6,361**
Goodwill arising on acquisition (provisional)*	210
Purchase consideration transferred	**6,571**
Analysis of cash flows on acquisition:	
Net cash acquired with the subsidiary (included in cash flows from investing activities)	642
Cash paid	(6,571)
Net cash flow on acquisition	**(5,929)**

IAS 7.39

*Additional legal clarification of the registration of the patents is required to determine the acquisition date fair value of the patents. Thus, the patents may be subsequently adjusted, with a corresponding adjustment to goodwill prior to 1 June 2019 (one year after the transaction).

IFRS 3.B67(a)

Reconciliation of the carrying amount of goodwill at the beginning and end of the reporting period is presented below:

	Goodwill	
	$000	
Gross carrying amount		
At 1 January 2018	2,281	*IFRS 3.B67(d)(i)*
Acquisition of a subsidiary	210	*IFRS 3.B67(d)(ii)*
At 30 June 2018	**2,491**	*IFRS 3.B67(d)(viii)*
Accumulated impairment losses		
At 1 January 2018	–	*IFRS 3.B67(d)(i)*
Impairment losses recognised during the reporting period (Note 7)	1,541	*IFRS 3.B67(d)(v)*
At 30 June 2018	**1,541**	*IFRS 3.B67(d)(viii)*
Net book value		
At 1 January 2018	2,281	
At 30 June 2018	950	

5. Business combinations *continued*

IAS 34.16A(i)

At the date of the acquisition, the fair value of the trade receivables was $1,763,000. The carrying amount of trade receivables is $1,775,000. The difference between the fair value and the carrying amount is the result of discounting over the expected timing of the cash collection and an adjustment for counterparty credit risk. *IFRS 3.B64(h)*

From the date of acquisition, Electra has contributed $1,151,500 of revenue and $242,000 to the net profit before tax from the continuing operations of the Group. If the acquisition had taken place at the beginning of the year, revenue from continuing operations would have been $110,073,000 and the profit from continuing operations for the period would have been $3,181,000. *IFRS 3.B64(q)(i)* *IFRS 3.B64(q)(ii)*

The goodwill recognised is primarily attributed to the expected synergies and other benefits from combining the assets and activities of Electra with those of the Group. The goodwill is not deductible for income tax purposes. *IFRS 3.B64(e)* *IFRS 3.B64(k)*

Transaction costs of $90,000 have been expensed and are included in administrative expenses in the statement of profit or loss and are part of operating cash flows in the statement of cash flows. *IFRS 3.B64(m)*

Information on prior year acquisition

On 1 May 2017, the Group acquired 80% of the voting shares of Extinguishers Limited, an unlisted company based in Australia, specialising in the manufacture of fire-retardant fabrics. The consideration paid included an element of contingent consideration. Refer to Note 12 for adjustments to the related liability in the current period.

6. Discontinued operations

IAS 34.16A(i)

On 1 October 2017, the Group publicly announced the decision of its Board of Directors to sell Hose Limited, a wholly owned subsidiary. On 14 November 2017, the shareholders of the Company approved the plan to sell.

At 31 December 2017, Hose Limited was classified as a disposal group held for sale and as a discontinued operation. The business of Hose Limited represented the entirety of the Group's Rubber Equipment operating segment until 14 November 2017. With Hose Limited being classified as discontinued operations, the Rubber Equipment segment is no longer presented in the segment note. The sale of Hose Limited was completed on 28 February 2018 for $1,000,000, resulting in a pre-tax gain of $885,000. The results of Hose limited for the period are presented below:

	For the six months ended 30 June		
	2018*	**2017**	*IFRS 5.33(b)(i)*
	$000	**$000**	*IFRS 5.34*
Revenue	3,329	21,548	*IFRS 5.30*
Expenses	(3,285)	(21,535)	*IFRS 5.41*
Operating income	44	13	
Finance costs	(39)	(43)	
Profit/(loss) before tax from discontinued operations	5	(30)	
Tax benefit/(expense):			
Related to current pre-tax profit/(loss)	(2)	12	*IAS 12.81(h)(ii)*
Post-tax profit/(loss) of discontinued operations	**3**	**(18)**	*IFRS 5.33 (a)(i)*
Gain on sale of the discontinued operations	885	–	*IFRS 5.33 (b)(iii)*
Attributable tax expense	(269)	–	*IAS 12.81(h)(i)*
Post-tax gain on the sale of discontinued operations	**616**	**–**	*IFRS 5.33 (a)(ii)*
Profit/(loss) after tax for the period from discontinued operations	**619**	**(18)**	

*Represents two months of activity prior to the sale on 28 February 2018.

6. Discontinued operations *continued*

IAS 34.16A(i)

The net cash flows generated from the sale of Hose Limited are, as follows:

	$000
Cash received from sale of the discontinued operations	1,000
Cash sold as a part of discontinued operations	(485)
Net cash inflow on date of disposal	**515**

The net cash flows generated/(incurred) by Hose Limited are, as follows:

IFRS 5.33(c)

	For the six months ended 30 June	
	2018*	**2017**
	$000	**$000**
Operating	204	(1,055)
Financing	40	35
Net cash inflow/(outflow)	**244**	**(1,020)**

Earnings/(loss) per share			*IAS 34.11* *IAS 33.68*
Basic, profit/(loss) for the year from discontinued operations	$0.03	$(0.00)	
Diluted, profit/(loss) for the year from discontinued operations	$0.03	$(0.00)	

*Represents two months of activity prior to the sale on 28 February 2017.

As Hose Limited was sold prior to 30 June 2018, the assets and liabilities classified as held for sale as at 31 December 2017 are no longer included in the statement of financial position.

Commentary

Condensed interim reporting under IAS 34 is based on the most recent annual financial statements. Providing the disclosures required by the relevant standards (in this case, IFRS 5) for transactions and events occurring after the end of the most recent annual financial statements, is consistent with that premise.

The Group elected to present earnings per share (EPS) from discontinued operations in the notes. Alternatively, it could have presented those figures in the interim condensed consolidated statement of profit or loss.

The discontinued operations only had operating and financing cash flows for the first two months of 2018 and the Group has presented these cash flows separately in the table above.

7. Impairment testing of goodwill and intangible assets with indefinite lives

The Group performed its annual impairment test in December and when circumstances indicated that the carrying value may be impaired. The Group's impairment test for goodwill and intangible assets with indefinite lives is based on value-in-use calculations. The key assumptions used to determine the recoverable amount for the different cash generating units were disclosed in the annual consolidated financial statements for the year ended 31 December 2017.

IAS 34.15B(b)
IAS 36.134(c)

The Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. As at 30 June 2018, the market capitalisation of the Group was below the book value of its equity, indicating a potential impairment of goodwill. In addition, the overall decline in construction and development activities around the world, as well as ongoing economic uncertainty, have
led to a decreased demand in the fire prevention equipment and electronics units. As a result, management performed an impairment test as at 30 June 2018 for the electronics and fire prevention equipment segments, which are the cash generating units with goodwill. The investment property segment did not have any goodwill.

IAS 36.130(a),(d)

IAS 36.130(e)

Electronics cash-generating unit

The Group used the cash-generating unit's value-in-use to determine the recoverable amount, which exceeded the carrying amount. The projected cash flows were updated to reflect the decreased demand for products and services and a pre-tax discount rate of 15.6% (31 December 2017: 15.5%) was applied. Cash flows beyond the five-year period have been extrapolated using a 2.5% growth rate (31 December 2017: 3.0%). All other assumptions remained consistent with those disclosed in the annual financial statements for the year ended 31 December 2017. As a result of the updated analysis, management did not identify an impairment for this cash-generating unit to which goodwill of $260,000 is allocated.

IAS 36.134(d)(iii)
IAS 36.134(d)(iv)
IAS 36.134(d)(v)
IAS 36.130(g)

7. Impairment testing of goodwill and intangible assets with indefinite lives *continued*

Fire prevention equipment cash-generating unit

The Group used the cash-generating unit's value-in-use, as this is higher than fair value less costs of disposal, to determine the recoverable amount of $59,099,000. The projected cash flows were updated to reflect the decreased demand for products and services and a pre-tax discount rate of 15.5% (31 December 2017: 14.4%) was applied. Cash flows beyond the five-year period have been extrapolated using a 2.6% growth rate (31 December 2017: 4.1%). All other assumptions remained consistent with those disclosed in the annual financial statements for the year ended 31 December 2017.

IAS 36.130 (e)
IAS 36.134(d)(i
IAS 36.134(d)(i
IAS 36.134(d)(
IAS 36.126(a)
IAS 36.130(g)
IAS 36.130(b),(

As a result of this analysis, management recognised an impairment charge of $1,541,000 against goodwill previously carried at $2,231,000. The impairment charge is recorded within administrative expenses in the statement of profit or loss.

Sensitivity to changes in assumptions

With regard to the assessment of value-in-use of the electronics equipment unit, there are no significant changes to the sensitivity information disclosed in the annual consolidated financial statements for the year ended 31 December 2017.

IAS 36.134(f)
IAS 36.134(f)(i

For the fire prevention equipment unit, the estimated recoverable amount is equal to its carrying value. Consequently, any adverse change in a key assumption could result in a further impairment loss. The key assumptions for the recoverable amount are discussed below:

Growth rate assumptions — Rates are based on published industry research. These have been updated for the current economic outlook. The revised growth rate of 2.6% reflects the effect of a significant industry patent that was acquired during the year ended 31 December 2017. However, given the economic uncertainty, reductions in growth estimates may be necessary in the future.

Discount rate — The discount rate has been adjusted to reflect the current market assessment of the risks specific to the fire prevention equipment unit, and was estimated based on the weighted average cost of capital for the Group. This rate was further adjusted to reflect the market assessment of risks specific to the fire prevention equipment unit for which future estimates of cash flows have not been adjusted. Further changes to the discount rate may be necessary in the future to reflect changing risks for the industry and changes to the weighted average cost of capital.

Commentary

IAS 34 does not require specific disclosure in the event of impairment, or specific disclosure of headroom in the event of reasonably possible impairments (as in IAS 36.134(f)). Under IAS 34.15B(b), the recognition of a loss from impairments and the reversal of such impairments is required to be disclosed 'if they are significant for the understanding of the financial position and the performance of the entity'. The content and format of such disclosures are not specified.

For instance, for impairment in the fire prevention equipment cash generating unit, the Group has chosen to provide disclosures generally in accordance with IAS 36. Additional sensitivity disclosures have not been provided by the Group since the estimated recoverable amount, after recognition of the impairment loss in the current period, is equal to the carrying value, so any adverse change in assumptions could result in an impairment loss.

If no impairment charge was recognised for a cash-generating unit, but it is believed that a reasonably possible change in the key assumptions may lead to an impairment, then, in our view, additional sensitivity disclosures under IAS 36 should be provided, even though IAS 34 does not require these disclosures, as it would be considered useful information.

Furthermore, considering the decline in the relevant markets and the current economic uncertainties, the Group has found it useful to provide additional information about the impairment tests performed for the electronics cash generating unit. These disclosures are based on the requirement in IAS 36.134 applicable in the case of complete interim financial statements.

8. Income tax

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the interim condensed consolidated statement of profit or loss are: *IAS 34.16A(c)*

	For the six months ended 30 June	
	2018	**2017**
	$000	**$000**
Income taxes		
Current income tax expense	249	934
Deferred income tax expense relating to origination and reversal of temporary differences	140	260
Income tax expense recognised in statement of profit or loss	**389**	**1,194**

Commentary

IAS 34.16A(c) requires the Group to disclose the nature and amount of items affecting net income that are unusual because of their nature, size or incidence. As a result, the Group has disclosed the major components of its income tax expense as this provides useful information to understand the amount reported in the interim condensed consolidated statement of profit or loss.

9. Components of other comprehensive income

	For the six months ended 30 June		
	2018	**2017**	
	$000	**$000**	
Cash flow hedges			
Gains/(losses) arising during the period			
Currency forward contracts	(6)	60	
Commodity futures contract	(334)	–	
Reclassification adjustments for gains included in the statement of profit or loss	–	(20)	*IAS 1.92*
	(340)	**40**	
Debt instruments at fair value through OCI			*IFRS 7.20(a)(viii)*
Gains arising during the period	16	78	
Share of other comprehensive income of an associate	(10)	–	
Impairments included in the statement of profit or loss	6	4	*IAS 1.92*
	12	**82**	

9. Components of other comprehensive income *continued*

Deferred tax related to items recognised in OCI during the period	For the six months ended 30 June 2018 $000	2017 $000	
			IAS 1.90
Cash flow hedges			
Gains/(losses) arising during the period	102	(18)	
Reclassification adjustments for gains included in the statement of profit or loss	–	6	*IAS 1.92*
	102	**(12)**	
Debt instruments at fair value through OCI			
Gains arising during the period	(4)	(24)	*IFRS 7.20(a)(vi)*
Reclassification adjustments for losses included in the statement of profit or loss	(2)	(1)	*IAS 1.92*
	(6)	**(25)**	
Deferred tax credited/(charged) to OCI	**96**	**(37)**	

Commentary

Condensed interim reporting under IAS 34 is intended to provide an update on the most recent annual financial statements. The provision of disclosures required by the relevant standards (in this case, IAS 1) in the condensed interim financial statements in response to transactions and events occurring after the most recent annual financial statements, is consistent with this premise. An analysis of the items in other comprehensive income does not always need to be provided; the decision must be assessed on a case-by-case basis. The need for the inclusion of such disclosures in interim financial statements is debatable. They have, nevertheless, been included here for illustrative purpose.

The purpose of Note 9 is to provide an analysis of items presented net in other comprehensive income in the statement of comprehensive income. This analysis does not apply to the other items of other comprehensive income, as they are either not reclassified to profit or loss or reclassification adjustments did not occur during the period. The Group decided to present the movements on a pre-tax basis with related tax effects in a separate table to enhance readability. Other forms of presentation of the gross movements and related tax effects would be acceptable.

10. Property, plant and equipment

Acquisitions and disposals

During the six months ended 30 June 2018, the Group acquired assets with a cost of $2,587,000 (the six months ended 30 June 2017: $1,320,000), excluding property, plant and equipment acquired through a business combination (see Note 5) and property under construction. *IAS 34.15B(d)*

The Group also commenced construction of a new corporate headquarters in February 2018. This project is expected to be completed in February 2019 and the carrying amount at 30 June 2018 was $1,500,000 (31 December 2017: $Nil). The amount of borrowing costs capitalised during the six months ended 30 June 2018 was approximately $151,000 (31 December 2017: $Nil). The weighted average rate used to determine the amount of borrowing costs eligible for capitalisation was 11%, which is the effective interest rate of the specific borrowing. *IAS 23.26(a)* *IAS 23.26(b)*

Assets (other than those classified as held for sale) with a net book value of $1,299,000 were disposed by the Group during the six months ended 30 June 2018 (31 December 2017: $1,410,000), resulting in a net gain on disposal of $53,000 (31 December 2017: $5,000).

See Note 16 for capital commitments.

Commentary

In accordance with IAS 34.15B(d), the Group has disclosed the acquisitions and disposals of property, plant and equipment made during the interim period, as they are significant to an understanding of the changes in financial position and financial performance during the interim period.

11. Inventories

During the six months ended 30 June 2018, the Group wrote down $700,000 (the six months ended 30 June 2017: $567,000) of inventories that had been damaged by flooding. This expense is included in other operating expenses in the statement of profit or loss. The financial loss resulting from the flooding is likely to be covered by the Group's insurance policy. However, as at 30 June 2018, the insurance company's investigations were still ongoing. Consequently, it is not virtually certain that the Group will receive the proceeds under the insurance policy. *IAS 34.15B(a)* *IAS 37.33*

Commentary

In accordance with IAS 34.15B(a), the Group has disclosed the write-down of inventory as it is significant to understanding the financial performance of the Group during the interim period.

12. Financial assets and financial liabilities

Set out below, is an overview of financial assets, other than cash and short-term deposits, held by the Group as at 30 June 2018 and 31 December 2017: *IAS 34.16A(c)*

	30 June 2018	31 December 2017	*IFRS 7.6* *IFRS 7.8*
	$000	$000	
Debt instruments at amortised cost			
Trade and other receivables	22,424	20,722	
Loans			
Loan notes	2,524	3,674	
Loan to an associate	253	200	
Loan to directors	10	13	
Debt instruments at fair value through OCI			
Quoted debt securities	524	337	
Equity instruments at fair value through OCI			
Unquoted equity shares	938	1,038	
Financial assets at fair value through profit or loss			
Quoted equity shares	265	612	
Derivatives not designated as hedging instruments			
Foreign exchange forward contracts	1,100	640	
Embedded derivatives	161	210	
Derivatives designated as hedging instruments			
Foreign exchange forward contracts	242	252	
Total	**28,441**	**27,698**	
Total current	**22,845**	**21,273**	
Total non-current	**5,596**	**6,425**	

Set out below is an overview of financial liabilities held by the Group as at 30 June 2018 and 31 December 2017:

	30 June 2018	31 December 2017
	$000	$000
Financial liabilities at fair value through profit or loss		
Derivatives not designated as hedging instruments		
Foreign exchange forward contracts	1,073	720
Embedded derivatives	764	782
Derivatives designated as hedging instruments		
Foreign exchange forward contracts	194	170
Commodity futures contract	913	–
Commodity forward contract	–	980
Interest rate swaps	–	35
Contingent consideration	–	1,072

12. Financial assets and financial liabilities *continued*

	30 June 2018	31 December 2017
	$000	$000
Financial liabilities at amortised cost		
Trade and other payables	20,162	14,746
Other long-term payable	96	–
Non-current interest bearing loans and borrowings		
Obligations under finance leases and hire purchase contracts	1,518	992
8% debentures	3,274	3,374
8.25% secured loan of USD3,600,000	2,146	2,246
Secured bank loan	4,379	3,479
Other non-current loans		
$2,750,000 bank loan	2,386	2,486
$2,200,000 bank loan	1,978	2,078
Loan from a third-party investor in Fire Equipment Test Lab Limited	2,900	3,000
Convertible preference shares	2,678	2,778
Current interest bearing loans and borrowings		
Obligations under finance leases and hire purchase contracts	89	83
Bank overdrafts	900	966
Other current loans		
$1,500,000 bank loan	1,392	1,411
Total	**46,842**	**41,398**
Total current	**24,777**	**20,246**
Total non-current	**22,065**	**21,152**

Commentary

The Group determined financial instruments, in general, and the Group's risk management activities, in particular, as relevant and significant for the users of its financial statements. Therefore, the Group has included the above disclosure in the interim condensed consolidated financial statements, as per IAS 34.16A(c), to provide an overview of the financial instruments held by the Group.

12. Financial assets and financial liabilities *continued*

Contingent consideration

As part of the purchase agreement with the previous owners of Extinguishers Limited, dated 1 May 2017 (see Note 5), a portion of the consideration was determined to be contingent, based on the performance of the acquired entity. There will be additional cash payments to the previous owner of Extinguishers Limited of: *IFRS 13.93(h)(ii)*

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

Or

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

Significant unobservable valuation inputs are provided below: *IFRS 13.93(d)*

Assumed probability-adjusted profit before tax of Extinguishers Limited	$1,000,000 - $1,500,000
Discount rate	14%
Discount for own non-performance risk	0.05%

An increase (decrease) in the profit before tax of Extinguishers Limited would result in significantly higher (lower) fair value of the contingent consideration liability, while an increase (decrease) in the discount rate and own non-performance risk would result in a significantly lower (higher) fair value of the liability. *IFRS 13.93(h)(i)*

As at 31 December 2017, the key performance indicators of Extinguishers Limited showed that it was highly probable that the target would be achieved due to a significant expansion of the business and the synergies realised. The fair value of the contingent consideration determined at 31 December 2017 reflected this development, amongst other factors and a fair value adjustment was recognised through profit or loss. At 30 April 2018, a total of $1,125,000 was paid out under this arrangement. A reconciliation of the fair value of the contingent consideration liability is provided below:

	$000	
Initial fair value of the contingent consideration at acquisition date	714	*IFRS 13.93(e)*
Unrealised fair value changes recognised in profit or loss during year ended 31 December 2017	358	*IFRS 13.93(f)*
Financial liability for the contingent consideration as at 31 December 2017	1,072	
Fair value adjustment as at 30 April 2018	53	
Total consideration paid	**1,125**	*IAS 34.16A(i)*

Adjustments to the contingent liability from acquisition on 1 May 2017 to the date it was settled on 30 April 2018 were recognised in the statement of profit or loss. The initial fair value of the consideration of $714,000 was included in cash flows from investing activities, the remainder, $411,000, has been recognised in cash flows from operating activities. The fair value is determined using the discounted cash flow (DCF) method. The fair value of the contingent consideration liability increased due to improved performance of Extinguishers Limited compared to the initial forecast.

Commentary

As required by IAS 34.16A(i), the Group has made disclosures about the contingent consideration liability incurred on the business combination in 2017. IAS 34.16A(j), amended as a result of IFRS 13 *Fair Value Measurement*, requires the Group to provide specific fair value disclosures outlined in IFRS 7 and IFRS 13 for financial instruments. Under IFRS 13.93(h)(ii), for recurring fair value measurement of financial assets and financial liabilities at Level 3 of the hierarchy, if changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would change fair value significantly, an entity is required to state that fact and disclose the effect of the changes. The entity is also required to state how the effect of a change to reflect a reasonably possible alternative assumption was calculated. For this purpose, significance shall be judged with respect to profit or loss, and total assets or total liabilities, or, when changes in fair value are recognised in OCI, total equity. In case of the contingent consideration liability of the Group, the changes in unobservable inputs other than those disclosed in the note above, were assessed to be insignificant. The Group has not provided the fair value disclosures at 30 June 2018 as the contingent consideration liability was settled during the period.

IAS 7 states that expenditures that result in recognising an asset in the statement of financial position are eligible for classification as investing activities. IAS 7 suggests that cash payments for any contingent consideration in excess of the amount recorded on the acquisition date may not be classified in investing activities, since that incremental amount was not necessary to obtain control and, thus, was not recognised as an asset. Hence, the Group has split the settlement of the contingent consideration. Payment of the acquisition date fair value is classified as a cash flow from investing activities, while any payment above this amount has been classified as a cash flow from operating activities, since the additional payment was dependent on meeting performance targets.

12. Financial assets and financial liabilities *continued*

Risk management activities

Cash flow hedges for currency risks

During the period, the Group designated foreign currency forward contracts as hedges of highly probable purchases of fixed assets in US dollars (USD) and British pounds sterling (GBP) from suppliers in the United States and the United Kingdom, respectively. The forecast purchases are expected to occur in October and December 2018. *IAS 34.16A(c)*

The terms of the foreign currency forward contracts have been negotiated to match the terms of the forecast transactions. Both parties to the contract have fully cash-collateralised the foreign currency forward contracts, and, therefore, effectively eliminated any credit risk associated with the contracts (both the counterparty's and the Group's own credit risk).

As at 30 June 2018, an unrealised gain of $12,000 relating to the USD forward contracts and an unrealised loss of $18,000 related to the GBP forward contracts are included in other comprehensive income.

Cash flow hedges for copper price risks

In January 2017, the Group entered into a firm commitment to purchase copper in September 2018. In order to reduce the exposure to fluctuations in the copper price, the Group also entered into an exchange-traded copper futures contract. The futures contract is designated in a cash flow hedge of the firm commitment.

The copper futures contract is based on the price of a copper benchmark quality that is different from the copper quality the Group is committed to purchase (i.e., there is basis risk). Consequently, ineffectiveness arises in this hedging relationship. As of 30 June 2018, the fair value of the copper futures contract was $913,000, while the cumulative change in the fair value of the firm commitment from inception amounted to $956,000. As the fair value of the copper futures contract exceeded the cumulative change in the fair value of the firm commitment, the Group recorded a loss for the period of $334,000 in other comprehensive income while ineffectiveness of $43,000 remains unrecognised. The ineffectiveness is due to the basis risk between the copper futures contract and the firm commitment, as well as the change in the Group's own credit risk.

Hedge of net investments in foreign operations

Included in loans as at 30 June 2018 was a borrowing of US$3,600,000, which is designated as a hedge of the net investments in the United States subsidiaries, Wireworks Inc. and Sprinklers Inc., which have the USD as their functional currency. During the six months ended 30 June 2018, an after tax gain of $192,000 on the translation of this borrowing was transferred to other comprehensive income to offset the losses on translation of the net investments in the subsidiaries. There is no ineffectiveness in the period ended 30 June 2018.

Other risk management activities

As a result of its international activities, the Group is exposed to foreign currency risk on part of its sales and purchases. In order to reduce this risk, the Group regularly determines its net exposure to the primary currencies (USD, GBP and Canadian dollar (CAD)) based on its predicted sales and purchases over the next 18 months. The Group then enters into foreign currency forward contracts to hedge those exposures.

For operational reasons, the Group decided not to designate the foreign currency forward contracts as hedge accounting relationships. Consequently, all changes in the fair values of such foreign currency forward contracts are recognised in the statement of profit or loss.

The six months ended 30 June 2018 experienced volatility in the euro exchange rates against the USD and the GBP, resulting in losses on related foreign currency forward contracts recorded in finance costs. These losses are, to some extent, compensated by higher revenues and lower cost of sales.

Commentary

The Group determined the risk management activities as relevant and significant for the users of its financial statements. Therefore, the Group has included the above disclosure in interim financial statements, as per IAS 34.16A(c). These disclosures will vary depending on the nature of the entity.

12. Financial assets and financial liabilities *continued*

Fair values

Set out below, is a comparison of the carrying amounts and fair values of financial assets and financial liabilities as at 30 June 2018 and 31 December 2017: *IAS 34.16A(j)*

	30 June 2018		31 December 2017		
	Carrying amount	Fair value	Carrying amount	Fair value	*IFRS 7.25*
	$000	$000	$000	$000	*IFRS 7.26*
Financial assets					
Loans	2,787	2,524	3,887	3,741	
Unquoted equity shares	938	938	1,038	1,038	
Quoted equity shares	265	265	337	337	
Quoted debt securities	524	524	612	612	
Foreign exchange forward contracts in cash flow hedges	242	242	252	252	
Foreign exchange forward contracts	1,100	1,100	640	640	
Embedded derivatives	161	161	210	210	
Total	**6,017**	**5,754**	**6,976**	**6,830**	
Financial liabilities					
Interest bearing loans and borrowings					
Obligations under finance leases and hire purchase contracts	1,607	1,317	1,075	1,150	
Floating rate borrowings	13,181	13,131	12,666	12,616	
Fixed rate borrowings	6,174	5,924	6,374	6,371	
Convertible preference shares	2,678	2,568	2,778	2,766	
Contingent consideration	–	–	1,072	1,072	
Other long-term payable	96	94	–	–	
Derivatives in effective hedges	1,107	1,107	1,185	1,185	
Derivatives not designated as hedges					
Embedded commodity derivatives	–	–	782	782	
Embedded foreign exchange derivatives	764	764	–	–	
Interest rate swaps	–	–	35	35	
Foreign exchange forward contracts	1,073	1,073	685	685	
Total	**26,680**	**25,978**	**26,652**	**26,662**	

Commentary

IAS 34.16A(j) requires the Group to disclose information about the fair values for each class of financial assets and financial liabilities as set out in IFRS 7.25, 26, 28 and 30 in a way that permits it to be compared with its carrying amount. As per IFRS 7.29, fair value disclosures are not required when the carrying amount is a reasonable approximation of fair value (e.g., short-term trade receivables and payables) or for a contract containing discretionary participation features (as described in IFRS 4 *Insurance Contracts*) if the fair value of those features cannot be measured reliably.

The Group does not provide the disclosures required by IFRS 7.28 as the fair values of all the financial assets and financial liabilities recognised during the period were not different from the transaction prices at the date of initial recognition.

12. Financial assets and financial liabilities *continued*

The following table provides the fair value measurement hierarchy of the Group's financial assets and financial liabilities as at 30 June 2018 and 31 December 2017:

	Fair value measurement using				
As at 30 June 2018	**Total**	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	*IFRS 13.93(a),(b) IFRS 13.94*
Financial assets measured at fair value	**$000**	**$000**	**$000**	**$000**	
Derivative financial assets					
Foreign exchange forward contracts – USD	742	–	742	–	
Foreign exchange forward contracts – GBP	600	–	600	–	
Embedded foreign exchange derivatives – CAD	161	–	–	161	
Quoted equity shares					
Power sector	215	215	–	–	
Telecommunication sector	50	50	–	–	
Financial assets at fair value through OCI					
Unquoted equity shares					
Power sector	625	–	–	625	
Electronics sector	313	–	–	313	
Quoted debt securities					
Australian government bonds	269	269	–	–	
Corporate bonds – consumer products sector	95	95	–	–	
Corporate bonds – technology sector	160	160	–	–	
Financial liabilities measured at fair value					
Derivative financial liabilities					
Foreign exchange forward contracts – GBP	1,267	–	1,267	–	
Embedded foreign exchange derivatives – USD	764	–	–	764	
Commodity futures contract	913	913	–	–	
As at 31 December 2017					
Financial assets measured at fair value					
Derivative financial assets					
Foreign exchange forward contracts – USD	492	–	492	–	
Foreign exchange forward contracts – GBP	400	–	400	–	
Embedded foreign exchange derivatives – CAD	210	–	–	210	
Quoted equity shares					
Power sector	219	219	–	–	
Telecommunication sector	118	118	–	–	
Financial assets at fair value through OCI					
Unquoted equity shares					
Power sector	675	–	–	675	
Electronics sector	363	–	–	363	
Quoted debt securities					
Australian government bonds	368	368	–	–	
Corporate bonds – consumer products sector	92	92	–	–	
Corporate bonds – technology sector	152	152	–	–	
Financial liabilities measured at fair value					
Derivative financial liabilities					
Interest rate swaps	35	–	35	–	
Foreign exchange forward contracts – GBP	800	–	800	–	
Foreign exchange forward contracts – USD	90	–	90	–	
Embedded commodity derivatives (brass)	600	–	–	600	
Embedded commodity derivatives (chrome)	182	–	–	182	
Commodity derivative	980	–	980	–	
Contingent consideration	1,072	–	–	1,072	

12. Financial assets and financial liabilities *continued*

Reconciliation of recurring fair value measurements categorised within Level 3 of the fair value hierarchy: *IFRS 13.93(e)*

Unquoted equity shares	Power	Electronics	Total
	$000	$000	$000
As at 1 January 2017	**390**	**508**	**898**
Remeasurement recognised in OCI	150	(175)	**(25)**
Purchases	233	588	**821**
Reclassified in assets held for distribution	–	(508)	**(508)**
Sales	(98)	(50)	**(148)**
As at 31 December 2017	**675**	**363**	**1,038**
Remeasurement recognised in OCI	(125)	(135)	**(260)**
Purchases	95	130	**225**
Sales	(20)	(45)	**(65)**
As at 30 June 2018	**625**	**313**	**938**

	Embedded foreign exchange derivative		Embedded commodity derivative	
	Asset CAD	Liability USD	Liability Brass	Chrome
	$000	$000	$000	$000
As at 1 January 2017	**–**	**–**	**–**	**–**
Purchases	–	–	–	–
Reclassified in assets held for distribution	–	–	–	–
Sales	(553)	–	(9)	(10)
Net unrealised loss recognised in statement of profit or loss	763	–	609	192
As at 31 December 2017	**210**	**–**	**600**	**182**
Purchases	–	55	–	–
Sales	(166)	(83)	(57)	(16)
Net unrealised loss recognised in statement of profit or loss	117	792	(543)	(166)
As at 30 June 2018	**161**	**764**	**–**	**–**

There were no transfers between Level 1 and Level 2 fair value measurements during the period, and no transfers into or out of Level 3 fair value measurements during the six months ended 30 June 2018. *IAS 34.15B(k)* *IFRS 13.91(b)*
The fair value decrease on financial instruments categorised within Level 3 of $66,000 (31 December 2017: $38,000), was recorded in the statement of profit or loss. *IFRS 13.93(c),(f)* *IFRS 13.93(e)(ii)* *IFRS 13.93(e)(iv)*

Fair value hierarchy *IAS 34.16A(j)*
All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows: *IFRS 13.93(b),*

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

12. Financial assets and financial liabilities *continued*

For assets and liabilities that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. *IFRS 13.95*

Commentary

IFRS 13.93(b) requires an entity to disclose the level of the fair value hierarchy within which the fair value measurements are categorised, i.e., Level 1, 2 or 3. Specific facts and circumstances should be assessed for each individual class of asset and liability in determining the appropriate categorisation.

Valuation processes *IAS 34.16A(j)* *IFRS 13.93(g)*

For recurring and non-recurring fair value measurements categorised within Level 3 of the fair value hierarchy, the Group uses its valuation processes to decide its valuation policies and procedures and analyse changes in fair value measurements from period to period.

The Group's fair value methodology and the governance over its models includes a number of controls and other procedures to ensure appropriate safeguards are in place to ensure its quality and adequacy. The responsibility of ongoing measurement resides with the business divisions. Once submitted, fair value estimates are also reviewed and challenged by Chief Financial officer (CFO).

The CFO validates fair value estimates by:

- Benchmarking prices against observable market prices or other independent sources
- Re-performing model calculations
- Evaluating and validating input parameters

The CFO also challenges the model calibration on at least an annual basis or when significant events in the relevant markets occur. The CFO is responsible for ensuring that the final reported fair value figures are in compliance with IFRS and proposes adjustments when needed. When relying on third-party sources (e.g., broker quotes, or other micro or macro-economic inputs), the CFO is also responsible for:

- Verifying and challenging the approved list of providers
- Understanding the valuation methodologies and sources of inputs and verifying their suitability for IFRS reporting requirements

Valuation techniques and specific considerations for Level 3 inputs are further explained below.

Commentary

IFRS 13.93(g) requires an entity to disclose for recurring and non-recurring fair value measurements categorised within Level 3 of the fair value hierarchy, a description of the valuation processes used by the entity (including, for example, how an entity decides its valuation policies and procedures and analyses changes in fair value measurements from period to period).

12. Financial assets and financial liabilities *continued*

Valuation methods and assumptions

The fair value of the financial assets and liabilities is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

IFRS 13.91(a)
IFRS 13.93(d)

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

- Fair value of the quoted notes and bonds is based on price quotations at the reporting date. The fair value of unquoted instruments, loans from banks and other financial liabilities, obligations under finance leases, and other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt with similar terms, credit risk and remaining maturities. In addition to being sensitive to a reasonably possible change in the forecast cash flows or the discount rate, the fair value of the equity instruments is also sensitive to a reasonably possible change in the growth rates. The valuation requires management to use unobservable inputs in the model, of which the significant unobservable inputs are disclosed in the tables below. Management regularly assesses a range of reasonably possible alternatives for the significant unobservable inputs and determines their impact on the total fair value.
- Fair value of the unquoted ordinary shares has been estimated using a discounted cash flows (DCF) model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.
- Fair value of remaining financial assets at fair value through OCI is derived from quoted market prices in active markets.
- The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives are valued using valuation techniques with market observable inputs; they are mainly interest rate swaps, foreign exchange forward contracts and commodity forward contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate curves and forward rate curves of the underlying commodity. All derivative contracts are fully cash collateralised, thereby mitigating both the counterparty and the Group's non-performance risk.
- Embedded foreign currency and commodity derivatives are measured similarly to the foreign currency forward contracts and commodity derivatives. The embedded derivatives are commodity and foreign currency forward contracts bifurcated from long-term sales contracts where the transaction currency differs from the functional currencies of the involved parties. However, as these contracts are not collateralised, the Group also takes into account the counterparties' credit risk (for the embedded derivative assets) or the Group's non-performance risk (for the embedded derivative liabilities) and adjusts the fair value for the credit valuation adjustment and debit valuation adjustment respectively, by assessing for the maximum credit exposure and probabilities of default. As at 30 June 2018 and 31 December 2017, the fair value of derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognised at fair value.

12. Financial assets and financial liabilities *continued*

Description of significant unobservable inputs to valuation

As at 30 June 2018:

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

	Valuation technique	Significant unobservable inputs	Range (weighted average)	Sensitivity of the input to fair value
Unquoted equity shares – power sector	DCF method	Long-term growth rate for cash flows for subsequent years	3.1% - 5.2% (4.2%)	5% increase (decrease) in the growth rate would result in increase (decrease) in fair value by $15,000
		Long-term operating margin	5.0% - 12.1% (8.3%)	15% increase (decrease) in the margin would result in increase (decrease) in fair value by $20,000
		WACC	11.2% - 14.3% (12.6%)	1% increase (decrease) in the WACC would result in decrease (increase) in fair value by $12,000
		Discount for lack of marketability	5.1% - 15.6% (12.1%)	Increase (decrease) in the discount would decrease (increase) the fair value.
Unquoted equity shares – electronics sector	DCF method	Long-term growth rate for cash flows for subsequent years	4.4% - 6.1% (5.3%)	3% increase (decrease) in the growth rate would result in increase (decrease) in fair value by $21,000
		Long-term operating margin	10.0% - 16.1% (14.3%)	5% increase (decrease) in the margin would result in increase (decrease) in fair value by $11,000
		WACC	12.1% - 16.7% (13.2%)	1% increase (decrease) in the WACC would result in decrease (increase) in fair value by $23,000
		Discount for lack of marketability	5.1% - 20.2% (16.3%)	Increase (decrease) in the discount would decrease (increase) the fair value.
Embedded derivative assets	Forward pricing model	Discount on counterparty credit risk	0.02% - 0.05% (0.04%)	Increase (decrease) in the discount would decrease (increase) the fair value.
Embedded derivative liabilities	Forward pricing model	Discount on non-performance risk	0.01% - 0.05% (0.03%)	Increase (decrease) in the discount would decrease (increase) the fair value.

12. Financial assets and financial liabilities *continued*

Description of significant unobservable inputs to valuation *continued*

As at 31 December 2017:

	Valuation technique	Significant unobservable inputs	Range (weighted average)	Sensitivity of the input to fair value
Unquoted equity shares – power sector	DCF method	Long-term growth rate for cash flows for subsequent years	3.1% - 5.2% (4.2%)	5% increase (decrease) in the growth rate would result in increase (decrease) in fair value by $17,000
		Long-term operating margin	5.0% - 12.1% (8.3%)	15% increase (decrease) in the margin would result in increase (decrease) in fair value by $21,000
		WACC	11.2% - 14.3% (12.6%)	1% increase (decrease) in the WACC would result in decrease (increase) in fair value by $10,000
		Discount for lack of marketability	5.1% - 15.6% (12.1%)	Increase (decrease) in the discount would decrease (increase) the fair value.
Unquoted equity shares – electronics sector	DCF method	Long-term growth rate for cash flows for subsequent years	4.4% - 6.1% (5.3%)	3% increase (decrease) in the growth rate would result in increase (decrease) in fair value by $23,000
		Long-term operating margin	10.0% - 16.1% (14.3%)	5% increase (decrease) in the margin would result in increase (decrease) in fair value by $12,000
		WACC	12.1% - 16.7% (13.2%)	1% increase (decrease) in the WACC would result in decrease (increase) in fair value by $21,000
		Discount for lack of marketability	5.1% - 20.2% (16.3%)	Increase (decrease) in the discount would decrease (increase) the fair value.
Embedded derivative assets	Forward pricing model	Discount on counterparty credit risk	0.02% - 0.05% (0.04%)	Increase (decrease) in the discount would decrease (increase) the fair value.
Embedded derivative liabilities	Forward pricing model	Discount on non-performance risk	0.01% - 0.05% (0.03%)	Increase (decrease) in the discount would decrease (increase) the fair value.

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

12. Financial assets and financial liabilities *continued*

Commentary

IAS 34.16A(j) requires the Group to provide specific fair value disclosures, as specified in IFRS 7 and IFRS 13 for financial instruments.

IFRS 13.93(e) requires separate disclosure of the following additional items in the reconciliation of opening and closing balances of assets and liabilities categorised within Level 3 of the fair value hierarchy:

i) Total gains or losses for the period recognised in other comprehensive income, and the line item(s) in other comprehensive income in which those gains or losses are recognised

ii) Purchases

iii) Sales

iv) Issues

v) Settlements

vi) Transfers into Level 3 with the reasons for those transfers and the entity's policy for determining when transfers between levels are deemed to have occurred

vii) Transfers out of Level 3, with the reasons for those transfers and the entity's policy for determining when transfers between levels are deemed to have occurred

Apart from the reconciling items described in the above note, the Group did not have any of the above reconciling items during the period.

IFRS 13.93(c) and IFRS 13.95 require an entity to disclose its accounting policy for determining when transfers between levels of the fair value hierarchy occur. In a complete set of financial statements, such a disclosure would generally be included in the Group's accounting policy notes. The Group elected to disclose its policy in this note to the interim financial statements.

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

IFRS 13.98 requires, for liabilities with an inseparable credit enhancement, disclosure of the existence of the credit enhancement and whether it is reflected in the fair value measurement of the related liability. As at 30 June 2018 and 31 December 2017, the Group did not have any liabilities with inseparable credit enhancements.

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

Generally, when disclosure of certain transactions or events is not specifically required by IAS 34, the specific transactions or events need to be disclosed in the interim financial statements only in accordance with the principle in paragraph IAS 34.15.

IFRS 7.13A-13F require disclosures that will enable users of financial statements to evaluate the effect or potential effect of netting arrangements on the entity's financial position. As a result of the reference to 'interim periods', the IASB issued amendments to IFRS 7 in order to clarify that the disclosures under IFRS7.13A-13F are not required in the condensed interim financial statements in both the first year of application and in any subsequent years, unless their inclusion would be required under IAS 34.

Therefore, entities would need to carefully analyse whether they have master netting arrangements or similar agreements in place that may be significant for an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period. In particular, trade receivables and payables subject to some form of a netting arrangement (normally where an entity's customer is also a supplier, and vice versa) could fall within the scope of these disclosure requirements.

The disclosure requirements for the offsetting of financial assets and financial liabilities apply not only to all recognised financial instruments that are set off in accordance with IAS 32.42, but also to all recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32.42.

The Group does not set off financial assets with financial liabilities, nor has it entered into a master netting arrangement or similar agreement. Consequently, these disclosures are not provided.

13. Cash and short-term deposits

IAS 34.16A(c)

IAS 7.45

For the purpose of the interim condensed statement of cash flows, cash and cash equivalents are comprised of the following:

	30 June 2018	31 December 2017
	$000	$000
Cash at bank and in hand	12,323	11,316
Short-term deposits	3,496	5,798
Total cash and short-term deposits	**15,819**	**17,114**
Bank overdraft	(900)	(966)
Cash at bank and in hand attributable to discontinued operations	–	551
Total cash and cash equivalents	**14,919**	**16,699**

Commentary

The interim condensed consolidated financial statements are based on the most recent annual financial statements. The provision of the disclosures required by the relevant standards (in this case, IAS 7) in the interim condensed consolidated financial statements in response to transactions and events occurring after the end of the most recent annual financial statements, is consistent with that premise.

IAS 34.16A(c) requires entities to disclose the nature and amount of items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence.

The Group has disclosed the breakdown of the cash and cash equivalent balance as it provides further useful information for the statement of cash flows.

14. Reversal of restructuring provision

IAS 34.15B(c)

As at 31 December 2017, a restructuring provision of $466,000 had been recognised for the elimination of certain product lines of Extinguishers Limited. Expenditures of $200,000 to complete the restructuring in February 2018 were charged against the provision and the remaining unused amount of $266,000 was reversed and is included within other operating expenses in the statement of profit or loss where the creation of the provision was initially recorded. The reversal arises from contract termination costs being lower than expected.

15. Share-based payments

IAS 34.16A(c)

In March 2018, 450,000 share options were granted to senior executives under the Senior Executive Plan (SEP). The exercise price of the options of $3.45 was equal to the market price of the shares on the date of grant. The options vest if the Group's basic EPS increases by 10% within three years from the date of grant and the senior executive is still employed on such date. If this increase is not met, the options lapse. The fair value at grant date is estimated using a binomial pricing model, taking into account the terms and conditions upon which the options were granted. The contractual life of each option granted is five years. There is no cash settlement of the options. The fair value of options granted during the six months ended 30 June 2018 was estimated on the date of grant using the following assumptions:

Dividend yield (%)	3.55
Expected volatility (%)	15.50
Risk-free interest rate (%)	5.15
Expected life of share options (years)	3.75
Weighted average share price ($)	3.45

The weighted average fair value of the options granted during the six months ended 30 June 2018 was $1.35 (year ended 31 December 2017: $1.32).

For the six months ended 30 June 2018, the Group has recognised $203,000 of share-based payment expense in the statement of profit or loss (30 June 2017: $150,000).

Commentary

In accordance with IAS 34.16A(c), the Group has disclosed the number of share options granted to senior executives for the six months ended 30 June 2018 together with the terms of the options, as this is considered to be a significant event impacting the results for the period and gives an understanding of the impact for future periods.

16. Commitments and contingencies

Legal claims contingency

In March 2018, an overseas customer commenced a legal action against the Group in respect of equipment sold that is claimed to be defective. Should the action against the Group be successful, the estimated loss is $850,000. A trial date has been scheduled for 4 September 2018. The Group has been advised by its legal advisers that it is possible, but not probable, that the customer will succeed. Accordingly, no provision for any liability has been made in these financial statements. *IAS 34.15B(m)*

Commitments

At 30 June 2018, the Group had capital commitments of $1,610,000 (31 December 2017: $2,310,000) relating to the completion of the operating facilities of Sprinklers Inc. and commitments of $300,000 (31 December 2017: $310,000) in relation to the trade purchase commitments by the joint venture in which the Group holds an interest. *IAS 34.15B(e)*

17. Related party disclosures

The following table provides the total amount of transactions that have been entered into with related parties during the six months ended 30 June 2018 and 2017, as well as balances with related parties as at 30 June 2018 and 31 December 2017: *IAS 34.15B(j)*

		Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
		$000	$000	$000	$000
Entity with significant influence over the Group					
International Fires P.L.C.	2018	3,382	–	412	–
	2017	3,620	–	320	–
Associate					
Power Works Limited	2018	1,380	–	865	–
	2017	1,458	–	980	–
Joint venture in which the parent is a venturer					
Showers Limited	2018	–	327	–	75
	2017	–	285	–	20
Key management personnel of the Group					
Other directors' interests	2018	132	270	6	18
	2017	–	220	15	7

For loans to directors, see Note 12. The following table provides the interest received during the six months ended 30 June 2018 and 2017, as well as the loans outstanding from related parties as at 30 June 2018 and 31 December 2017:

Loans to related parties		Interest received	Amounts owed by related parties
Associate		$000	$000
Power Works Limited	2018	27	431
	2017	10	200
Key management personnel of the Group			
Directors' loans	2018	1	6
	2017	1	13

18. Distributions made and proposed

IAS 34.16A(h)
IAS 34.16A(f)

Cash dividends to the equity holders of the parent:	For the six months ended 30 June 2018 $000	2017 $000
Dividends on ordinary shares declared and paid		
Final dividend for 2017: 5.01 cents per share (2016: 5.66 cents per share)	1,087	1,082
Proposed dividends on ordinary shares		
First dividend for 2018: 4.60 cents per share (2017: 4.10 cents per share)	1,004	890

The proposed dividends on ordinary shares are subject to approval at the annual general meeting and are not recognised as a liability as at 30 June 2018. The 2018 proposed dividend was approved on 1 August 2018.

One of the Group's subsidiaries, Extinguishers Limited, issued cash dividends during the six months ended 30 June 2018 and 2017. The amount paid/received within the Group was eliminated on consolidation and the amounts paid to non-controlling interests were $12,000 and $20,000, respectively.

19. Events after the reporting period

IAS 34.16A(h)

On 15 July 2018, a customer commenced an action against the Group in respect of inventory that it claims to be defective. Should the action against the Group be successful, the estimated loss is $550,000. However, a trial date has not yet been set. The Group has been advised by its legal counsel that, at the date of authorisation of these interim financial statements, it is not practicable to determine the likelihood of the outcome of the action or state the timing of the payment, if any.

Appendix A

Alternative method of adopting IFRS 15 and IFRS 9

Appendix A: Alternative method of adopting IFRS 15 and IFRS 9

IFRS 15 *Revenue from contracts with customers*

The following would be the key changes to the Group's interim condensed consolidated financial statements if the Group elected to adopt IFRS 15 using the modified retrospective method:

- The comparative information for each of the primary financial statements would be presented based on the requirements of IAS 11, IAS 18 and related Interpretations.
- The cumulative catch-up adjustment to the opening balance of retained earnings (or other components of equity) as at 1 January 2018, either for all contracts or only for contracts that are not completed at the date of initial application, would be recognised in the statement of changes in equity for the six months ended 30 June 2018 and would be disclosed in Note 2.
- The narrative in Note 2, describing the changes and impact of adopting IFRS 15, would change accordingly. The Group would disclose that IFRS 15 was adopted using the modified retrospective method of adoption and whether it elected to apply that method to all contracts at the date of initial application or only those that were not completed at the date of initial application.
- Disclosures for the comparative period in the notes to the financial statements would also follow the requirements of IAS 11, IAS 18 and related Interpretations. As a result, the disclosure of disaggregated revenue in Note 3 would not include comparative information under IFRS 15.

Commentary

The Group adopted IFRS 15 *Revenue from Contracts with Customers* using the full retrospective method of adoption with initial date of application of 1 January 2018. Under IFRS 15, entities have an option to adopt the standard using a modified retrospective method.

An entity that elects the modified retrospective method would apply the standard retrospectively to only the most current period presented in the financial statements. To do so, an entity would need to recognise the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of retained earnings (or other components of equity) at the date of initial application.

Under the modified retrospective method, IFRS 15 would be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date and would be required to disclose that fact.

An entity that chooses the modified retrospective method can use the practical expedient relating to contract modifications. An entity can choose whether to apply the expedient to all contract modifications that occur before either: (a) the beginning of the earliest period presented (i.e., before 1 January 2017 if an entity with a December year-end presents only one comparative period); or (b) the date of initial application. An entity would need to disclose if it chose to apply this practical expedient and the manner in which it was applied.

IFRS 15.C8 requires an entity to disclose in its annual financial statements the amount by which each financial statement line item was affected in the current reporting period as a result of applying IFRS 15 and to provide an explanation of the reasons for significant changes. These disclosures are not mandatory for interim financial statements under IAS 34. Where an entity believes that it is helpful to provide these disclosures on an interim basis, it may voluntarily do so.

Appendix A: Alternative method of adopting IFRS 15 and IFRS 9

IFRS 9 *Financial Instruments*

The following would be the key changes to the Group's interim condensed consolidated financial statements if the Group did not restate the comparative information for the period beginning 1 January 2017:

- The comparative information for each of the primary financial statements would follow the classification and measurement requirements of IAS 39.
- The adjustment to the opening balance of retained earnings (or other components of equity) as at 1 January 2018 would be recognised in the statement of changes in equity for the six months ended 30 June 2018 and would be disclosed in Note 2.
- The narrative in Note 2, describing the changes and impact of adopting IFRS 9, would change accordingly.
- Disclosures for the comparative periods in the notes to the financial statements (i.e., Note 9 and 12) will also follow the classification and measurement requirements of IAS 39.

Commentary

Unlike IFRS 15, IFRS 9 does not differentiate between a "full" and "modified retrospective" application method. An entity has to apply IFRS 9 retrospectively, in accordance with IAS 8, except when otherwise specified in paragraphs IFRS 9.7.2.4–7.2.26 and IFRS 9.7.2.28 and then has a choice of whether or not to restate comparative information. IFRS 9 allows an entity to restate prior periods if, and only if, it is possible without the use of hindsight. The date of initial application remains 1 January 2018, even when an entity elects to restate comparatives. Regardless of whether an entity elects to restate comparatives or not, the standard shall not be applied to items that have already been derecognised at the date of initial application.

Entities should note the significance of the date of initial application for adopting IFRS 9, as the standard sets out a number of assessments and considerations that have to be made as of that date. Such assessments along with considerations that could influence entities' decisions whether or not to restate comparatives are outlined in Note 2.

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