



IFRS Core Tools

Good Group
(International) Limited

Unaudited interim condensed
consolidated financial
statements

30 June 2019

EY

Building a better
working world

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Abbreviations and key

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

IAS 33.41	International Accounting Standard No. 33, paragraph 41
IAS 1.BC13	International Accounting Standard No. 1, Basis for Conclusions, paragraph 13
IFRS 2.44	International Financial Reporting Standard No. 2, paragraph 44
SIC 29.6	Standing Interpretations Committee Interpretation No. 29, paragraph 6
IFRIC 4.6	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

Introduction

This publication contains an illustrative set of interim condensed consolidated financial statements for Good Group (International) Limited and its subsidiaries (the Group) for the six months ended 30 June 2019. These interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* and should be read in conjunction with the Group's annual financial statements as at 31 December 2018. The Group is a fictitious, large publicly listed manufacturing company. The parent company is incorporated in a fictitious country in Europe. The presentation currency of the Group is the euro (€).

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 satisfy any stock market or country-specific regulatory requirements, nor is this publication intended to reflect disclosure requirements that apply mainly to regulated or specialised industries.

Notations shown in the right-hand margin of each page are references to IFRS paragraphs that describe the specific disclosure requirements. 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 as to the IFRS requirements, it is essential to refer to the relevant source material and, where necessary, to seek appropriate professional advice.

Improving disclosure effectiveness

Terms such as 'disclosure overload', '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, 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.

Even though there is no formal definition of 'disclosure overload', from the different discussions and debates among stakeholders, two common themes have emerged, namely: financial statements structure and tailoring, including materiality.

Entities should consider using alternative structures that they may find more effective in permitting users to obtain the relevant information more easily. This may involve reorganising the notes according to their nature and perceived importance. By structuring the notes according to their nature and perceived importance, users may find it easier to extract the relevant information. An example of such an alternative structure for an annual set of financial statements is applied in [Good Group \(International\) Limited - An Alternative Format](#), which can be a useful tool for entities exploring ways to enhance the effectiveness of their financial statement disclosures. Entities may find that alternative structures provide enhanced disclosure effectiveness in their specific situation. Entities should carefully assess their entity-specific circumstances and the preferences of the primary users before deciding on a particular structure for the notes.

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. IFRS sets out a set of minimum disclosure requirements which, 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, IFRS does not require the item to be disclosed. If immaterial information is included in the financial statements, the amount of information may potentially reduce the transparency and usefulness of the financial statements as material, and thus relevant information, loses prominence. Paragraph 23 of IAS 34 requires the materiality of disclosures to be assessed in relation to the respective interim period.

IFRS Practice Statement 2 *Making Materiality Judgements* provides practical guidance and examples that entities 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. 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 IAS 34 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 IAS 34 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. The materiality judgements at interim dates may differ from those at year-end.

Illustrative financial statements

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

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

International Financial Reporting Standards

The abbreviation IFRS, defined in paragraph 5 of the *Preface to International Financial Reporting Standards*, includes "standards and interpretations approved by the IASB, and International Accounting Standards (IAS) and Standing Interpretations Committee interpretations issued under previous Constitutions". Therefore, when financial statements are described as complying with IFRS, it means that they comply with the entire body of pronouncements sanctioned by the IASB. This includes the IAS, IFRS and Interpretations originated by the IFRS Interpretations Committee, or the former SIC.

Paragraph 19 of IAS 34 confirms that an interim financial report must not be described as complying with IFRS unless it complies with all the requirements of IFRS. Thus, in the case of interim condensed financial statements such as these illustrative financial statements, the Group is not claiming compliance with IFRS as such, but rather, with the requirements of IAS 34.

International Accounting Standards Board

The IASB is the independent standard-setting body of the IFRS Foundation (an independent, not-for-profit private sector organisation working in the public interest). The IASB is responsible for the development and publication of IFRS, including the *International Financial Reporting Standard for Small and Medium-sized Entities*, and for approving interpretations of IFRS as developed by the IFRS Interpretations Committee. In fulfilling its standard-setting duties, the IASB follows due process, of which the publication of consultative documents, such as discussion papers and exposure drafts, for public comment is an important component.

The IFRS Interpretations Committee

The Interpretations Committee is appointed by the IFRS Foundation Trustees to assist the IASB in establishing and improving the quality of financial accounting and reporting standards for the benefit of users, preparers and auditors of financial statements. The Interpretations Committee addresses issues of reasonably widespread importance, rather than issues of concern to only a small group of entities. These include newly identified financial reporting issues that have not already been addressed in IFRS. The Interpretations Committee also advises the IASB on issues to be considered in the annual improvements to IFRS project.

Interim financial reporting

An interim financial report may contain either a complete set of financial statements (as described in IAS 1) or a condensed set of financial statements as described in IAS 34. This publication contains an illustrative set of interim condensed consolidated financial statements of the Group for the six months ended 30 June 2019. 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 2019 and 2018, 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 (IAS 34.10).

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 IAS 34.

Disclosure of significant events and transactions

The disclosure requirements applicable to interim condensed financial statements 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 (IAS 34.15). 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 IAS 34.16A(i)).

Examples of situations in which disclosures are required are provided in IAS 34, 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. IAS 1 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. Nevertheless, where an explanatory note is required by the standard (such as for inventory write-downs, impairment provisions or segment revenues) or otherwise necessary to provide information about changes in the financial position and performance since the end of the last annual reporting period, it would be appropriate to provide information for each period presented. However, it would be unnecessary to provide comparative information if this repeats information that was reported in the notes to the most recent annual financial statements. This has been applied in these interim condensed financial statements.

Disclosure of required information outside the financial statements

Paragraph 51 of IAS 1 requires each financial statement and the corresponding notes to be clearly identified. Paragraph 50 of IAS 1 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 IAS 34 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 IAS 34 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.

IFRS as at 28 February 2019

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 28 February 2019 and are effective for annual periods beginning on or after 1 January 2019. Standards and interpretations issued but not yet effective as at 1 January 2019 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 IFRS between 28 February 2019 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 2019 edition of the interim condensed financial statements

The 2019 *Good Group (International) Limited Illustrative interim condensed consolidated financial statements* differ from the 2018 edition 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 2019 interim financial period, resulting in consequential changes to the accounting policies and other note disclosures, where applicable:

- ▶ IFRS 16 *Leases*
- ▶ IFRIC Interpretation 23 *Uncertainty over Income Tax Treatments*
- ▶ Amendments to IFRS 9 *Prepayment Features with Negative Compensation*
- ▶ Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures*
- ▶ Amendments to IAS 19 *Plan Amendment, Curtailment or Settlement*
- ▶ Annual IFRS Improvement Process
 - ▶ IFRS 3 *Business Combinations - Previously held Interests in a joint operation*
 - ▶ IFRS 11 *Joint Arrangements - Previously held Interests in a joint operation*
 - ▶ IAS 12 *Income Taxes - Income tax consequences of payments on financial instruments classified as equity*
 - ▶ IAS 23 *Borrowing Costs - Borrowing costs eligible for capitalisation*

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. IFRS does not require the presentation of such information, although paragraph 13 of IAS 1 gives a brief outline of what might be included in an annual report. IFRS Practice Statement 1 *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 an entity decides to follow the guidance in the Practice Statement, management is encouraged to explain the extent to which the Practice Statement has been followed. A statement of compliance with the Practice Statement is only permitted if it is followed in its entirety. Furthermore, the content of a financial review by management is often determined by local market requirements or issues specific to a particular jurisdiction.

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

Good Group (International) Limited

Unaudited interim condensed
consolidated financial statements

30 June 2019

Commentary

Interim financial statements are generally not subject to an audit, unlike annual financial statements. Often interim financial statements are the subject of review. Such review requirements may vary depending on the jurisdiction. It is common practice to state that the interim financial statements have not been audited by marking the title and/or parts of the interim financial statements 'unaudited', as illustrated, although this is not required under IAS 34.

This publication does not contain an illustrative report on the review of the interim condensed consolidated financial statements of Good Group (International) Limited because many jurisdictions require reporting under their specific requirements or standards and this publication is not intended to provide guidance on the application of specific requirements of individual jurisdictions.

Interim condensed consolidated statement of profit or loss

for the six months ended 30 June

		2019	2018	
		Unaudited		
	Notes	€000	€000	
			Restated	
			(Note 2)	
Continuing operations				
Revenue from contracts with customers	3	88,465	72,092	IAS 1.49 IAS 1.10(b) IAS 1.10A IAS 1.51(c) IAS 1.81A IAS 34.10 IAS 34.20(b)
Rental income		770	715	
Revenue	4	89,235	72,807	IAS 1.51(d),(e) 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, IFRS 16.49
Finance income		204	166	
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 2018 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.

There is no specific requirement to identify adjustments made retrospectively on the face of the financial statements, except for the effect of a retrospective application or restatement on each component of equity (IAS 1.106(b)). IAS 8 requires details to be given only in the notes. By labelling the comparatives 'Restated', the Group illustrates how an entity may supplement the requirements of IAS 8 to make it clear to users that the comparative amounts as presented in the current period financial statements have been adjusted. This is consistent with the illustrative example in IAS 8.IG.1.6.

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 \(International\) Limited - Illustrative financial statements for the year ended 31 December 2018](#) 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 has presented operating profit in the statement of profit or loss although 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.

The interim condensed consolidated financial statements have not been audited. To indicate to the users that the financial statements were not audited, the Group is marking each primary financial statements column as 'Unaudited'. While this may be considered best practice, there is no requirement in IFRS to do so.

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. In addition, there is no requirement as to where in the statement of income this line item should be shown, and different approaches can be seen in practice (i.e., either within or outside the operating profit).

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.

IFRS 16.49 requires a lessee to present in the statement of profit or loss the interest expense on lease liabilities separately from the depreciation charge for the right-of-use assets. The interest expense on the lease liabilities is a component of finance costs, which IAS 1.82(b) requires to be presented separately in the statement of profit or loss. Consistent with this requirement, the Group presented interest expense on lease liabilities under 'Finance costs' and the depreciation charge on the right-of-use assets was included in the 'Cost of sales' and 'Administrative expenses'.

Interim condensed consolidated statement of comprehensive income

for the six months ended 30 June

	2019	2018	
	Unaudited		
Notes	€000	€000	
		Restated	
		(Note 2)	
Profit for the period	2,494	3,133	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
Other comprehensive income			IAS 1.81A(a) IAS 1.82A
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):</i>			
Net gain on hedge of net investment	192	90	IAS 21.32
Exchange differences on translation of foreign operations	(205)	(96)	IAS 21.52(b)
Net gain/(loss) on cash flow hedges	9 (238)	28	
Net gain on debt instruments at fair value through other comprehensive income	9 16	57	IFRS 7.20(a)(viii)
Share of other comprehensive income of an associate	9 (10)	–	IAS 1.82A(b)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods, net of tax	(245)	79	IAS 1.82A
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods (net of tax):</i>			
Net loss on equity instruments at fair value through other comprehensive income	(182)	(17)	IFRS 7.20(a)(vii)
Remeasurement gain/(loss) on defined benefit plans	(19)	132	IAS 19.120(c) IAS 19.122
Revaluation of office properties in Euroland	–	592	IAS 16.39
Share of other comprehensive income of an associate	10	–	IAS 1.82A(b)
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods, net of tax	(191)	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 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 'items that will be reclassified' and the 'items that will not be reclassified' groups. As at 30 June 2019, the Group's associate has financial assets at fair value through other comprehensive income (FVOCI) and an office building located in Euroland that is accounted for under the revaluation model. Consequently, the Group presents items of other comprehensive income related to the associate in two separate line items in the interim condensed consolidated statement of comprehensive income.

The Group has presented, under OCI, the gains and losses arising from cash flow hedges, including those related to foreign currency and commodity forward contracts that are hedges of forecast purchases of nonfinancial assets, that may be reclassified to profit or loss in subsequent periods. Under IFRS 9.6.5.11(d)(i), if a hedged forecast transaction subsequently results in the recognition of a nonfinancial asset, the entity must remove the amount from the cash flow hedge reserve and include it directly in the initial cost or other carrying amount of the asset as a basis adjustment. IAS 1.96 states that reclassification adjustments do not arise if a cash flow hedge results in amounts that are removed from the cash flow hedge reserve or a separate component of equity and included directly in the initial cost or other carrying amount of an asset. However, other comprehensive income arising from a cash flow hedge of a future transaction of a nonfinancial item may not always result in a basis adjustment. These amounts might be reclassified to profit or loss in the case of a loss that is expected not to be partially or fully recovered (IFRS 9.6.5.11(d)(iii)), or if the future cash flows are no longer expected to occur (IFRS 9.6.5.12(b)). The Group concluded that it should present other comprehensive income arising from cash flow hedges consistently with the requirements for items of other comprehensive income that may be reclassified subsequently to profit or loss when specified conditions are met.

Interim condensed consolidated statement of financial position

as at

		30 June 2019	31 December 2018	
		Unaudited		
		€000	€000	
	Notes		Restated	
Assets				
Non-current assets			(Note 2)	IAS 1.51(d),(e)
Property, plant and equipment	10	39,056	32,979	IAS 1.60
Right-of-use assets		3,044	2,812	IAS 1.54(a)
Investment properties		8,951	8,893	IFRS 16.47
Intangible assets		4,990	6,019	IAS 1.54(b)
Investments in an associate and a joint venture		3,553	3,187	IAS 1.54(c)
Non-current financial assets	12	4,284	3,761	IAS 1.54(d), IFRS 7.8
Deferred tax assets		657	383	IAS 1.54(e)
		<u>64,535</u>	<u>58,034</u>	IAS 1.54(o), IAS 1.56
Current assets				IAS 1.60, IAS 1.66
Inventories	11	22,831	26,375	IAS 1.54(g)
Right of return assets		1,356	1,124	IFRS 15.B21
Trade receivables		27,374	25,672	IAS 1.54(h), IFRS 15.105
Contract assets		4,959	4,541	IFRS 15.105
Prepayments		208	244	IAS 1.55
Other current financial assets	12	753	551	IAS 1.54(d), IFRS 7.8
Cash and short-term deposits	13	15,819	17,114	IAS 1.54(i)
		<u>73,300</u>	<u>75,621</u>	
Assets held for sale	6	–	13,554	IAS 1.54(j), IFRS 5.38
		<u>73,300</u>	<u>89,175</u>	
Total assets		137,835	147,209	
Equity and liabilities				
Equity				
Issued capital		21,888	21,888	IAS 1.54(r), IAS 1.78(e)
Share premium		4,780	4,780	
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	
Non-current liabilities				IAS 1.60
Interest-bearing loans and borrowings	12	22,477	21,978	IAS 1.54(m)
Other non-current financial liabilities	12	806	502	IAS 1.54(m), IFRS 7.8
Provisions	14	1,557	1,898	IAS 1.54(l)
Government grants		2,164	3,300	IAS 20.24
Contract liabilities		1,138	2,962	IFRS 15.105
Net employee defined benefit liabilities		2,972	3,050	IAS 1.55, IAS 1.78(d)
Deferred tax liabilities		3,493	2,454	IAS 1.54(o), IAS 1.56
		<u>34,607</u>	<u>36,144</u>	
Current liabilities				IAS 1.60, IAS 1.69
Trade and other payables		22,385	16,969	IAS 1.54(k)
Contract liabilities		3,029	2,880	IFRS 15.105
Refund liabilities		6,430	6,242	IFRS 15.B21
Interest-bearing loans and borrowings	12	2,759	2,811	IAS 1.54(m), IFRS 7.8(g)
Other current financial liabilities	5 , 12	2,234	3,257	IAS 1.54(m), IFRS 7.8
Government grants		400	149	IAS 1.55, IAS 20.24
Income tax payable		3,337	3,511	IAS 1.54(n)
Provisions	14	683	902	IAS 1.54(l)
Dividends payable	18	–	410	
		<u>41,257</u>	<u>37,131</u>	
Liabilities directly associated with the assets held for sale	6	–	13,125	IAS 1.54(p), IFRS 5.38
		<u>41,257</u>	<u>50,256</u>	
Total liabilities		75,864	86,400	
Total equity and liabilities		137,835	147,209	

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.

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 is required to 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.

The Group has made retrospective restatements during the current interim period as a result of adoption of new accounting standards. The interim condensed consolidated statement of financial position of the Group for the preceding year (31 December 2018) presented with the interim financial statements (30 June 2019) reflects the retrospective application of the new accounting principles. As the amounts differ from the amounts in the 2018 financial statements on which the Group's auditor previously reported, the 31 December 2018 condensed consolidated statement of financial position was labelled 'Unaudited'. In the case where Good Group had already filed revised prior year audited financial statements with the appropriate regulatory body and the auditor had issued an opinion thereon, it would not be appropriate to label the statement of financial position as 'Unaudited'.

The Group presented 'Contract assets' and 'Contract liabilities' in the statement of financial position using the terminology from IFRS 15. IFRS 15.109 allows an entity to use alternative descriptions. However, it must disclose sufficient information so that users of the financial statements can clearly distinguish a receivable, which is an unconditional right to receive consideration from a contract asset.

IFRS 15.B25 requires an entity to present a refund liability separately from the corresponding asset (on a gross basis, rather than a net basis). The Group presented 'Right of return assets' and 'Refund liabilities' separately in the statement of financial position.

IFRS 16.47 requires a lessee to either present in the statement of financial position, or disclose in the notes, the right-of-use assets separately from other assets and lease liabilities separately from other liabilities. If a lessee does not present right-of-use assets separately in the statement of financial position, the lessee is required to include right-of-use assets within the same line item as that within which the corresponding underlying assets would be presented if they were owned (e.g., under property, plant and equipment) and disclose which line items in the statement of financial position include those right-of-use assets. Similarly, if the lessee does not present lease liabilities separately in the statement of financial position, the lessee is required to disclose the line items in the statement of financial position which include those liabilities. The Group presented its 'Right-of-use assets' separately in the statement of financial position. The related lease liabilities were presented in the line item 'Interest-bearing loans and borrowings'.

Under IFRS 16.48, right-of-use assets that meet the definition of investment property are required to be presented in the statement of financial position as investment property. The Group does not have right-of-use assets that meet the definition of investment property.

Interim condensed consolidated statement of changes in equity

For the six months ended 30 June 2019

	Attributed to equity holders of the parent												IAS 1.10(c) IAS 1.49 IAS 1.51(b)(c) IAS 34.10 IAS 34.20(c) IAS 1.106(d)	
	Issued capital	Share premium	Treasury shares	Other capital reserves	Retained earnings	Cash flow hedge reserve	Fair value reserve of 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	€000	IAS 1.51(d),(e)
As at 1 January 2019 (unaudited)	21,888	4,780	(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 Euroland	–	–	–	–	40	–	–	–	(40)	–	–	–	–	IAS 1.96
Share-based payments (Note 15)	–	–	–	203	–	–	–	–	–	–	203	–	203	IAS 1.106(d)(iii) 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 2019 (unaudited)	21,888	4,780	(508)	1,374	33,353	(818)	(290)	(482)	512	–	59,809	2,162	61,971	

Interim condensed consolidated statement of changes in equity *continued*

For the six months ended 30 June 2018

	Attributed to equity holders of the parent											IAS 1.51(b),(c) IAS 1.10(c) IAS 34.10 IAS 34.20(c) IAS 1.49 IAS 1.106(d) IAS 1.51(d),(e)	
	Issued capital	Share premium	Treasury shares	Other capital reserves	Retained earnings	Cash flow hedge reserve	Fair value reserve of 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	€000	
As at 1 January 2018 (restated) (Note 2)	19,388	80	(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 Euroland	–	–	–	–	40	–	–	–	(40)	–	–	–	IAS 1.96
Issue of share capital	2,500	4,703	–	–	–	–	–	–	–	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 2018 (unaudited)	21,888	4,751	(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 it 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 it 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 in condensed interim financial statements. The Group provides additional information in [Note 9](#) for line items that are significant to the understanding of the financial statements (given the materiality 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 material, the Group has concluded that such additional information would not be useful.

Amounts presented as change in 'Asset revaluation surplus' and 'Fair value reserve of financial assets at FVOCI' include a share of the other comprehensive income of the associate, which relates to the revaluation of an office building in Euroland 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 'items that will be reclassified' and the 'items that will not 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, other presentation approaches are also acceptable.

Interim condensed consolidated statement of cash flows

For the six months ended 30 June

		2019	2018	
		Unaudited		
Notes	€000	€000	Restated (Note 2)	
Operating activities				
Profit before tax from continuing operations		2,264	4,345	
Profit/(loss) before tax from discontinued operations	6	890	(30)	
Profit before tax		3,154	4,315	
Adjustments to reconcile profit before tax to net cash flows:				IAS 7.20(b)
Depreciation and impairment of property, plant and equipment and right-of-use assets		1,282	1,449	
Amortisation and impairment of intangible assets		1,614	70	
Fair value adjustment of a contingent consideration	12	53	–	
Fair value adjustment of investment properties		(58)	–	
Share-based payment expense	15	203	150	
Gain on disposal of property, plant and equipment	10	(53)	(5)	
Gain on disposal of discontinued operations	6	(885)	–	
Reversal of restructuring provision	14	(266)	–	
Finance income		(204)	(166)	IAS 7.20(c)
Finance costs		1,662	436	IAS 7.20(c)
Other expense	11	700	567	
Share of net profit of associate and a joint venture		(366)	(329)	
Movements in provisions, pensions and government grants		(1,047)	(252)	
Net foreign exchange differences		303	(283)	
Working capital adjustments:				IAS 7.20(a)
Increase in trade receivables, contract assets and prepayments		(2,084)	(2,147)	
Decrease in inventories and right of return assets		3,312	1,312	
Increase in trade and other payables, contract liabilities and refund liabilities		4,270	1,797	
		11,590	6,914	
Settlement of contingent consideration of business combination	12	(411)	–	IAS 7.12
Interest received		250	319	IAS 7.31
Interest paid		(596)	(424)	IAS 7.31
Income tax paid		(774)	(846)	IAS 7.35
Net cash flows from operating activities		10,059	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
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		(9,974)	(275)	

Interim condensed consolidated statement of cash flows *continued*

For the six months ended 30 June

		2019	2018	
		Unaudited		
Notes	€000	€000	Restated	
Financing activities			(Note 2)	IAS 1.49 IAS 1.51(c) IAS 34.20(d) IAS 1.10(d) IAS 1.51(d),(e)
Proceeds from loans	12	1,582	2,559	IAS 7.10, IAS 7.21 IAS 7.17(c)
Repayment of loans	12	(1,253)	(108)	IAS 7.17(d)
Payment of lease liabilities	12	(312)	(288)	IFRS 16.50
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 indirect method. Our publication, [Good Group \(International\) Limited – Illustrative financial statements for the year ended 31 December 2018](#) includes an appendix that illustrates the presentation of the statement of cash flows using the direct method.

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

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 (including the interest on lease liabilities) 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.

IFRS 16.50 requires that in the statement of cash flows, a lessee classifies: cash payments for the principal portion of the lease liability within financing activities; cash payments for the interest portion of the lease liability applying the requirements in IAS 7 for interest paid (i.e., IAS 7.31-33); and short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability within operating activities. Non-cash activity (e.g., the initial recognition of the lease at commencement) is required to be disclosed as a supplemental non-cash item in accordance with IAS 7.43.

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Notes to the interim condensed consolidated financial statements

1. Corporate information

The interim condensed consolidated financial statements of Good Group (International) Limited and its subsidiaries (collectively, the Group) for the six months ended 30 June 2019 were authorised for issue in accordance with a resolution of the directors on 8 August 2019.

IAS 10.17

Good Group (International) Limited (the Company) is a limited company, incorporated and domiciled in Euroland, whose shares are publicly traded. The registered office is located at Fire House, Ashdown Square in Euroville. 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 2019 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 2018.

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 2018, except for the adoption of new standards effective as of 1 January 2019. 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 16 *Leases* that requires 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 2019, 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'. 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 impact of the adoption of new accounting standards was previously disclosed in the most recent annual financial statements.

Notes to the interim condensed consolidated financial statements

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

IFRS 16 Leases

IAS 34.16A(a),(d)

IAS 8.28

IFRS 16.C21

IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

IFRS 16.1

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

IFRS 16.62

The Group adopted IFRS 16 using the full retrospective method of adoption with the date of initial application of 1 January 2019. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

IFRS 16.C5(a)

IFRS 16.C3

IFRS 16.5

Commentary

A lessee is required to apply IFRS 16 to its leases either retrospectively to each prior reporting period applying IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (full retrospective method) or retrospectively with the cumulative effect recognised at the date of initial application (modified retrospective method). An entity applies the elected transition method consistently to all leases for which it is a lessee (IFRS 16.C5-C6). The Group elected to apply the full retrospective method in adopting the standard.

An entity electing to adopt the standard using the full retrospective method is required to apply the requirements of IFRS 16 to each period presented in the financial statements, subject to specific transition requirements for sale and leaseback transactions entered into and amounts previously recognised in respect of business combinations before the date of initial application (IFRS 16.C16-C19). These transition requirements had no impact on the consolidated financial statements of the Group.

If the modified retrospective method of adoption is applied, comparative figures are not restated and the cumulative effect of initially applying the standard is recognised as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application. This approach also includes a number of practical expedients not available under the full retrospective method. [Appendix 1](#) illustrates the application of the modified retrospective method.

Refer to our [Applying IFRS Presentation and disclosure requirements of IFRS 16 Leases](#) publication for a summary and illustrative examples of the presentation and disclosure requirements under IFRS 16.

As a transition practical expedient, an entity is permitted to make an election not to reassess whether existing contracts contain a lease as defined under IFRS 16 (IFRS 16.C3) at the date of initial application. If an entity elects this practical expedient, contracts that do not contain a lease under IAS 17 and IFRIC 4 (e.g., service arrangements) are not reassessed either. If an entity chooses to apply the practical expedient, it must be applied to all contracts that are ongoing at the date of initial application (i.e., an entity is not permitted to apply the option on a lease-by-lease basis) and that fact must be disclosed.

The effect of adoption IFRS 16 is as follows:

Impact on the statement of financial position (increase/(decrease)) as at 31 December 2018:

IAS 8.28(f)

	€000
Assets	
Right-of-use assets	2,812
Property, plant and equipment	(1,488)
Prepayments	(64)
Total assets	1,260
Equity	
Retained earnings	(69)
Non-controlling interests	(7)
Total equity	(76)
Liabilities	
Interest-bearing loans and borrowings	1,393
Deferred tax liabilities	(32)
Trade and other payables	(25)
Total liabilities	1,336

Notes to the interim condensed consolidated financial statements

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 2018: IAS 8.28(f)

	€000
Depreciation expense (included in Cost of sales)	77
Depreciation expense (included in Administrative expenses)	24
Rent expense (included in Cost of sales and Administrative expenses)	(126)
Operating profit	25
Finance costs	42
Income tax expense	(5)
Profit for the period	(12)
Attributable to:	
Equity holders of the parent	(11)
Non-controlling interests	(1)

Impact on the statement of cash flows (increase/(decrease)) for the six months ended 30 June 2018: IAS 8.28(f)

	€000
Net cash flows from operating activities	118
Net cash flows from financing activities	(118)

There is no material impact on other comprehensive income and the basic and diluted EPS. IAS 8.28(f)

a) Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of plant, machinery, vehicles and other equipment. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in the statement of profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments and Trade and other payables, respectively. IAS 17.8
IAS 17.20
IAS 17.25
IAS 17.33

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases that it is the lessee, except for short-term leases and leases of low-value assets. The Group recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. In accordance with the full retrospective method of adoption, the Group applied IFRS 16 at the date of initial application as if it had already been effective at the commencement date of existing lease contracts. Accordingly, the comparative information in this interim condensed consolidated financial statements has been restated. IFRS 16.C5(a)

As at 31 December 2018:

- ▶ Right-of-use assets of €2,812,000 were recognised and presented separately in the statement of financial position. Lease assets recognised previously under finance leases of €1,488,000 and included under Property, plant and equipment were derecognised.
- ▶ Additional lease liabilities of €1,393,000 were recognised and included under Interest bearing loans and borrowings.
- ▶ Prepayments of €64,000 and trade and other payables of €25,000 related to previous operating leases were derecognised.
- ▶ Deferred tax liabilities decreased by €32,000 because of the deferred tax impact of the changes in assets and liabilities.
- ▶ The net effect of these adjustments had been adjusted to Retained earnings (€69,000) and Non-controlling interest (€7,000).

Notes to the interim condensed consolidated financial statements

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

For the six months ended 30 June 2018:

- ▶ Depreciation expense increased by €101,000 relating to the depreciation of additional assets recognised (i.e., increase in right-of-use assets, net of decrease in Property, plant and equipment).
- ▶ Rent expense decreased by €126,000 relating to previous operating leases.
- ▶ Finance costs increased by €42,000 relating to the interest expense on additional lease liabilities recognised.
- ▶ Income tax expense decreased by €5,000 relating to the tax effect of these changes in expenses.
- ▶ Cash outflows from operating activities decreased by €118,000 and cash outflows from financing activities increased by the same amount, representing the payments for the principal portion of recognised lease liabilities.

b) Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of IFRS 16:

▶ *Right-of-use assets*

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

IFRS 16.23
IFRS 16.24
IFRS 16.30
IFRS 16.32

Right-of-use assets are subject to impairment.

Commentary

Under IFRS 16, the cost of a right-of-use asset also includes an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The lessee incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period (IFRS 16. 24(d)).

The Group's lease arrangements do not contain an obligation to dismantle and remove the underlying asset, restore the site on which it is located or restore the underlying asset to a specified condition.

▶ *Lease liabilities*

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

IFRS 16.26
IFRS 16.27

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

IFRS 16.36

▶ *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below €5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

IFRS 16.5
IFRS 16.6

Notes to the interim condensed consolidated financial statements

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

► Significant judgement in determining the lease term of contracts with renewal options

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

IFRS 16.18
IFRS 16.19

The Group has the option, under some of its leases to lease the assets for additional terms of three to five years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Group included the renewal period as part of the lease term for leases of plant and machinery due to the significance of these assets to its operations. These leases have a short non-cancellable period (i.e., three to five years) and there will be a significant negative effect on production if a replacement is not readily available. The renewal options for leases of motor vehicles were not included as part of the lease term because the Group has a policy of leasing motor vehicles for not more than five years and hence not exercising any renewal options.

c) Amounts recognised in the statement of financial position and profit or loss

IFRS 16.53

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

	Right-of-use assets			Total	Lease liabilities
	Plant and machinery	Motor vehicles	Other equipment		
	€000	€000	€000	€000	€000
As at 31 December 2018	1,598	626	588	2,812	2,971
Additions (Note 5)	324	88	56	468	452
Depreciation expense	(114)	(66)	(56)	(236)	-
Interest expense	-	-	-	-	92
Payments	-	-	-	-	(312)
As at 30 June 2019	1,808	648	588	3,044	3,203

Set out below, are the amounts recognised in profit or loss:

	For the six months ended 30 June	
	2019	2018
	€000	€000
Depreciation expense of right-of-use assets	236	206
Interest expense on lease liabilities	92	70
Rent expense - short-term leases	22	21
Rent expense - leases of low-value assets	18	17
Rent expense - variable lease payments	32	28
Total amounts recognised in profit or loss	400	342

Notes to the interim condensed consolidated financial statements

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

Commentary

IFRS 16 has detailed disclosure requirements, including the format of disclosures in a full set of financial statements. The following list includes some of the information that is required to be disclosed by a lessee, which users of the financial statements identified as being most useful to their analysis:

- ▶ Carrying amount of right-of-use assets and depreciation charge for those
- ▶ Assets, split by class of underlying asset
- ▶ Interest expense on lease liabilities
- ▶ Short-term lease expense for such leases with a lease term greater than one month
- ▶ Low-value asset lease expense (except for portions related to short-term leases)
- ▶ Variable lease expense (i.e., for variable lease payments not included in the lease liability)
- ▶ Income from subleasing right-of-use assets
- ▶ Total cash outflow for leases
- ▶ Additions to right-of-use assets
- ▶ Gains and losses arising from sale and leaseback transactions
- ▶ Carrying amount of right-of-use assets at the end of the reporting period by class of underlying asset

Under IAS 34.15, an entity is required to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the previous annual reporting period to provide an update of the relevant information included in the financial statements of the previous year. Therefore, some of the above information may need to be disclosed in the interim financial statements, if material. For example, material additions to right-of-use assets and lease liabilities during the interim period would need to be disclosed. The Group provided most of the above information for illustrative purposes. Entities would need to exercise judgement on the extent of information to be disclosed, which would depend on the relevance and materiality of the amounts involved.

IFRIC Interpretation 23 *Uncertainty over Income Tax Treatment*

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 *Income Taxes*. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- ▶ Whether an entity considers uncertain tax treatments separately
- ▶ The assumptions an entity makes about the examination of tax treatments by taxation authorities
- ▶ How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- ▶ How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The interpretation did not have an impact on the consolidated financial statements of the Group.

Notes to the interim condensed consolidated financial statements

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

Amendments to IFRS 9: *Prepayment Features with Negative Compensation*

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the consolidated financial statements of the Group.

Amendments to IAS 19: *Plan Amendment, Curtailment or Settlement*

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset).

These amendments had no impact on the consolidated financial statements of the Group as it did not have any plan amendments, curtailments, or settlements during the period.

Amendments to IAS 28: *Long-term interests in associates and joint ventures*

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 *Investments in Associates and Joint Ventures*.

These amendments had no impact on the consolidated financial statements as the Group does not have long-term interests in its associate and joint venture.

Annual Improvements 2015-2017 Cycle

▶ **IFRS 3 *Business Combinations***

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where a joint control is obtained.

▶ **IFRS 11 *Joint Arrangements***

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where a joint control is obtained.

Notes to the interim condensed consolidated financial statements

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

▶ IAS 12 *Income Taxes*

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events.

An entity applies the amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

▶ IAS 23 *Borrowing Costs*

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted.

Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

Commentary

Generally, an entity may choose 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 some jurisdictions, the adoption of IFRS for reporting purposes may be subject to a specific legal process or endorsement mechanisms (e.g., in the European Union (EU) or Australia). In such jurisdictions, 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 enforcement authorities in some jurisdictions (such as the European Securities and Markets Authority (ESMA)) has issued recommendations on disclosure of the expected impact of major standards such as IFRS 16 *Leases*. These disclosures must 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.

Notes to the interim condensed consolidated 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(I)
IFRS 15.114-115

For the six months ended 30 June 2019			
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			
Euroland	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 2018			
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			
Euroland	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 2019 and 2018, respectively.

IFRS 15.113(b)

Notes to the interim condensed consolidated financial statements

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			
	2019		2018	
	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(i) requires disclosure of disaggregated revenue information, consistent with the requirement included in IFRS 15.114-115.

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.

Notes to the interim condensed consolidated financial statements

4. Segment information

The following tables present revenue and profit information for the Group's operating segments for the six months ended 30 June 2019 and 2018, respectively:

Six months ended 30 June 2019	Fire prevention equipment €000	Electronics €000	Investment properties €000	Total segments €000	Adjustments and eliminations €000	Consolidated €000	
Revenue							
External customer	70,925	37,395	770	109,090	(19,855)	89,235	IAS 34.16A(gXi)
Inter-segment	–	1,845	–	1,845	(1,845)	–	IAS 34.16A(gXii)
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(gXiii)
Six months ended 30 June 2018							
	Fire prevention equipment €000	Electronics €000	Investment properties €000	Total segments €000	Adjustments and eliminations €000	Consolidated €000	
Revenue							
External customer	86,605	22,058	715	109,378	(36,571)	72,807	IAS 34.16A(gXi)
Inter-segment	–	4,094	–	4,094	(4,094)	–	IAS 34.16A(gXii)
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(gXiii)

The following table presents assets and liabilities information for the Group's operating segments as at 30 June 2019 and 31 December 2018, respectively:

	Fire prevention equipment €000	Electronics €000	Investment properties €000	Total segments €000	Adjustments and eliminations €000	Consolidated €000	
Assets							
30 June 2019	65,773	50,482	16,978	133,233	4,602	137,835	IAS 34.16A(gXiv)
31 December 2018	68,163	44,814	18,467	131,444	15,765	147,209	
Liabilities							
30 June 2019	30,251	7,002	4,234	41,487	34,377	75,864	IAS 34.16A(gXiv)
31 December 2018	27,776	7,252	4,704	39,732	46,668	86,400	

Notes to the interim condensed consolidated financial statements

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 2019. 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.

	For six months ended 30 June		IAS 34.16A(g)(vi)
	2019	2018	
Reconciliation of profit	€000	€000	
Segment profit	4,191	4,881	
Finance income	204	166	
Finance costs	(1,662)	(436)	
Inter-segment profit/(elimination)	(469)	(266)	
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 was regarded as 'highly seasonal', these additional disclosures are recommended.

Notes to the interim condensed consolidated financial statements

5. Business combinations

IAS 34.16A(i)

Acquisition of Electra Limited

On 1 June 2019, the Group acquired 100% of the voting shares of Electra Limited (Electra), an unlisted company based in Euroland 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:

	Fair value recognised on acquisition	
	€000	IFRS 3.B64(i), (f)
Assets		
Property, plant and equipment (provisional)*	4,323	
Right-of-use assets	248	
Cash	642	
Trade receivables	1,763	
Inventories	961	
Deferred tax asset	175	
Patents	375	
	8,487	
Liabilities		
Trade payables	(1,022)	
Interest-bearing loans and borrowings	(224)	
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	IAS 7.39
Cash paid	(6,571)	
Net cash flow on acquisition	(5,929)	

*The valuation of land and buildings acquired had not been completed by the date the interim financial statements were approved for issue by the Board of Directors. Thus, property, plant and equipment may need to be subsequently adjusted, with a corresponding adjustment to goodwill prior to 1 June 2020 (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 2019	2,281	IFRS 3.B67(dXi)
Acquisition of a subsidiary	210	IFRS 3.B67(dXii)
At 30 June 2019	2,491	IFRS 3.B67(dXviii)
Accumulated impairment losses		
At 1 January 2019	—	IFRS 3.B67(dXi)
Impairment losses recognised during the reporting period (Note 7)	1,541	IFRS 3.B67(dXv)
At 30 June 2019	1,541	IFRS 3.B67(dXviii)
Net book value		
At 1 January 2019	2,281	
At 30 June 2019	950	

Notes to the interim condensed consolidated financial statements

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)

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the unfavourable terms of the lease relative to market terms.

IFRS 3.28B

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(qxi)

IFRS 3.B64(qxii)

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 26 May 2018, the Group acquired 80% of the voting shares of Extinguishers Limited, an unlisted company based in Euroland, 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.

Commentary

IAS 34.16A(i) requires an entity to disclose all the information required by IFRS 3 in an interim financial report. This requirement applies not only for those effected during the current interim period, but also to business combinations after the reporting period but before the interim financial report is authorised for issue (IFRS 3.59(b), IFRS 3.B66).

IFRS 16 amended IFRS 3 (IFRS 3.28B) to require the lease liability to be measured at the present value of the remaining lease payments as if the acquired lease is a new lease at the acquisition date. That is, the acquirer applies IFRS 16's initial measurement provisions using the present value of the remaining lease payments at the acquisition date.

The right-of-use asset is measured at an amount equal to the lease liability, adjusted to reflect the favourable or unfavourable terms of the lease when compared with market terms. Because the off-market nature of the lease is captured in the right-of-use asset, the acquirer does not separately recognise an intangible asset or liability for favourable or unfavourable lease terms relative to market.

Information on business combinations in the comparative period is typically not necessary as it only repeats information that was reported in the notes to the most recent annual financial statements. However, in some cases, it would be necessary to provide information about business combinations in a comparative period if, for example, there is a revision of previously disclosed fair values. The Group provided brief information about its business combination in the comparative period as it is relevant to understanding the settlement of the contingent consideration in the current period.

Notes to the interim condensed consolidated financial statements

6. Discontinued operations

IAS 34.16A(i)

On 1 October 2018, the Group publicly announced the decision of its Board of Directors to sell Hose Limited, a wholly owned subsidiary. On 14 November 2018, the shareholders of the Company approved the plan to sell. At 31 December 2018, 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 2018. 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 2019 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		
	2019*	2018	
	€000	€000	
Revenue	3,329	21,548	IFRS 5.33(b)(i)
Expenses	(3,285)	(21,535)	IFRS 5.34 IFRS 5.30
Operating income	44	13	
Finance costs	(39)	(43)	IFRS 5.41
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 2019.

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	
	2019*	2018
	€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 2018.

As Hose Limited was sold prior to 30 June 2019, the assets and liabilities classified as held for sale are no longer included in the statement of financial position.

Notes to the interim condensed consolidated financial statements

6. Discontinued operations *continued*

IAS 34.16A(i)

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 2019 and the Group has presented these cash flows separately in the table above.

Hose Limited has only short-term leases and leases of low-value assets. Therefore, the adoption of IFRS 16 did not have an impact on the Group's discontinued operations.

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 2018.

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 2019, 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 2019 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 2018: 15.5%) was applied. Cash flows beyond the five-year period have been extrapolated using a 2.5% growth rate (31 December 2018: 3.0%). All other assumptions remained consistent with those disclosed in the annual financial statements for the year ended 31 December 2018. 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(dXiii)
IAS 36.134(dXiv)
IAS 36.134(dXv)
IAS 36.130(g)

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 2018: 14.4%) was applied. Cash flows beyond the five-year period have been extrapolated using a 2.6% growth rate (31 December 2018: 4.1%). All other assumptions remained consistent with those disclosed in the annual financial statements for the year ended 31 December 2018.

IAS 36.130 (e)
IAS 36.134(dXiii)
IAS 36.134(dXiv)
IAS 36.134(dXv)
IAS 36.126(a)
IAS 36.130(g)

IAS 36.130(b),(d)

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 2018.

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

Notes to the interim condensed consolidated financial statements

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

patent that was acquired during the year ended 31 December 2018. 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 specifically require sensitivity disclosures, IAS 34.15 requires disclosure of significant events.

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	
	2019	2018
	€000	€000
Income taxes		Restated
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. 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.

Notes to the interim condensed consolidated financial statements

10. Property, plant and equipment *continued*

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 2019 (30 June 2018: €1,410,000), resulting in a net gain on disposal of €53,000 (30 June 2018: €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 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 2019, the Group wrote down €700,000 (30 June 2018: €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 2019, 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 2019 and 31 December 2018:

IAS 34.16A(c)

	<u>30 June 2019</u>	<u>31 December 2018</u>	
	€000	€000	
Debt instruments at amortised cost:			IFRS 7.6
Trade and other receivables	27,374	25,672	IFRS 7.8
Loan to an associate	253	200	
Loan to directors	10	13	
Debt instruments at fair value through OCI			
Quoted debt instruments	1,809	1,622	
Equity instruments at fair value through OCI			
Non-listed equity investments	938	1,038	
Financial assets at fair value through profit or loss			
Listed equity investments	524	337	
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	<u><u>32,411</u></u>	<u><u>29,984</u></u>	
Total current	28,127	26,223	
Total non-current	4,284	3,761	

Notes to the interim condensed consolidated financial statements

12. Financial assets and financial liabilities *continued*

Set out below is an overview of financial liabilities held by the Group as at 30 June 2019 and 31 December 2018:

	<u>30 June 2019</u>	<u>31 December 2018</u>
	€000	€000
		Restated
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
Financial liabilities at fair value through profit or loss		
Contingent consideration	–	1,072
Financial liabilities at amortised cost:		
Trade and other payables	22,385	16,969
Other long-term payable	96	–
Non-current interest bearing loans and borrowings		
Lease liabilities	2,736	2,537
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		
Lease liabilities	467	434
Bank overdrafts	900	966
Other current loans		
€1,500,000 bank loan	1,392	1,411
Total	<u>50,661</u>	<u>45,517</u>
Total current	23,283	22,480
Total non-current	27,378	23,037

Commentary

The Group determined that 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.

There is no specific requirement to identify adjustments made retrospectively in the notes to the financial statements. Nevertheless, by labelling the comparatives 'Restated', the Group illustrates how an entity may supplement the requirements of IAS 8 to make it clear to users that the comparative amounts as presented in the current period financial statements have been adjusted.

Notes to the interim condensed consolidated financial statements

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 2018 (see Note 5), a portion of the consideration was determined to be contingent, based on the performance of the acquired entity.

IFRS 13.93(h)(ii)

As at 31 December 2018, 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 2018 reflected this development, amongst other factors and a fair value adjustment was recognised through profit or loss. At 30 April 2019, 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 2018	358	IFRS 13.93(f)
Financial liability for the contingent consideration as at 31 December 2018	1,072	
Fair value adjustment as at 30 April 2019	53	
Total consideration paid	1,125	IAS 34.16A(i)

Adjustments to the contingent liability from acquisition on 1 May 2018 to the date it was settled on 30 April 2019 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 2018.

The Group has split the settlement of this contingent consideration liability in the statement of cash flows. The payment of the acquisition date fair value was classified as a cash flow from investing activities, while the additional payment, which was dependent on meeting performance targets was classified as a cash flow from operating activities. Under IAS 7.16, only expenditures that result in a recognised asset in the statement of financial position are eligible for classification as investing activities. Therefore, cash payments for any contingent consideration in excess of the amount recorded on the acquisition date is not classified as investing activities because that incremental amount was not necessary to obtain control and was not recognised as an asset.

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 2019.

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 2019, 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 2018, the Group entered into a firm commitment to purchase copper in September 2019. 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.

Notes to the interim condensed consolidated financial statements

12. Financial assets and financial liabilities *continued*

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 2019, 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.

Commentary

The Group's accounting policy is to designate all of the forward contracts as a hedging instrument. Under IFRS 9.6.4(b), an entity may separate the forward element and spot element of a forward contract and designate as the hedging instrument only the change in the value of the spot element. In such cases, the forward element is recognised in OCI and accumulated in a separate component of equity under cost of hedging reserve. Refer to [Good Group \(International\) Limited 31 December 2018](#) for illustration of this approach.

Hedge of net investments in foreign operations

Included in loans as at 30 June 2019 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 2019, 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 2019.

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 2019 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 the interim financial statements, as per IAS 34.16A(c). These disclosures will vary depending on the nature of the entity.

Notes to the interim condensed consolidated financial statements

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 IAS 34.16A(j) as at 30 June 2019 and 31 December 2018:

	30 June 2019		31 December 2018		IFRS 7.25 IFRS 7.26
	Carrying amount €000	Fair value €000	Carrying amount €000	Fair value €000	
			Restated	Restated	
Financial assets:					
Loans	263	252	213	209	
Non-listed equity investments	938	938	1,038	1,038	
Listed equity investments	524	524	337	337	
Quoted debt instruments	1,809	1,809	1,622	1,622	
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	5,037	5,026	4,312	4,308	
Financial liabilities:					
Interest bearing loans and borrowings					
Lease liabilities	2,736	2,446	2,537	2,612	
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	27,809	27,107	28,114	28,124	

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.

Notes to the interim condensed consolidated financial statements

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 2019:

	Fair value measurement using				IFRS 13.93(a),(b) IFRS 13.94
	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
As at 30 June 2019:	€000	€000	€000	€000	
Financial assets measured at fair value:					
Derivative financial assets					
Foreign exchange forward contracts - USD	742	–	742	–	
Foreign exchange forward contracts - GBP	600	–	600	–	
Embedded foreign exchange derivatives - CAD	161	–	–	161	
Listed equity investments					
Power sector	474	474	–	–	
Telecommunication sector	50	50	–	–	
Financial assets at fair value through OCI					
Non-listed equity investments					
Power sector	625	–	–	625	
Electronics sector	313	–	–	313	
Quoted debt instruments					
Euroland government bonds	1,554	1,554	–	–	
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	–	–	

Commentary

IAS 34.16A(j) requires disclosures about fair values of financial instruments as set out in paragraphs 91-93(h), 94-96, 98 and 99 of IFRS 13 *Fair Value Measurement*.

Under IFRS 13.91, an entity is required to disclose information that helps users of the financial statements to assess:

- ▶ The valuation techniques and inputs used to develop the fair value measurements for assets and liabilities measured at fair value on a recurring and non-recurring basis after initial recognition
- ▶ The effect of fair value measurements on profit or loss or other comprehensive income for recurring fair value measurements using unobservable inputs (Level 3)

To meet this objective, IFRS 13.92 states that an entity needs to consider the level of detail necessary to satisfy the disclosure requirements, how much emphasis to place on each of the various requirements, how much aggregation to undertake and whether users of the financial statements need additional information to evaluate the quantitative information disclosed.

The Group has provided the disclosures required by IAS 34.16A(j) in this section of the notes. The information for the comparative period was not provided as this is available in the annual financial statements for 2018. In addition, certain disclosures, like the description of the valuation processes (IFRS 13.93(g)) and the valuation techniques and the inputs used (IFRS 13.93(d)) have not been provided in this note. These disclosures are also available in the annual financial statements for 2018 and the Group elected to just state in this note that there were no changes during the interim period.

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 a tabular format.

Notes to the interim condensed consolidated financial statements

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)*

	Non-listed equity investments		
	Power	Electronics	Total
	€000	€000	€000
As at 1 January 2019	675	363	1,038
Remeasurement recognised in OCI	(125)	(135)	(260)
Purchases	95	130	225
Sales	(20)	(45)	(65)
As at 30 June 2019	625	313	938

	Embedded foreign exchange derivative		Embedded commodity derivative	
	Asset CAD	Liability USD	Liability	
	€000	€000	Brass €000	Chrome €000
As at 1 January 2019	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 2019	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 2019. The fair value decrease on financial instruments categorised within Level 3 of €66,000 (31 December 2018: €38,000), was recorded in the statement of profit or loss.

IAS 34.15B(k)
IFRS 13.91(b)
IFRS 13.93(c),(f)
IFRS 13.93(e)(ii)
IFRS 13.93(e)(iv)

Fair value hierarchy

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:

IAS 34.16A(j)
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

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

There were no changes in the Group's valuation processes, valuation techniques, and types of inputs used in the fair value measurements during the period.

IFRS 15.93(b)
IFRS 13.93(g)

Notes to the interim condensed consolidated financial statements

12. Financial assets and financial liabilities *continued*

Set out below are the significant unobservable inputs to valuation as at 30 June 2019:

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
Non-listed equity investments – 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.
Non-listed equity investments – 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.

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

Notes to the interim condensed consolidated financial statements

13. Cash and short-term deposits

IAS 34.16A(c)

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

IAS 7.45

	30 June 2019	31 December 2018
	€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 2018, 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 2019 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 2019, 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 2019 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 2019 was €1.35 (year ended 31 December 2018: €1.32).

For the six months ended 30 June 2019, the Group has recognised €203,000 of share-based payment expense in the statement of profit or loss (30 June 2018: €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 2019 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.

Notes to the interim condensed consolidated financial statements

16. Commitments and contingencies

Legal claims contingency

In March 2019, 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 2019. 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 2019, the Group had capital commitments of €1,610,000 (31 December 2018: €2,310,000) relating to the completion of the operating facilities of Sprinklers Inc. and commitments of €300,000 (31 December 2018: €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 2019 and 2018, as well as balances with related parties as at 30 June 2019 and 31 December 2018:

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.	2019	3,382	–	412	–
	2018	3,620	–	320	–
Associate:					
Power Works Limited	2019	1,380	–	865	–
	2018	1,458	–	980	–
Joint venture in which the parent is a venturer:					
Showers Limited	2019	–	327	–	75
	2018	–	285	–	20
Key management personnel of the Group:					
Other directors' interests	2019	132	270	6	18
	2018	–	220	15	7

For loans to directors, see [Note 12](#). The following table provides the interest received during the six months ended 30 June 2019 and 2018, as well as the loans outstanding from related parties as at 30 June 2019 and 31 December 2018:

		Interest received	Amounts owed by related parties
		€000	€000
Loans to related parties			
Associate:			
Power Works Limited	2019	27	431
	2018	10	200
Key management personnel of the Group			
Directors' loans	2019	1	6
	2018	1	13

Notes to the interim condensed consolidated financial statements

18. Distributions made and proposed

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

	For the six months ended 30 June	
	2019	2018
	€000	€000
Cash dividends to the equity holders of the parent:		
Dividends on ordinary shares declared and paid:		
Final dividend for 2018: 5.01 cents per share (2017: 5.66 cents per share)	1,087	1,082
Proposed dividends on ordinary shares:		
First dividend for 2019: 4.60 cents per share (2018: 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 2019. The 2019 proposed dividend was approved on 1 August 2019.

One of the Group's subsidiaries, Extinguishers Limited, issued cash dividends during the six months ended 30 June 2019 and 2018. 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 2019, 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: Alternative method of adopting IFRS 16 Leases

Commentary

The Group adopted IFRS 16 Leases using the full retrospective method of adoption with initial date of application of 1 January 2019. Under IFRS 16, entities have an option to adopt the standard using the modified retrospective method.

An entity that elects the modified retrospective method would apply IFRS 16 retrospectively with the cumulative effect of initially applying the standard recognised as an adjustment to the opening balance of retained earnings (or other components of equity) at the date of initial application. In addition, the standard includes specific transition requirements as well as practical expedients not available under the full retrospective method (IFRS 16.C8-C11).

The following would be the key changes to the Group's interim condensed consolidated financial statements had the Group elected to adopt IFRS 16 using the modified retrospective method.

- ▶ The comparative information for each of the primary financial statements would not have been restated and would have been presented based on the requirements of previous standards (i.e., IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease). Disclosures for the comparative period in the notes to the financial statements would also follow the requirements of IAS 17, IFRIC 4, SIC-15 and SIC-27.
- ▶ The cumulative catch-up adjustment to the opening balance of retained earnings (or other components of equity) would be recognised as at 1 January 2019 in the Statement of changes in equity for the six months ended 30 June 2019 and would be disclosed in Note 2.2.
- ▶ The narrative in Note 2.2, describing the changes and impact of adopting IFRS 16, would change accordingly. The Group would disclose that IFRS 16 was adopted using the modified retrospective method and whether it elected to apply one or more of the available practical expedients available. The disclosures in Note 2.2, had the Group applied the modified retrospective method, are illustrated below.

The modified retrospective method eliminates the need to restate comparative information on transition, thereby reducing the cost of implementation for entities. However, entities may want to consider providing users additional information that allows them to do trend analyses of the financial statements. For example, entities may provide voluntary disclosure of the amount by which each financial statement line item is affected in the current period as a result of the adoption of IFRS 16, or provide certain information outside the financial statements, such as in a management commentary or a risk report.

Illustrative example:

Note 2.2. New standards, interpretations and amendments adopted by the Group

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

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

IFRS 16.C21

IFRS 16.1

IFRS 16.62

IFRS 16.C5(b)
IFRS 16.C3

Commentary

As a transition practical expedient, an entity is permitted to make an election not to reassess whether existing contracts contain a lease as defined under IFRS 16 (IFRS 16.C3) at the date of initial application. If an entity elects this practical expedient, contracts that do not contain a lease under IAS 17 and IFRIC 4 (e.g., service arrangements) are not reassessed either. If an entity chooses to apply the practical expedient, it must be applied to all contracts that are ongoing at the date of initial application (i.e., an entity is not permitted to apply the option on a lease-by-lease basis) and that fact must be disclosed.

Appendix: Alternative method of adopting IFRS 16 Leases

Note 2.2. New standards, interpretations and amendments adopted by the Group continued

The effect of adoption IFRS 16 as at 1 January 2019 (increase/(decrease)) is as follows:

	<u>€000</u>
Assets	
Right-of-use assets	2,661
Property, plant and equipment	(1,488)
Prepayments	(64)
Total assets	<u>1,109</u>
Liabilities	
Interest-bearing loans and borrowings	1,210
Deferred tax liabilities	(23)
Trade and other payables	(25)
Total liabilities	<u>1,162</u>
Total adjustment on equity:	
Retained earnings	(49)
Non-controlling interests	(4)
	<u>(53)</u>

a) Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of plant, machinery, vehicles and other equipment. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments.

IAS 17.8
IAS 17.20
IAS 17.25

Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments and Trade and other payables, respectively.

IAS 17.33

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

► *Leases previously classified as finance leases*

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 was applied to these leases from 1 January 2019.

IFRS 16.C11

Commentary

Under IFRS 16.C11, for leases that were classified as finance leases applying IAS 17, the carrying amount of the right-of-use asset and the lease liability at the date of initial application is the carrying amount of the lease asset and lease liability immediately before that date measured applying IAS 17.

► *Leases previously accounted for as operating leases*

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

IFRS 16.C8

Appendix: Alternative method of adopting IFRS 16 Leases

Note 2.2. New standards, interpretations and amendments adopted by the Group *continued*

The Group also applied the available practical expedients wherein it:

IFRS 16.C10

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

Commentary

Under IFRS 16.C8, for leases previously classified as operating leases under IAS 17, a lessee is required to:

- ▶ Recognise a lease liability measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application.
- ▶ Measure the right-of-use asset on a lease by lease basis, at either:
 - ▶ Its carrying amount as if IFRS 16 had always been applied since the commencement date, but using a discount rate based on the lessee's incremental borrowing rate at the date of initial application
 - ▶ An amount equal to the lease liability, adjusted for previously recognised prepaid or accrued lease payments
- ▶ Apply IAS 36 *Impairment of Assets* to right-of-use assets at the date of initial application, unless it applies the practical expedient for onerous leases.

The Group applied these requirements, as set out in the standard. The requirements of IAS 36 were not applied at the date of initial application as the Group applied the practical expedient for onerous leases.

Despite of the above requirements, under IFRS 16.C9, a lessee is not required to make adjustments on transition for leases of low-value assets. The Group has applied this transition requirement. A lessee is also not required to make adjustments on transition for leases previously accounted for as investment property using the fair value model in IAS 40. However, it is required to measure the right-of-use asset at fair value at the date of initial application for leases previously accounted for as operating leases under IAS 17 and that will be accounted for as investment property using the fair value model in IAS 40 from the date of initial application. The Group is not a lessee of investment properties.

In addition, under IFRS 16.C10, a lessee may use one or more of the following practical expedients to leases previously classified as operating leases when applying the standard using the modified retrospective method:

- ▶ Apply a single discount rate to a portfolio of leases with reasonably similar characteristics (e.g., leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).
- ▶ Rely on its assessment of whether leases are onerous applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* immediately before the date of initial application as an alternative to performing an impairment review.
- ▶ Elect to apply the accounting for short-term leases in IFRS 16 to leases for which the lease term ends within 12 months of the date of initial application.
- ▶ Exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- ▶ Use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

The Group applied these available practical expedients. If an entity uses any of these available practical expedients, it is required to disclose that fact.

Based on the foregoing, as at 1 January 2019:

- ▶ Right-of-use assets of €2,661,000 were recognised and presented separately in the statement of financial position. This includes the lease assets recognised previously under finance leases of €1,488,000 that were reclassified from Property, plant and equipment.
- ▶ Additional lease liabilities of €1,210,000 (included in Interest bearing loans and borrowings) were recognised.
- ▶ Prepayments of €64,000 and trade and other payables of €25,000 related to previous operating leases were derecognised.
- ▶ Deferred tax liabilities decreased by €23,000 because of the deferred tax impact of the changes in assets and liabilities.
- ▶ The net effect of these adjustments had been adjusted to retained earnings (€49,000) and non-controlling interest (€4,000).

Appendix: Alternative method of adopting IFRS 16 Leases

Note 2.2. New standards, interpretations and amendments adopted by the Group continued

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

IFRS 16.C12

	€000
Operating lease commitments as at 31 December 2018	1,720
Weighted average incremental borrowing rate as at 1 January 2019	5.50%
Discounted operating lease commitments at 1 January 2019	1,182
Less:	
Commitments relating to short-term leases	(44)
Commitments relating to leases of low-value assets	(96)
Add:	
Commitments relating to leases previously classified as finance leases	1,578
Payments in optional extension periods not recognised as at 31 December 2018	168
Lease liabilities as at 1 January 2019	2,788

Commentary

Under IFRS 16.C12, a lessee that elected to apply the modified retrospective method is required to disclose the following:

- ▶ The weighted average incremental borrowing rate applied to lease liabilities recognised at the date of initial application
- ▶ An explanation of any difference between the result of discounting the operating lease commitments reported under IAS 17 at the end of the annual reporting period preceding the date of initial application and lease liabilities recognised on the statement of financial position immediately after posting the cumulative catch-up adjustment on the date of initial application

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.

The Group has provided the disclosure in the form of a table to reconcile the operating lease commitments reported under IAS 17 as at 31 December 2018 to the lease liabilities recognised as at 1 January 2019. This is one way that entities can comply with the disclosure requirement under IFRS 16.C12 and represents the leading practice.

b) Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

▶ *Right-of-use assets*

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

IFRS 16.23
IFRS 16.24
IFRS 16.30
IFRS 16.32

▶ *Lease liabilities*

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

IFRS 16.26
IFRS 16.27

Appendix: Alternative method of adopting IFRS 16 Leases

Note 2.2. New standards, interpretations and amendments adopted by the Group continued

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

IFRS 16.36

▶ Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below €5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

IFRS 16.5

IFRS 16.6

▶ Significant judgement in determining the lease term of contracts with renewal options

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

IFRS 16.18

IFRS 16.19

The Group has the option, under some of its leases to lease the assets for additional terms of three to five years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Group included the renewal period as part of the lease term for leases of plant and machinery due to the significance of these assets to its operations. These leases have a short non-cancellable period (i.e., three to five years) and there will be a significant negative effect on production if a replacement is not readily available. The renewal options for leases of motor vehicles were not included as part of the lease term because the Group has a policy of leasing motor vehicles for not more than five years and, hence, not exercising any renewal options.

c) Amounts recognised in the statement of financial position and profit or loss

IFRS 16.53

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

	Right-of-use assets			Total	Lease liabilities
	Plant and machinery	Motor vehicles	Other equipment		
	€000	€000	€000	€000	€000
As at 31 December 2018	1,488	606	567	2,661	2,788
Additions (Note 5)	324	88	56	468	452
Depreciation expense	(106)	(64)	(54)	(224)	–
Interest expense	–	–	–	–	89
Payments	–	–	–	–	(312)
As at 30 June 2019	1,706	630	569	2,905	3,017

The Group recognised rent expense from short-term leases of €22,000, leases of low-value assets of €18,000 and variable lease payments of €32,000 for the six months ended 30 June 2019.

Appendix: Alternative method of adopting IFRS 16 Leases

Note 2.2. New standards, interpretations and amendments adopted by the Group *continued*

Commentary

IFRS 16 has detailed disclosure requirements, including the format of disclosures in a full-set of financial statements. The following list includes some of the information that is required to be disclosed by a lessee, which users of the financial statements identified as being most useful to their analysis:

- ▶ Carrying amount of right-of-use assets and depreciation charge for those
- ▶ Assets, split by class of underlying asset
- ▶ Interest expense on lease liabilities
- ▶ Short-term lease expense for such leases with a lease term greater than one month
- ▶ Low-value asset lease expense (except for portions related to short-term leases)
- ▶ Variable lease expense (i.e., for variable lease payments not included in the lease liability)
- ▶ Income from subleasing right-of-use assets
- ▶ Total cash outflow for leases
- ▶ Additions to right-of-use assets
- ▶ Gains and losses arising from sale and leaseback transactions
- ▶ Carrying amount of right-of-use assets at the end of the reporting period by class of underlying asset

Under IAS 34.15, an entity is required to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the previous annual reporting period to provide an update of the relevant information included in the financial statements of the previous year. Therefore, some of the above information may need to be disclosed in the interim financial statements, if material. For example, material additions to right-of-use assets and lease liabilities during the interim period would need to be disclosed. The Group provided most of the above information for illustrative purposes. Entities would need to exercise judgement on the extent of the information to be disclosed, which would depend on the relevance and materiality of the amounts involved.

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