Good Group (International) Limited

International GAAP®

Illustrative financial statements for the year ended 31 December 2012

Based on International Financial Reporting Standards in issue at 30 September 2012

Ernst & Young
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Abbreviations and key

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

IAS 33.41	International Accounting Standard No. 33, paragraph 41
IAS 1.BC13	International Accounting Standard No. 1, Basis for Conclusions, paragraph 13
IFRS 2.44	International Financial Reporting Standard No. 2, paragraph 44
SIC 29.6	Standing Interpretations Committee Interpretation No. 29, paragraph 6
IFRIC 4.6	IFRS Interpretations Committee (formerly IFRIC) Interpretation No. 4, paragraph 6
IAS 39.IG.G.2	IAS 39 *Financial Instruments: Recognition and Measurement* — Guidance on Implementing IAS 39 Section G: Other, paragraph G.2
IAS 39.AG71	IAS 39 *Financial Instruments: Recognition and Measurement* — Appendix A — Application Guidance, paragraph AG71
ISA 700.25	International Standard on Auditing No. 700, paragraph 25
Commentary	The commentary explains how the requirements of IFRS have been implemented in arriving at the illustrative disclosure.
GAAP	Generally Accepted Accounting Principles/Practice
IASB	International Accounting Standards Board
Interpretations Committee	IFRS Interpretations Committee (formerly International Financial Reporting Interpretations Committee (IFRIC))
SIC	Standing Interpretations Committee

Introduction

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

Objective

This set of illustrative financial statements is one of many prepared by Ernst & Young to assist you in preparing your own financial statements. The illustration intends 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 merely for illustrative purposes even though they may be regarded as items or transactions that are not material for Good Group. As a general rule, these illustrative financial statements do not early adopt standards or amendments before their effective date. Users of this publication are encouraged to prepare entity-specific disclosures while these illustrative statements may serve as a useful reference. 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.

This publication is not intended to reflect disclosure requirements that apply mainly to regulated or specialised industries. 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 - *Illustrative interim condensed consolidated financial statements*
- Good First-time Adopter (International) Limited
- Good Bank (International) Limited
- Good Insurance (International) Limited
- Good Investment Fund Limited (Equity)
- Good Investment Fund Limited (Liability)
- Good Real Estate Group (International) Limited
- Good Construction Group (International) Limited
- Good Mining (International) Limited
- Good Petroleum (International) Limited
- Good SME Limited (New)

Notations shown on the right hand margin of each page are references to IFRS paragraphs that describe the specific disclosure requirements. Commentaries are provided to explain the basis for the disclosure or to address alternative disclosures not included in the illustrative financial statements. 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.

International Financial Reporting Standards

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

International Accounting Standards Boards (IASB)

The IASB is the independent standard-setting body of the IFRS Foundation (an independent, not-for-profit private sector organisation working in the public interest). The IASB members (currently 15 full-time members) are responsible for the development and publication of IFRSs, including IFRS for Small and Medium Entities, and for approving Interpretations of IFRS as developed by the IFRS Interpretations Committee. In fulfilling its standard-setting duties, the IASB follows a due process, of which the publication of consultative documents, such as discussion papers and exposure drafts, for public comment is an important component.

The IFRS Interpretations Committee (Interpretations Committee)

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

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

IFRS as at 30 September 2012

The standards applied in these illustrative financial statements are the versions that were in issue as at 30 September 2012 and effective for annual periods beginning on or before 1 January 2012. Standards issued, but not yet effective, as at 1 January 2012 have not been early adopted in these illustrative financial statements.

IFRS are illustrated across our various illustrative financial statements, as follows:

		Good Group	Good Group Interim	Good First-time Adopter	Good Bank	Good Insurance	Good Investment Fund (Equity and Liability)	Good Real Estate	Good Construction	Good Mining	Good Petroleum
International Financial Reporting Standards (IFRS)											
IFRS 1	*First-time Adoption of International Financial Reporting Standards*			✓		✓			✓		✓
IFRS 2	*Share-based Payment*	✓	✓	✓	✓	✓		✓	✓		
IFRS 3	*Business Combinations (Revised in 2008)*	✓	✓	✓		✓		✓	✓	✓	✓
IFRS 4	*Insurance Contracts*					✓					
IFRS 5	*Non-current Assets Held for Sale and Discontinued Operations*	✓	✓	✓				✓	✓		
IFRS 6	*Exploration for and Evaluation of Mineral Resources*									✓	✓
IFRS 7	*Financial Instruments: Disclosures*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
IFRS 8	*Operating Segments*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
IFRS 9	*Financial Instruments*										
IFRS 10	*Consolidated Financial Statements*										
IFRS 11	*Joint Arrangements*										
IFRS 12	*Disclosure of Interests in Other Entities*										
IFRS 13	*Fair Value Measurement*										

		Good Group	Good Group Interim	Good First-time Adopter	Good Bank	Good Insurance	Good Investment	Good Real Estate	Good Construction	Good Mining	Good Petroleum
International Accounting Standards (IAS)											
IAS 1	*Presentation of Financial Statements*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
IAS 2	*Inventories*	✓	✓	✓				✓	✓	✓	✓
IAS 7	*Statement of Cash Flows*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
IAS 8	*Accounting Policies, Changes in Accounting Estimates and Errors*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
IAS 10	*Events after the Reporting Period*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
IAS 11	*Construction Contracts*							✓	✓		
IAS 12	*Income Taxes*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
IAS 16	*Property, Plant and Equipment*	✓		✓	✓	✓		✓	✓	✓	✓
IAS 17	*Leases*	✓	✓	✓	✓	✓		✓	✓	✓	✓
IAS 18	*Revenue*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
IAS 19	*Employee Benefits*	✓	✓	✓	✓	✓			✓	✓	✓
IAS 20	*Accounting for Government Grants and Disclosure of Government Assistance*	✓	✓	✓					✓		
IAS 21	*The Effects of Changes in Foreign Exchange Rates*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
IAS 23	*Borrowing Costs*	✓	✓	✓		✓		✓	✓	✓	✓
IAS 24	*Related Party Disclosures*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
IAS 26	*Accounting and Reporting by Retirement Benefit Plans*										
IAS 27	*Consolidated and Separate Financial Statements (Revised in 2008)*	✓	✓	✓	✓	✓		✓	✓	✓	✓
IAS 28	*Investments in Associates*	✓	✓	✓		✓		✓	✓		
IAS 29	*Financial Reporting in Hyperinflationary Economies*										
IAS 31	*Interests in Joint Ventures*	✓	✓	✓				✓	✓	✓	✓
IAS 32	*Financial Instruments: Presentation*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
IAS 33	*Earnings per Share*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
IAS 34	*Interim Financial Reporting*		✓								
IAS 36	*Impairment of Assets*	✓	✓	✓		✓		✓	✓	✓	✓
IAS 37	*Provisions, Contingent Liabilities and Contingent Assets*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
IAS 38	*Intangible Assets*	✓	✓	✓	✓	✓		✓	✓	✓	✓
IAS 39	*Financial Instruments: Recognition and Measurement*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
IAS 40	*Investment Property*	✓	✓	✓		✓		✓			
IAS 41	*Agriculture*										

		Good Group	Good Group Interim	Good First-time Adopter	Good Bank	Good Insurance	Good Investment	Good Real Estate	Good Construction	Good Mining	Good Petroleum
Interpretations											
IFRIC 1	*Changes in Existing Decommissioning, Restoration and Similar Liabilities*	✓	✓	✓						✓	✓
IFRIC 2	*Members' Shares in Co–operative Entities and Similar Instruments*										
IFRIC 4	*Determining whether an Arrangement contains a Lease*	✓	✓	✓						✓	✓
IFRIC 5	*Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*		✓							✓	✓
IFRIC 6	*Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment*	✓	✓	✓							
IFRIC 7	*Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies*										
IFRIC 9	*Reassessment of Embedded Derivatives*	✓	✓			✓					
IFRIC 10	*Interim Financial Reporting and Impairment*	✓	✓								
IFRIC 12	*Service Concession Arrangements*								✓		
IFRIC 13	*Customer Loyalty Programmes*	✓	✓	✓							
IFRIC 14	*IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*	✓	✓	✓	✓						
IFRIC 15	*Agreements for the Construction of Real Estate*							✓	✓		
IFRIC 16	*Hedges of a Net Investment in a Foreign Operation*	✓	✓	✓							
IFRIC 17	*Distributions of Non-cash Assets to Owners*			✓							
IFRIC 18	*Transfers of Assets from Customers*	✓	✓	✓							
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*		✓								
SIC 7	*Introduction of the Euro*										
SIC 10	*Government Assistance – No Specific Relation to Operating Activities*										
SIC 12	*Consolidation – Special Purpose Entities*	✓	✓	✓	✓						
SIC 13	*Jointly Controlled Entities – Non-Monetary Contributions by Venturers*	✓	✓	✓							
SIC 15	*Operating Leases – Incentives*	✓	✓	✓				✓			
SIC 21	*Income Taxes – Recovery of Revalued Non-Depreciable Assets*	✓	✓	✓				✓			
SIC 25	*Income Taxes – Changes in the Tax Status of an Entity or its Shareholders*			✓							
SIC 27	*Evaluating the Substance of Transactions Involving the Legal Form of a Lease*	✓	✓	✓							
SIC 29	*Service Concession Arrangements: Disclosures*								✓		
SIC 31	*Revenue – Barter Transactions Involving Advertising Services*										
SIC 32	*Intangible Assets – Web Site Costs*										

✓ This standard or interpretation is incorporated into these illustrative financial statements.

All standards and interpretations listed above incorporate all amendments effective on or before 1 January 2012, unless otherwise stated.

It is important to note that the IASB may issue new or revised standards and interpretations subsequent to 30 September 2012. Therefore, users of this publication are advised to verify that there has been no change in the IFRS requirements between 30 September 2012 and the date on which their financial statements are authorised for issue. In accordance with paragraph 30 in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, specific disclosure requirements apply for standards and interpretations issued but not yet effective (see Note 4 of these illustrative financial statements).

Changes in the 2012 edition of *Good Group (International) Limited* Annual Financial Statements

The standards and interpretations listed below became effective for annual periods since 30 September 2011. While the list of new standards is provided, not all of these new standards will have an impact on these illustrative financial statements. To the extent these illustrative financial statements have changed since the 2011 edition due to changes in standards and interpretations, then we have indicated what was changed.

IAS 12 *Income Taxes — Recovery of Underlying Assets* (Amendment)

The amendment clarifies the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 should always be measured on a sale basis of the assets. The amendment is effective for annual periods beginning on or after 1 January 2012. This amendment did not have an impact on Good Group's financial position, performance or its disclosures.

IFRS 7 *Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements* (Amendment)

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with their associated liabilities. In addition, the amendment requires disclosures about the entity´s continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, such involvement. The amendment is effective for annual periods beginning on or after 1 July 2011. The amendment did not have an impact on the Good Group's financial position, performance or its disclosures.

IFRS 1 — *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* (Amendment)

When an entity's date of transition to IFRS is on or after the functional currency normalisation date, the entity may elect to measure all assets and liabilities held before the functional currency normalisation date, at fair value on the date of transition to IFRS. This fair value may be used as the deemed cost of those assets and liabilities in the opening IFRS statement of financial position. However, this exemption may only be applied to assets and liabilities that were subject to severe hyperinflation. The amendment is effective for annual periods beginning on or after 1 July 2011 with early adoption permitted. This amendment did not have an impact on the Good Group's financial position, performance or its disclosures.

Other changes introduced in this edition
In the 2012 edition, the Group illustrates a transaction with a client under the scope of IFRIC 18 *Transfers of Assets from Customers,* which is explained in Note 2.3 (i), Summary of significant accounting policies, and in Note 13, Property, plant and equipment.

Impairment disclosures in the 2012 edition

In the current economic environment, disclosures relating to impairment are increasingly sensitive. Therefore, impairment disclosures are summarised in the following notes:

- Accounting policy disclosures — Note 2.3
- Disclosures for significant assumptions — Note 3
- Property, plant and equipment — Note 13
- Intangible assets — Note 15
- Other financial assets — Note 16
- Goodwill and intangible assets with indefinite lives — Note 17
- Trade receivables — Note 19

Allowed alternative treatments

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

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

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

Financial review by management

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

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

Good Group (International) Limited

Consolidated Financial Statements

31 December 2012

Independent auditors' report to the shareholders of Good Group (International) Limited

We have audited the accompanying consolidated financial statements of Good Group (International) Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2012, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Professional Accountants & Co.

28 January 2013

17 Euroville High Street

Euroville

Commentary

The auditors' report has been prepared in accordance with ISA 700 (Redrafted) *Forming an Opinion and Reporting on Financial Statements* which is applicable for audits of financial statements for periods beginning on or after 15 December 2009. The auditors' report may differ depending on the requirements of the relevant jurisdiction.

Consolidated income statement

for the year ended 31 December 2012

	Notes	2012 €000	2011 Restated* €000	IAS 1.12 IAS 1.81(b) IAS 1.51(b)(c) IAS 8.28 IAS 1.51(d)(e)
Continuing operations				
Sale of goods		190,599	172,864	IAS 18.35(b)(i)
Rendering of services		17,131	16,537	IAS 18.35(b)(ii)
Revenue from redemption of *GoodPoints*	25	1,375	1,125	IAS 18.35(b)(ii)
Rental income	14	1,404	1,377	IAS 18.35(b)(ii)
Revenue		**210,509**	**191,903**	IAS 1.82(a)
Cost of sales		(163,691)	(155,268)	IAS 1.103
Gross profit		**46,818**	**36,635**	IAS 1.85, IAS 1.103
Other operating income	9.1	1,585	2,548	IAS 1.103
Selling and distribution expenses		(14,000)	(13,002)	IAS 1.103
Administrative expenses		(19,746)	(13,482)	IAS 1.103
Other operating expenses	9.2	(1,153)	(706)	IAS 1.103
Operating profit		**13,504**	**11,993**	IAS 1.85, IAS 1.BC55-56
Finance costs	9.3	(2,868)	(1,223)	IAS 1.82(b), IFRS 7.20
Finance income	9.4	1,186	211	IAS 1.82(a)
Share of profit of an associate	7	83	81	IAS 1.82(c), IAS 28.38
Profit before tax from continuing operations		**11,905**	**11,062**	IAS 1.85
Income tax expense	10	(3,893)	(3,432)	IAS 1.82(d), IAS 12.77
Profit for the year from continuing operations		**8,012**	**7,630**	IAS 1.85
Discontinued operations				
Profit/(loss) after tax for the year from discontinued operations	11	220	(188)	IAS 1.82(e), IFRS 5.33(a)
Profit for the year		**8,232**	**7,442**	IAS 1.82(f)
Attributable to:				
Equity holders of the parent		7,944	7,203	IAS 1.83(a)(ii)
Non-controlling interests		288	239	IAS 1.83(a)(i), IAS 27.28
		8,232	**7,442**	
Earnings per share	12			IAS 33.66
▶ Basic, profit for the year attributable to ordinary equity holders of the parent		€0.38	€0.38	
▶ Diluted, profit for the year attributable to ordinary equity holders of the parent		€0.38	€0.37	
Earnings per share for continuing operations				
▶ Basic, profit from continuing operations attributable to ordinary equity holders of the parent		€0.37	€0.39	
▶ Diluted, profit from continuing operations attributable to ordinary equity holders of the parent		€0.37	€0.38	

* Certain amounts shown here do not correspond to the 2011 financial statements and reflect adjustments made as detailed in Note 2.4.

Commentary

Paragraph 10 of IAS 1 suggests titles for the primary financial statements, such as 'statement of comprehensive income' or 'statement of financial position'. Entities are however permitted to use other titles, such as 'income statement' or 'balance sheet'. The Group applies the titles suggested in IAS 1.

IAS 1.82(a) requires disclosure of total revenue as a line item on the face of the income statement. The Group has elected to present the various types of revenues on the face of the income statement. Note that this information could also be presented in the notes.

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

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

There is no specific requirement to identify restatements to prior period financial statements on the face of the financial statements. IAS 8 requires details to be provided only in the notes. The Group illustrates how an entity may supplement the requirements of IAS 8 so that it is clear to the reader that amounts in the prior period financial statements have been adjusted in comparative period(s) of the current period financial statements.

IAS 33.68 requires presentation of basic and diluted earnings per share for discontinued operations either on the face of the income statement 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 11 and to show the earnings per share information for continuing operations on the face of the income statement.

Consolidated statement of comprehensive income

for the year ended 31 December 2012

	Notes	2012 €000	2011 Restated* €000	
				IAS 1.51(b)(c)
				IAS 1.81(b)
				IAS 8.28
				IAS 1.51(d)(e)
Profit for the year		**8,232**	**7,442**	*IAS 1.82(f)*
Other comprehensive income				*IAS 1.82(g)*
Net gain on hedge of a net investment		278	–	
Income tax effect		(83)	–	*IAS 1.90*
		195	**–**	
Exchange differences on translation of foreign operations		(246)	(117)	
Income tax effect		–	–	*IAS 12.61A*
		(246)	**(117)**	
Net movement on cash flow hedges	9.8	(732)	33	
Income tax effect		220	(9)	*IAS 1.90*
		(512)	**24**	
Net (loss)/gain on available-for-sale financial assets	9.8	(59)	3	
Income tax effect		17	(1)	*IAS 1.90*
		(42)	**2**	
Actuarial gains (losses) on defined benefit plans	26	311	(401)	*IAS 19.93B*
Income tax effect		(94)	120	*IAS 1.90*
		217	**(281)**	
Revaluation of land and buildings	13	846	–	
Income tax effect		(254)	–	*IAS 1.90*
		592	**–**	
Other comprehensive income (loss) for the year, net of tax		**204**	**(372)**	*IAS 1.85*
Total comprehensive income for the year, net of tax		**8,436**	**7,070**	*IAS 1.82(i)*
Attributable to:				
Equity holders of the parent		8,148	6,831	*IAS 1.83(b)(ii)*
Non-controlling interests		288	239	*IAS 1.83(b)(i)* *IAS 27.27*
		8,436	**7,070**	

* Certain amounts shown here do not correspond to the 2011 financial statements and reflect adjustments made as detailed in Note 2.4.

Commentary

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

The different components of comprehensive income are presented on a net basis in the statement above. Therefore, an additional note is required to present the amount of reclassification adjustments and current year gains or losses (see Note 9.8). Alternatively, the individual components could have been presented within the statement of comprehensive income.

The Group has elected to present the income tax effects gross on an individual basis, therefore, no additional note disclosure is required.

The Group voluntarily changed its accounting policy to apply IAS 19.93A to recognise all actuarial gains and losses in the period in which they occur in other comprehensive income. Actuarial gains and losses recognised in other comprehensive income are recognised immediately in retained earnings and are not reclassified to profit or loss (see IAS 1.96 and IAS 19.93D).

Consolidated statement of financial position

as at 31 December 2012

	Notes	2012 €000	2011 Restated* €000	As at 1 January 2011 Restated* €000	IAS 1.10(a) IAS 1.10(f) IAS 1.51(b)(c) IAS 8.28 IAS 1.51(d)(e)
Assets					
Non-current assets					IAS 1.60, IAS 1.66
Property, plant and equipment	13	34,411	25,811	20,385	IAS 1.54(a)
Investment properties	14	8,893	7,983	7,091	IAS 1.54(b)
Intangible assets	15	6,019	2,461	2,114	IAS 1.54(c)
Investment in an associate	7	764	681	600	IAS 1.54(e), IAS 28.38
Other non-current financial assets	16	6,425	3,491	3,269	IAS 1.54(d), IFRS 7.8
Deferred tax assets	10	383	365	321	IAS 1.54(o), IAS 1.56
		56,895	40,792	33,780	
Current assets					IAS 1.60, IAS 1.66
Inventories	18	24,875	25,489	27,151	IAS 1.54(g)
Trade and other receivables	19	27,672	24,290	25,537	IAS 1.54(h), IFRS 7.8(c)
Prepayments		244	165	226	IAS 1.55
Other current financial assets	16	551	153	137	IAS 1.54(d), IFRS 7.8
Cash and short-term deposits	20	17,112	14,916	11,066	IAS 1.54(i)
		70,454	65,013	64,117	
Assets classified as held for sale	11	13,554	–	–	IAS 1.54(j), IFRS 5.38
		84,008	65,013	64,117	
Total assets		**140,903**	**105,805**	**97,897**	
Equity and liabilities					
Equity					IAS 1.54(r)
Issued capital	21	21,888	19,388	19,388	IAS 1.54(r), IAS 1.78(e)
Share premium	21	4,780	80	–	IAS 1.54(r), IAS 1.78(e)
Treasury shares	21	(508)	(654)	(774)	IAS 1.54(r), IAS 1.78(e)
Other capital reserves	21	1,171	864	566	IAS 1.54(r), IAS 1.78(e)
Retained earnings		35,351	29,272	23,950	IAS 1.54(r), IAS 1.78(e)
Other components of equity		(651)	(512)	(421)	IAS 1.54(r), IAS 1.78(e)
Reserves of a disposal group classified as held for sale	11	46	–	–	IAS 1.54(p)
Equity attributable to equity holders of the parent		**62,077**	**48,438**	**42,709**	
Non-controlling interests		2,410	740	208	IAS 1.54(q), IAS 27.27
Total equity		**64,487**	**49,178**	**42,917**	
Non-current liabilities					IAS 1.60, IAS 1.69
Interest-bearing loans and borrowings	16	20,856	22,203	19,436	IAS 1.54(m)
Other non-current financial liabilities	16	806	–	–	IAS 1.54(m), IFRS 7.8
Provisions	23	1,950	77	60	IAS 1.54(l)
Government grants	24	3,300	1,400	1,300	IAS 20.24
Deferred revenue	25	196	165	174	IAS 1.55
Employee benefit liability	26	2,622	2,494	2,074	IAS 1.55, IAS 1.78(d)
Other liabilities		263	232	212	IAS 1.55
Deferred tax liabilities	10	3,060	1,235	1,261	IAS 1.54(o), IAS 1.56
		33,053	27,806	24,517	
Current liabilities					IAS 1.60, IAS 1.69
Trade and other payables	28	19,556	21,281	20,600	IAS 1.54(k)
Interest-bearing loans and borrowings	16	2,460	2,775	4,555	IAS 1.54(m), IFRS 7.8(f)
Other current financial liabilities	16	3,040	303	303	IAS 1.54(m), IFRS 7.8
Government grants	24	149	151	150	IAS 1.55, IAS 20.24
Deferred revenue	25	220	200	190	IAS 1.55
Income tax payable		3,963	4,013	4,625	IAS 1.54(n)
Provisions	23	850	98	40	IAS 1.54(l)
		30,238	28,821	30,463	
Liabilities directly associated with the assets classified as held for sale	11	13,125	–	–	IAS 1.54(p), IFRS 5.38
		43,363	28,821	30,463	
Total liabilities		**76,416**	**56,627**	**54,980**	
Total equity and liabilities		**140,903**	**105,805**	**97,897**	

* Certain amounts shown here do not correspond to the 2011 financial statements and reflect adjustments made as detailed in Note 2.4 and Note 5.

Commentary

IAS 1 requires an entity to present a statement of financial position at the beginning of the earliest comparative period when it applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements (IAS 1.10(f)). In these situations, IAS 1.39 states that an entity must present, at a minimum, three statements of financial position, two of each of the other statements and the related notes. As the Group voluntarily changed its accounting policy with respect to the recognition of actuarial gains and losses (IAS 19.93A) and applied that change retrospectively in accordance with IAS 8, the Group has also included a statement of financial position as at 1 January 2011. IAS 1.39 also requires 'related notes', and we believe this should include, at a minimum, those notes that were affected by the restatement. Identifying related notes requires judgement to be applied by management. The Group provides a full set of notes for the opening statement of financial position, rather than just for the amended amounts related to employee benefits. The Annual Improvements cycle 2009-11, effective 1 January 2013, clarifies that the opening statement of financial position does not have to be accompanied by corresponding comparatives in the notes. However, this is considered an amendment of the standard and is therefore not applicable in the Group's 2012 financial statements.

There is no specific requirement to identify adjustments made retrospectively on the face of the financial statements. IAS 8 requires details to be given only in the notes. The Group illustrates how an entity may supplement the requirements of IAS 8 so that it is clear to the reader that adjustments to the amounts in prior financial statements have been reflected in the comparative periods as presented in the current period financial statements.

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

Consolidated statement of changes in equity

for the year ended 31 December 2012

	Attributable to the equity holders of the parent													
	Issued capital (Note 21)	Share premium (Note 21)	Treasury shares (Note 21)	Other capital reserves (Note 21)	Retained earnings	Cash flow hedge reserve (Note 21)	Available-for-sale reserve (Note 21)	Foreign currency translation reserve (Note 21)	Asset revaluation reserve (Note 21)	Discontinued operations (Note 11)	Total	Non-controlling interests	Total equity	*IAS 1.10(c)* *IAS 1.51(b)(c)* *IAS 1.106(d)*
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	*IAS 1.51(d)(e)*
As at 1 January 2012	**19,388**	**80**	**(654)**	**864**	**29,272**	**(70)**	**2**	**(444)**	**–**	**–**	**48,438**	**740**	**49,178**	
Profit for the period	–	–	–	–	7,944	–	–	–	–	–	7,944	288	8,232	*IAS 1.106(d)(i)*
Other comprehensive income	–	–	–	–	217	(512)	(42)	(51)	592	–	204	–	204	*IAS 1.106(d)(ii)*
Total comprehensive income	–	–	–	–	8,161	(512)	(42)	(51)	592	–	8,148	288	8,436	*IAS 1.106(a)*
Depreciation transfer for land and buildings	–	–	–	–	80	–	–	–	(80)	–	–	–	–	*IAS 1.96*
Discontinued operations (Note 11)	–	–	–	–	–	–	(46)	–	–	46	–	–	–	*IFRS 5.38*
Issue of share capital (Note 21)	2,500	4,703	–	–	–	–	–	–	–	–	7,203	–	7,203	*IAS 1.106(d)(iii)*
Exercise of options (Note 21)	–	29	146	–	–	–	–	–	–	–	175	–	175	*IAS 1.106(d)(iii)*
Share-based payments (Note 27)	–	–	–	307	–	–	–	–	–	–	307	–	307	*IAS 1.106(d)(iii)* *IFRS 2.50*
Transaction costs (Note 5)	–	(32)	–	–	–	–	–	–	–	–	(32)	–	(32)	*IAS 32.39*
Dividends (Note 22)	–	–	–	–	(1,972)	–	–	–	–	–	(1,972)	(30)	(2,002)	*IAS 1.107*
Acquisition of a subsidiary (Note 5)	–	–	–	–	–	–	–	–	–	–	–	1,547	1,547	*IAS 1.106(d)(iii)*
Acquisition of non-controlling interests (Note 5)	–	–	–	–	(190)	–	–	–	–	–	(190)	(135)	(325)	*IAS 1.106(d)(iii)*
At 31 December 2012	**21,888**	**4,780**	**(508)**	**1,171**	**35,351**	**(582)**	**(86)**	**(495)**	**512**	**46**	**62,077**	**2,410**	**64,487**	

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 does not specify where in equity this should be recognised. The Group has chosen to recognise the credit in other capital reserves. The Group provided treasury shares to employees exercising share options and elected to recognise the excess of cash received over the acquisition cost of those treasury shares in share premium. In some jurisdictions, it is common to transfer other capital reserves to share premium or retained earnings when the share options are exercised or expire. The Group has elected to continue to present other capital reserves separately.

The acquisition of an additional ownership interest in a subsidiary without a change of control is accounted for as an equity transaction in accordance with IAS 27. Any excess or deficit of consideration paid over the carrying amount of the non-controlling interest is recognised in equity of the parent in transactions where the non-controlling interest is acquired or sold without loss of control. The Group has elected to recognise this effect in retained earnings. With respect to the subsidiary to which this non-controlling interest relates, there were no accumulated components recognised in other comprehensive income. If there had been such components, those would have been reallocated within equity of the parent (e.g., foreign currency translation reserve, available-for-sale reserve).

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

The Group changed its accounting policy, and recognises actuarial gains and losses arising on defined benefit pension plans in other comprehensive income. As they will never be reclassified into profit or loss, they are immediately recorded in retained earnings (refer to the statement of comprehensive income). The standard thereby indicates no separate presentation of those components in the statement of changes in equity.

Consolidated statement of changes in equity

for the year ended 31 December 2011 Restated*

	Attributable to the equity holders of the parent											
	Issued capital (Note 21)	Share premium (Note 21)	Treasury shares (Note 21)	Other capital reserves (Note 21)	Retained earnings	Cash flow hedge reserve (Note 21)	Available-for-sale reserve (Note 21)	Foreign currency translation reserve (Note 21)	Total	Non-controlling interests	Total equity	*IAS 1.10(c)* *IAS 1.51(b)(c)* *IAS 8.28* *IAS 1.106(d)*
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	*IAS 1.51(d)(e)*
As at 1 January 2011	**19,388**	–	**(774)**	**566**	**24,956**	**(94)**	**–**	**(327)**	**43,715**	**208**	**43,923**	
Changes in accounting policies (Note 2.4)	–	–	–	–	(1,006)	–	–	–	(1,006)	–	(1,006)	*IAS 1.106(b)*
As at 1 January 2011 (restated*)	19,388	–	(774)	566	23,950	(94)	–	(327)	42,709	208	42,917	
Profit for the period	–	–	–	–	7,203	–	–	–	7,203	239	7,442	*IAS 1.106(d)(i)*
Other comprehensive income	–	–	–	–	(281)	24	2	(117)	(372)	–	(372)	*IAS 1.106(d)(ii)*
Total comprehensive income	–	–	–	–	6,922	24	2	(117)	6,831	239	7,070	*IAS 1.106(a)*
Exercise of options (Note 21)	–	80	120	–	–	–	–	–	200	–	200	*IAS 1.106(d)(iii)*
Share-based payments (Note 27)	–	–	–	298	–	–	–	–	298	–	298	*IAS 1.106(d)(iii)* *IFRS 2.50*
Dividends (Note 22)	–	–	–	–	(1,600)	–	–	–	(1,600)	(49)	(1,649)	*IAS 1.107*
Non-controlling interest arising on a business combination (Note 5)	–	–	–	–	–	–	–	–	–	342	342	*IAS 1.106(d)(iii)*
At 31 December 2011	**19,388**	**80**	**(654)**	**864**	**29,272**	**(70)**	**2**	**(444)**	**48,438**	**740**	**49,178**	

* Certain amounts shown here do not correspond to the 2011 financial statements and reflect adjustments made as detailed in Note 2.4.

Consolidated statement of cash flows

for the year ended 31 December 2012

	Notes	2012 €000	2011 Restated* €000	IAS 1.51(b)(c) IAS 1.10(d) IAS 1.51(d)(e)
Operating activities				IAS 7.10, IAS 7.18(b)
Profit before tax from continuing operations		11,905	11,062	
Profit/(loss) before tax from discontinued operations	11	213	(193)	
Profit before tax		12,118	10,869	
Adjustments to reconcile profit before tax to net cash flows:				IAS 7.20(b)
Depreciation and impairment of property, plant and equipment	13	3,907	3,383	
Amortisation and impairment of intangible assets	15	325	174	
Contribution of property, plant and equipment by customers	13	(190)	(150)	
Share-based payment expense	27	412	492	
Decrease in investment properties	14	306	300	
Gain on disposal of property, plant and equipment	9.1	(532)	(2,007)	
Fair value adjustment of a contingent consideration	5	358	–	
Finance income	9.4	(1,186)	(211)	IAS 7.20(c)
Finance costs	9.3	2,868	1,223	IAS 7.20(c)
Share of profit of an associate	7	(83)	(81)	
Movements in provisions, pensions and government grants		(729)	107	
Working capital adjustments:				IAS 7.20(a)
Increase in trade and other receivables and prepayments		(8,705)	(2,730)	
Decrease in inventories		4,192	2,185	
Increase in trade and other payables		2,944	3,591	
Cash flows from operating activities		**16,005**	**17,145**	
Interest received		336	211	IAS 7.31
Interest paid		(586)	(1,126)	IAS 7.31
Income tax paid		(3,925)	(3,978)	IAS 7.35
Net cash flows from operating activities		**11,830**	**12,252**	
Investing activities				IAS 7.10, IAS 7.21
Proceeds from sale of property, plant and equipment		1,990	2,319	IAS 7.16(b)
Purchase of property, plant and equipment	13	(10,162)	(7,672)	IAS 7.16(a)
Purchase of investment properties	14	(1,216)	(1,192)	IAS 7.16(a)
Purchase of financial instruments		(3,060)	(225)	IAS 7.16(c)
Proceeds from sale of financial instruments		–	145	IAS 7.16(d)
Development expenditures	15	(587)	(390)	IAS 7.16(a)
Acquisition of a subsidiary, net of cash acquired	5	230	(1,450)	IAS 7.39
Receipt of government grants	24	2,951	642	
Net cash flows used in investing activities		**(9,854)**	**(7,823)**	
Financing activities				IAS 7.10, IAS 7.21
Proceeds from exercise of share options	21	175	200	IAS 7.17(a)
Acquisition of non-controlling interest	5	(325)	–	IAS 7.42A
Transaction costs on issue of shares	21	(32)	–	IAS 7.17(a)
Payment of finance lease liabilities		(51)	(76)	IAS 7.17(e)
Proceeds from borrowings		5,577	2,645	IAS 7.17(c)
Repayment of borrowings		(122)	(1,684)	IAS 7.17(d)
Dividends paid to equity holders of the parent	22	(1,972)	(1,600)	IAS 7.31
Dividends paid to non-controlling interests		(30)	(49)	IAS 7.31
Net cash flows from/(used in) financing activities		**3,220**	**(564)**	
Net increase in cash and cash equivalents		5,196	3,865	
Net foreign exchange difference		(22)	85	IAS 7.28
Cash and cash equivalents at 1 January	20	12,266	8,316	
Cash and cash equivalents at 31 December	20	**17,440**	**12,266**	IAS 7.45

* Certain amounts shown here do not correspond to the 2011 financial statements and reflect adjustments made as detailed in Note 2.4.

Commentary

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

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.

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

Certain working capital adjustments and other adjustments included in the accompanying statement of cash flows, reflect the change in balances between 2012 and 2011 including the 2012 balances of the discontinued operations grouped in the accounts 'Assets classified as held for sale' and 'Liabilities directly associated with the assets classified as held for sale'.

Notes to the consolidated financial statements

1. Corporate information

IAS 1.10(e)
IAS 1.51(b)(c)
IAS 1.138(a)

The consolidated financial statements of the Good Group (International) Limited and its subsidiaries (collectively, the Group) for the year ended 31 December 2012 were authorised for issue in accordance with a resolution of the directors on 28 January 2013. Good Group (International) Limited (the Company) is a limited company incorporated and domiciled in Euroland and whose shares are publicly traded. The registered office is located at Homefire House, Ashdown Square in Euroville.

IAS 10.17

IAS 1.138(b)

The Group is principally engaged in the provision of fire prevention and electronics equipment and services and the management of investment property (see Note 8). Information on the Groups ultimate parent is presented in Note 29.

IAS 1.138(c)

2.1 Basis of preparation

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

IAS 1.16

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

IAS 1.112(a)

IAS 1.117(a)

IAS 1.51(d)(e)

Commentary

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

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2012.

IAS 27.12

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

IAS 27.26
IAS 27.22
IAS 27.23
IAS 27.24
IAS 27.20

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if it results in a deficit balance.

IAS 27.28

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

IAS 27.30
IAS 27.34

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate

2.3 Summary of significant accounting policies

IAS 1.112
IAS 1.117(a)(b)

a) Business combinations and goodwill

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

IFRS 3.4
IFRS 3.18
IFRS 3.19
IFRS 3.53

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

IFRS 3.15
IFRS 3.16

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

IFRS 3.42

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

IFRS 3.39
IFRS 3.58

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognised in profit or loss.

IFRS 3.32

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

IFRS 3.54
IFRS 3.B63(a)
IAS 36.80

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

IAS 36.86

b) Interest in a joint venture

The Group has an interest in a joint venture, which is a jointly controlled entity, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The arrangement requires unanimous agreement for financial and operating decisions among the venturers. The Group recognises its interest in the joint venture using the proportionate consolidation method. The Group combines its proportionate share of each of the assets, liabilities, income and expenses of the joint venture with similar items, line by line, in its consolidated financial statements. The financial statements of the joint venture are prepared for the same reporting period as the Group. Adjustments are made, where necessary, to bring the accounting policies in line with those of the Group.

IAS 31.9
IAS 31.3
IAS 31.30
IAS 31.34

The Group's share of intra-group balances, transactions and unrealised gains and losses on such transactions between the Group and its joint venture are eliminated on consolidation. Losses on transactions are recognised immediately if there is evidence of a reduction in the net realisable value of current assets or an impairment loss. The joint venture is proportionately consolidated until the date on which the Group ceases to have joint control over the joint venture.

IAS 31.48

Upon loss of joint control, the Group measures and recognises its remaining investment at its fair value. The difference between the carrying amount of the investment upon loss of joint control and the fair value of the remaining investment and proceeds from disposal is recognised in profit or loss. When the remaining investment constitutes significant influence, it is accounted for as an investment in an associate.

IAS 31.45

2.3 Summary of significant accounting policies *continued*

Commentary

The Group accounts for its interest in the jointly controlled entity using proportionate consolidation. However, IAS 31 also permits jointly controlled entities to be recognised using the equity method.

If an entity chooses to recognise jointly controlled entities using the equity method, it is required to present its aggregate share of profit or loss from the jointly controlled entity on the face of its income statement. Also, the investment is presented as a non-current asset on the face of the statement of financial position.

c) Investment in an associate

IAS 28.6

The Group's investment in its associate, an entity in which the Group has significant influence, is accounted for using the equity method.

IAS 28.11
IAS 28.23

Under the equity method, the investment in the associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

IAS 28.39
IAS 28.22

The income statement reflects the Group's share of the results of operations of the associate. When there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

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

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

IAS 28.37(e)
IAS 28.26
IAS 28.31
IAS 28.33

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

IAS 28.18

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

d) Foreign currencies

IAS 1.51(d)
IAS 21.9

The Group's consolidated financial statements are presented in euros, which is also the parent company's functional currency. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and has elected to recycle the gain or loss that arises from using this method.

i) Transactions and balances

IAS 21.21
IAS 21.23(a)

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

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

IAS 21.28
IAS 21.32

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

IAS 21.23(b)
IAS 21.23(c)

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

IAS 21.30

2.3 Summary of significant accounting policies *continued*

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date. *IAS 21.47*

ii) Group companies

On consolidation, the assets and liabilities of foreign operations are translated into euros at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss. *IAS 21.39(a) IAS 21.39(b) IAS 21.39(c) IAS 21.48*

e) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The specific recognition criteria described below must also be met before revenue is recognised. *IAS 18.35(a) IAS 18.14 IAS 18.20 IAS 18.9*

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. *IAS 18.14(a)*

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

Consideration received is allocated between the electronic products sold and the points issued, with the consideration allocated to the points equal to their fair value. Fair value of the points is determined by applying a statistical analysis. The fair value of the points issued is deferred and recognised as revenue when the points are redeemed. *IFRIC 13.5 IFRIC 13.7*

Commentary

IAS 18 and IFRIC 13 do not prescribe an allocation method for multiple component sales. The Group's revenue recognition policy for sales, which includes the issuance of *GoodPoints,* is based on the fair value of the points issued. The Group could have based its revenue recognition policy on the relative fair values of the goods sold and the points issued.

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

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

Rendering of services

Revenue from the installation of fire extinguishers, fire prevention equipment and fire retardant fabrics is recognised by reference to the stage of completion. Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. When the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered. *IAS 18.20 IAS 18.26 IAS 18.20(c)*

2.3 Summary of significant accounting policies *continued*

Interest income

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available for sale, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the income statement. *IAS 18.30(a)*

Dividends

Revenue is recognised when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend. *IAS 18.30(c)*

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in revenue due to its operating nature. *IAS 17.50*

Plant and equipment received from customers

The Group receives transfers of moulds and other tools for its manufacturing process from customers. The Group assesses whether the transferred item meets the definition of an asset, and if so, recognises the transferred asset as property, plant and equipment. At initial recognition, its cost is measured at fair value, and a corresponding amount is recognised as revenue as the Group has no future performance obligations. *IFRIC 18.9* *IFRIC 18.11* *IFRIC 18.13*

f) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset. *IAS 20.7* *IAS 20.12* *IAS 20.26*

When the Group receives non-monetary grants, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset by equal annual instalments. When loans or similar assistance are provided by governments or related institutions, with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as a government grant. *IAS 20.23*

Commentary

IAS 20 permits two different ways of presenting a government grant relating to assets. It can, as done by the Group, be presented in the statement of financial position as deferred income, which is recognised as income on a systematic and rational basis over the useful life of the asset. Alternatively, it can reduce the carrying amount of the asset. The grant is then recognised as income over the useful life of a depreciable asset by way of a reduced depreciation charge. Whichever method is applied, no further disclosures are required.

g) Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income. *IAS 12.46*

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate. *IAS 12.61A(b)*

Deferred tax

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

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

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

2.3 Summary of significant accounting policies *continued*

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except: *IAS 12.34*

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. *IAS 12.56* *IAS 12.37*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. *IAS 12.47*

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity. *IAS 12.61A*

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority. *IAS 12.71*

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss. *IAS 12.68*

Sales tax

Expenses and assets are recognised net of the amount of sales tax, except: *IAS 18.8*

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

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

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

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. *IFRS 5.15* *IFRS 5.6* *IFRS 5.7* *IFRS 5.8*

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the income statement. *IFRS 5.33*

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale. *IFRS 5.25*

2.3 Summary of significant accounting policies *continued*

i) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to significant accounting judgements, estimates and assumptions (Note 3) and provisions (Note 23) for further information about the recorded decommissioning provision.

IAS 16.73(a)
IAS 16.30
IAS 16.15
IAS 16.16

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

IFRIC 18.11
IAS 16.24

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

IAS 16.73(a)
IAS 16.31

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

IAS 16.39
IAS 16.40

Commentary

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

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

IAS 16.41

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

IAS 16.73(b)
IAS 16.73(c)

- Buildings 15 to 20 years
- Plant and equipment 5 to 15 years

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

IAS 16.67
IAS 16.68
IAS 16.71

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

IAS 16.51

j) Leases

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

IFRIC 4.6
IFRIC 4.14

2.3 Summary of significant accounting policies *continued*

Group as a lessee

Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the income statement.

IAS 17.8
IAS 17.20
IAS 17.25

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

IAS 17.27

Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

IAS 17.33

Group as a lessor

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

IAS 17.8
IAS 17.52

k) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

IAS 23.8

l) Investment properties

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

IAS 40.20

IAS 40.33
IAS 40.75(a)
IAS 40.35

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

IAS 40.66
IAS 40.69

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

IAS 40.57
IAS 40.60
IAS 40.61

Commentary

The Group has elected to state land and buildings at revalued amount in accordance with IAS 16 and investment properties at fair value in accordance with IAS 40.

As an alternative, both IAS 16 and IAS 40 permit property, plant and equipment and investment properties to be carried at historical cost less provisions for depreciation and impairment. In these circumstances, disclosures about the cost basis and depreciation rates would be required. In addition, IAS 40 would require note disclosure about the fair value of any investment property recorded at cost. Therefore, companies would still need to determine the fair value.

2.3 Summary of significant accounting policies *continued*

m) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit and loss in the period in which the expenditure is incurred. *IAS 38.24 IAS 38.83 IAS 38.74 IAS 38.57*

The useful lives of intangible assets are assessed as either finite or indefinite. *IAS 38.88*

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement as the expense category that is consistent with the function of the intangible assets. *IAS 38.97 IAS 36.9 IAS 38.104 IAS 38.118*

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. *IAS 38.107 IAS 38.108 IAS 38.109*

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised. *IAS 38.113*

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate: *IAS 38.54 IAS 38.57*

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

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually. *IAS 38.74 IAS 36.10(a)*

Patents and licences

The Group made upfront payments to purchase patents and licences. The patents have been granted for a period of 10 years by the relevant government agency with the option of renewal at the end of this period. Licences for the use of intellectual property are granted for periods ranging between 5 and 10 years depending on the specific licences. The licences may be renewed at little or no cost to the Group. As a result, those licences are assessed as having an indefinite useful life. *IAS 38.122(a)*

2.3 Summary of significant accounting policies *continued*

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

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

IAS 38.118 (a)(b)

n) Financial instruments – initial recognition and subsequent measurement

i) Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

IFRS 7.21
IAS 39.9

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

IAS 39.43

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

IAS 39.9
IAS 39.38

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

IAS 39.9
IAS 39.46

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the income statement.

IAS 39.AG14
IAS 39.55(a)

Financial assets designated upon initial recognition at fair value through profit or loss are designated at their initial recognition date and only if the criteria under IAS 39 are satisfied. The Group has not designated any financial assets at fair value through profit or loss.

The Group evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Group may elect to reclassify them. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, as these instruments cannot be reclassified after initial recognition.

IAS 39.50-50D

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

IAS 39.10
IAS 39.11

2.3 Summary of significant accounting policies *continued*

Loans and receivables

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

IAS 39.9
IAS 39.46(a)
IAS 39.56

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs. The Group did not have any held-to-maturity investments during the years ended 31 December 2012 and 2011.

IAS 39.9
IAS 39.56
IAS 39.46(b)

Available-for-sale financial investments

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

IAS 39.9
IAS 39.46
IAS 39.55(b)
IAS 39.67

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

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held to maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

IAS 39.50E
IAS 39.50F

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

IAS 39.50F
IAS 39.54

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

IFRS 7.21

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

IAS 39.17(a)
IAS 39.18(b)

2.3 Summary of significant accounting policies *continued*

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

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

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

IAS 39.30(a)

ii) Impairment of financial assets

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

IAS 39.58
IAS 39.59
IFRS 7.B5(f)

Financial assets carried at amortised cost

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

IAS 39.63
IAS 39.64

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

IAS 39.AG84
IFRS 7.16
IFRS 7.B5(d)(i)
IFRS 7.B5(d)(ii)
IAS 39.65

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

IAS 39.AG93
IAS 39.65

Available for sale financial investments

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

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

IAS 39.61
IAS 39.67
IAS 39.69

2.3 Summary of significant accounting policies *continued*

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement. *IFRS 7.16* *IAS 39.AG93*

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement. *IAS 39.70*

iii) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. *IFRS 7.21* *IAS 39.43*

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. *IAS 39.9* *IAS 39.47(a)*

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

Gains or losses on liabilities held for trading are recognised in the income statement. *IAS 39.55(a)*

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IAS 39 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss. *IAS 39.56*

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. *IAS 39.47* *IAS 39.55(a)*

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the income statement. *IAS 39.9*

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation. *IAS 39.47(c)* *IAS 39.9* *IAS 39.14* *IAS 37.36*

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. *IAS 39.39*

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement. *IAS 39.41* *IAS 39.40*

2.3 Summary of significant accounting policies *continued*

iv) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously. *IAS 32.42*

v) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. *IAS 39.48A IFRS 7.27*

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions
- Reference to the current fair value of another instrument that is substantially the same
- A discounted cash flow analysis or other valuation models

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 16.

o) Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, interest rate swaps and forward commodity contracts, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. *IAS 39.43 IFRS 7.21*

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

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

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

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

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated. *IAS 39.55(a) IAS 39.88*

2.3 Summary of significant accounting policies *continued*

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

Fair value hedges

The change in the fair value of a hedging derivative is recognised in the income statement as finance costs. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the income statement as finance costs. *IAS 39.89*

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

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

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

The Group has an interest rate swap that is used as a hedge for the exposure of changes in the fair value of its 8.25% fixed rate secured loan. See Note 16 for more details.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the income statement as other operating expenses. *IAS 39.95*

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments, as well as forward commodity contracts for its exposure to volatility in the commodity prices. The ineffective portion relating to foreign currency contracts is recognised in finance costs and the ineffective portion relating to commodity contracts is recognised in other operating income. Refer to Note 16 for more details.

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

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity is transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss. *IAS 39.101*

Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the income statement. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the income statement. *IAS 39.102*

The Group uses a loan as a hedge of its exposure to foreign exchange risk on its investments in foreign subsidiaries. Refer to Note 16 for more details.

2.3 Summary of significant accounting policies *continued*

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows): *IAS 1.60*

- When the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the reporting date, the derivative is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistent with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and a non-current portion only if a reliable allocation can be made.

p) Inventories

IAS 2.36(a)
IAS 2.9

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

Costs incurred in bringing each product to its present location and condition are accounted for as follows: *IAS 2.10*

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

Initial cost of inventories includes the transfer of gains and losses on qualifying cash flow hedges, recognised in other comprehensive income, in respect of the purchases of raw materials. *IAS 39.98(b)*

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. *IAS 2.6*

q) Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. *IAS 36.6* *IAS 36.9* *IAS 36.66* *IAS 36.59*

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators. *IAS 36.30* *IAS 36.55* *IAS 36.25* *IAS 36.33*

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year. *IAS 36.60*

Impairment losses of continuing operations, including impairment on inventories, are recognised in the income statement in expense categories consistent with the function of the impaired asset, except for a property previously revalued when the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation. *IAS 36.110* *IAS 36.114* *IAS 36.117* *IAS 36.119*

2.3 Summary of significant accounting policies *continued*

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

The following assets have specific characteristics for impairment testing:

Goodwill

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired. *IAS 36.10(b)*

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. *IAS 36.104* *IAS 36.124*

Intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 December either individually or at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired. *IAS 36.10(a)*

Commentary

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

r) Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. *IAS 7.6* *IAS 7.7*

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts. *IAS 7.46*

Commentary

The Group has included bank overdrafts within cash and cash equivalents as they are considered an integral part of the Group's cash management.

s) Convertible preference shares

Convertible preference shares are separated into liability and equity components based on the terms of the contract. *IFRS 7.21* *IAS 32.18* *IAS 32.28*

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

The remainder of the proceeds is allocated to the conversion option that is recognised and included in equity. Transaction costs are deducted from equity, net of associated income tax. The carrying amount of the conversion option is not remeasured in subsequent years. *IAS 32.35* *IAS 32.AG31(a)*

Transaction costs are apportioned between the liability and equity components of the convertible preference shares based on the allocation of proceeds to the liability and equity components when the instruments are initially recognised. *IAS 32.38*

2.3 Summary of significant accounting policies *continued*

t) Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in share premium. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them. Share options exercised during the reporting period are satisfied with treasury shares. *IAS 32.33*

u) Provisions

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the income statement net of any reimbursement. *IAS 37.14* *IAS 37.53* *IAS 37.54* *IAS 19.133*

Warranty provisions

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

Restructuring provisions

Restructuring provisions are recognised only when the recognition criteria for provisions are fulfilled. The Group has a constructive obligation when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline. Furthermore, the employees affected have been notified of the plans main features. *IAS 37.71* *IAS 37.72*

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost. *IAS 37.45*

Decommissioning liability

The Group records a provision for decommissioning costs of a manufacturing facility for the production of fire retardant materials. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognised in the income statement as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset. *IAS 16.16(c)* *IAS 37.45* *IAS 37.47* *IFRIC 1.8* *IAS 37.59* *IFRIC 1.5*

Greenhouse gas emissions

The Group receives free emission rights in certain European countries as a result of the European Emission Trading Schemes. The rights are received on an annual basis and, in return, the Group is required to remit rights equal to its actual emissions. The Group has adopted the net liability approach to the emission rights granted. Therefore, a provision is recognised only when actual emissions exceed the emission rights granted and still held. The emission costs are recognised as other operating costs. Where emission rights are purchased from other parties, they are recorded at cost, and treated as a reimbursement right, whereby they are matched to the emission liabilities and remeasured to fair value. The changes in fair value are recognised in the income statement. *IAS 8.10*

Commentary

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

IFRIC 3 was withdrawn in June 2005 as the IASB is developing guidance on accounting for emission rights. In the absence of a specific standard, management must develop an accounting policy that is relevant and reliable.

The Group has applied the net liability approach based on IAS 20.23. However, emission rights received could also be recognised as intangible assets at their fair value with all the disclosures required by IAS 38.

2.3 Summary of significant accounting policies *continued*

Waste Electrical and Electronic Equipment (WEEE)

IFRIC 6

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

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

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

Contingent liabilities recognised in a business combination

IFRS 3.56
IFRS 3.22
IFRS 3.23

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

v) Pensions and other post employment benefits

IAS 19.64
IAS 19.92
IAS 19.93A

The Group operates a defined benefit pension plan, which requires contributions to be made to a separately administered fund. The Group also provides certain additional post employment healthcare benefits to employees in the United States. These benefits are unfunded.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Actuarial gains and losses for the defined benefit plan are recognised in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognised in retained earnings and are not reclassified to profit or loss in subsequent periods.

IAS 19.93D

Unvested past service costs are recognised as an expense on a straight line basis over the average period until the benefits become vested. Past service costs are recognised immediately if the benefits have already vested immediately following the introduction of, or changes to, a pension plan.

IAS 19.96

The defined benefit asset or liability comprises the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds, as explained in Note 3), less unrecognised past service costs and less the fair value of plan assets out of which the obligations are to be settled. Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value is based on market price information and, in the case of quoted securities, it is the published bid price. The value of any defined benefit asset recognised is restricted to the sum of any unrecognised past service costs and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

IAS 19.54
IAS 19.7

IAS 19.58A

Commentary

The Group voluntarily changed its accounting policy for the defined benefit plan to recognise all actuarial gains and losses in the period in which they occur in other comprehensive income in accordance with IAS 19.93A. Previously, the Group recognised the net cumulative unrecognised actuarial gains and losses, which exceeded the greater of 10% of the defined benefit obligation and the fair value of the plan assets at the closing date of the previous reporting period over the remaining working periods of the employees, in accordance with IAS 19.93. This is sometimes referred to as the 'corridor approach'. Further details are disclosed in Note 2.4. The other disclosures for pension plans remain the same.

2.3 Summary of significant accounting policies *continued*

w) Share-based payments

Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions). Employees working in the business development group are granted share appreciation rights, which are settled in cash (cash-settled transactions). *IFRS 2.44*

Equity-settled transactions

The cost of equity-settled transactions is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense (Note 9.6). *IFRS 2.7 IFRS 2.19 IFRS 2.20 IFRS 2.21*

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. *IFRS 2.27 IFRS 2.27A IFRS 2.21*

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification. *IFRS 2.28 IFRS 2.B42-B44*

When an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in Note 12). *IAS 33.45 IFRS 2.7*

Cash-settled transactions

The cost of cash-settled transactions is measured initially at fair value at the grant date using a binomial model, further details of which are given in Note 27. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognised in employee benefits expense (see Note 9.6). *IFRS 2.30 IFRS 2.32 IFRS 2.33*

2.4 Changes in accounting policies and disclosures *IAS 8.14*

Changes in accounting policies

IAS 19 Employee Benefits *IAS 8.29*

The Group has assessed its accounting policy with regard to the recognition of actuarial gains and losses arising from its two defined benefit plans. The Group previously recognised only the net cumulative unrecognised actuarial gains and losses of the previous period, which exceeded 10% of the greater of the defined benefit obligation and the fair value of the plan assets in accordance with IAS 19.93. As a consequence, the Group's statement of financial position did not reflect a significant part of the unrecognised net actuarial gains and losses. *IAS 19.92*

During 2012, the Group determined that it would change its accounting policy to recognise actuarial gains and losses in the period in which they occur in total in other comprehensive income (see Note 2.3(v)), as it believes this policy is more consistent with the practice of its industry peers. Changes have been applied retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, resulting in the adjustment of prior year financial information. *IAS 8.19(b)*

2.4 Changes in accounting policies and disclosures *continued*

IAS 8.14

As a result of the voluntary accounting policy change, the following adjustments were made to the financial statements: *IAS 8.29(c)*

As of 1 January 2011: *IAS 8.29(c)(i)*

Increase in employee benefit liability: €1,438,000
Decrease in deferred tax liability: €432,000
Net decrease in opening retained earnings: €1,006,000

As of and for the year ended 31 December 2011:

Increase in employee benefit liability: €454,000
Pension profits with the old policy reclassified to other comprehensive income: €53,000
Net effect on the employee benefit liability: €401,000
Net decrease in deferred tax liability: €120,000
Net expense recognised in other comprehensive income: €281,000
Net decrease in tax expense: €16,000
Net increase in profit after tax: €37,000

As of and for the year ended 31 December 2012:

Decrease in employee benefit liability: €433,000
Pension expenses with the old policy reclassified to other comprehensive income: €122,000
Net decrease in employee benefit liability: €311,000
Net increase in deferred tax liability: €94,000
Net income recognised in other comprehensive income: €217,000
Net decrease in tax expense: €37,000
Net increase in profit after tax: €85,000

The effect on earnings per share related to the restatement in 2011 and 2012 was less than €0.01. *IAS 8.29(c)(ii)*

IAS 16 *Property, Plant and Equipment*

The Group reassessed its accounting for property, plant and equipment with respect to measurement of certain classes of property, plant and equipment after initial recognition. The Group has previously measured all property, plant and equipment using the cost model as set out in IAS 16.30, whereby after initial recognition of the asset classified as property, plant and equipment, the asset was carried at cost less accumulated depreciation and accumulated impairment losses.

On 1 January 2012 the Group elected to change the method of accounting for land and buildings classified in property, plant and equipment. After initial recognition, the Group uses the revaluation model, whereby land and buildings will be measured at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The Group applied the exemptions in IAS 8, which exempts this change in accounting policy from retrospective application and extensive disclosure requirements.

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective as of 1 January 2012:

- IAS 12 *Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets*
- IFRS 1 *First-Time Adoption of International Financial Reporting Standards (Amendment) – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters*IFRS 7 *Financial Instruments: Disclosures (Amendments)*
- IFRS 7 *Financial Instruments : Disclosures – Enhanced Derecognition Disclosure Requirements*

The adoption of the standards or interpretations is described below: *IAS 8.28*

2.4 Changes in accounting policies and disclosures *continued*

IAS 8.14

IAS 12 *Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets*

The amendment clarified the determination of deferred tax on investment property measured at fair value and introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. It includes the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 should always be measured on a sale basis. The amendment is effective for annual periods beginning on or after 1 January 2012 and has been no effect on the Group's financial position, performance or its disclosures.

IFRS 1 *First-Time Adoption of International Financial Reporting Standards (Amendment) – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters*

The IASB provided guidance on how an entity should resume presenting IFRS financial statements when its functional currency ceases to be subject to hyperinflation. The amendment is effective for annual periods beginning on or after 1 July 2011. The amendment had no impact to the Group.

IFRS 7 *Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements*

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about the entity's continuing involvement in derecognised assets to enable the users to evaluate the nature of, and risks associated with, such involvement. The amendment is effective for annual periods beginning on or after 1 July 2011. The Group does not have any assets with these characteristics so there has been no effect on the presentation of its financial statements.

Commentary

Certain disclosures, including new and amended standards, are included in these financial statements for illustrative purposes even though they may be regarded as items or transactions that are not material for Good Group.

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

3. Significant accounting judgements, estimates and assumptions

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

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements: *IAS 1.122*

Operating lease commitments – Group as lessor
The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the commercial property, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Discontinued operations
On 1 March 2012, the Board of Directors announced its decision to dispose of the rubber segment consisting of Hose Limited and, therefore, classified it as a disposal group held for sale. The Board considered the subsidiary met the criteria to be classified as held for sale at that date for the following reasons:

- Hose Limited is available for immediate sale and can be sold to a potential buyer in its current condition.
- The Board had a plan to sell Hose Limited and had entered into preliminary negotiations with a potential buyer. Should negotiations with the party not lead to a sale, a number of other potential buyers have been identified. *IFRS 5.7* *IFRS 5.8*
- The Board expects negotiations to be finalised and the sale to be completed by 28 February 2013.

For more details on the discontinued operation, refer to Note 11.

Consolidation of a special purpose entity
In February 2012, the Group and a third party partner formed an entity to acquire land and construct and operate a fire equipment safety facility. The Group holds a 20% equity interest in this entity. However, the Group has majority representation on the entity's board of directors and the Group's approval is required for all major operational decisions. The operations, once they commence, will be solely carried out by the Group. Based on these facts and circumstances, management concluded that the Group controls this entity and, therefore, consolidates the entity in its financial statements. Additionally, the Group is effectively guaranteeing the returns to the third party. The shares of the third party partner are recorded as a long-term loan and the return on investment is recorded as interest expense.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur. *IAS 1.125*

Revaluation of property, plant and equipment and investment properties
The Group carries its investment properties at fair value, with changes in fair value being recognised in the income statement. In addition, it measures land and buildings at revalued amounts with changes in fair value being recognised in other comprehensive income. The Group engaged an independent valuation specialist to assess fair value as at 31 December 2012. For investment properties, a valuation methodology based on a discounted cash flow model was used, as there is a lack of comparable market data because of the nature of the properties. Land and buildings were valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

The determined fair value of the investment properties is most sensitive to the estimated yield as well as the long-term vacancy rate. The key assumptions used to determine the fair value of the investment properties are further explained in Note 14.

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

Impairment of non-financial assets
An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 17.

Share-based payments
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 27.

Taxes
Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies.

IAS 12.88
IAS 1.125

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

The Group has €427,000 (2011: €1,198,000) of tax losses carried forward. These losses relate to subsidiaries that have a history of losses, do not expire and may not be used to offset taxable income elsewhere in the Group. The subsidiaries have no taxable temporary differences nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognise deferred tax assets on the tax losses carried forward.

If the Group was able to recognise all unrecognised deferred tax assets, profit and equity would have increased by €128,000. Further details on taxes are disclosed in Note 10.

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

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

In determining the appropriate discount rate, management considers the interest rates of corporate bonds in their respective currencies with at least an AA rating or above, and extrapolated maturity corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are excluded from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds.

The mortality rate is based on publicly available mortality tables for the specific countries. Future salary increases and pension increases are based on expected future inflation rates for the respective countries.

Further details about the assumptions used, including a sensitivity analysis, are given in Note 26.

Fair value measurement of contingent consideration
Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a derivative and, thus, a financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

As part of the accounting for the acquisition of Extinguishers Limited, contingent consideration with an estimated fair value of €714,000 was recognised at the acquisition date and remeasured to €1,071,500 as at the reporting date. Future developments may require further revisions to the estimate. The maximum consideration to be paid is €1,125,000. The contingent consideration is classified as other financial liability (see Notes 5 and 16).

Fair value of financial instruments
When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 16.4 for further discussion.

Development costs
Development costs are capitalised in accordance with the accounting policy. Initial capitalisation of costs is based on management's judgement that technological and economical feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. At 31 December 2012, the carrying amount of capitalised development costs was €2,178,000 (2011: €1,686,000).

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

Provision for decommissioning
As part of the identification and measurement of assets and liabilities for the acquisition of Extinguishers Limited in 2012, the Group has recognised a provision for decommissioning obligations associated with a factory owned by Extinguishers Limited. In determining the fair value of the provision, assumptions and estimates are made in relation to discount rates, the expected cost to dismantle and remove the plant from the site and the expected timing of those costs. The carrying amount of the provision as at 31 December 2012 was €1,221,000 (2011: €Nil).

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

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

Revenue recognition – GoodPoints for loyalty programme
The Group estimates the fair value of points awarded under the *GoodPoints* programme by applying statistical techniques. Inputs to the models include making assumptions about expected redemption rates, the mix of products that will be available for redemption in the future and customer preferences. As points issued under the programme do not expire, such estimates are subject to significant uncertainty. As at 31 December 2012, the estimated liability for unredeemed points was approximately €416,000 (2011: €365,000).

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

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

4. Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective. *IAS 8.30 IAS 8.31(d)*

IAS 1 *Presentation of Items of Other Comprehensive Income – Amendments to IAS 1*
The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012, and will therefore be applied in the Group's first annual report after becoming effective.

IAS 19 *Employee Benefits* (Revised)
The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The Group made a voluntary change in accounting policy to recognise actuarial gains and losses in other comprehensive income in the current period. However, the amended standard will impact the net benefit expense as the expected return on plan assets will be calculated using the same interest rate as applied for the purpose of discounting the benefit obligation. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 28 *Investments in Associates and Joint Ventures* (as revised in 2011)
As a consequence of the new IFRS 11 *Joint Arrangements,* and IFRS 12 *Disclosure of Interests in Other Entities*, IAS 28 *Investments in Associates,* has been renamed IAS 28 *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The revised standard becomes effective for annual periods beginning on or after 1 January 2013.

IAS 32 *Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32*
These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

4. Standards issued but not yet effective *continued*

IFRS 1 *Government Loans – Amendments to IFRS 1*
These amendments require first-time adopters to apply the requirements of IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance,* prospectively to government loans existing at the date of transition to IFRS. Entities may choose to apply the requirements of IFRS 9 (or IAS 39, as applicable) and IAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for that loan. The exception would give first-time adopters relief from retrospective measurement of government loans with a below-market rate of interest. The amendment is effective for annual periods on or after 1 January 2013. The amendment has no impact on the Group.

IFRS 7 *Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7*
These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2013.

IFRS 9 *Financial Instruments: Classification and Measurement*
IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but *Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures*, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

IFRS 10 *Consolidated Financial Statements,* IAS 27 *Separate Financial Statements*
IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 *Consolidation — Special Purpose Entities*.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Based on the preliminary analyses performed, IFRS 10 is not expected to have any impact on the currently held investments of the Group.

This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 11 *Joint Arrangements*
IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities — Non-monetary Contributions by Venturers*. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.

The application of this new standard will impact the financial position of the Group by eliminating proportionate consolidation of the joint venture in Showers Limited (see note 6). With the application of the new standard, the investment in Showers Limited will be accounted for using the equity method of accounting. This standard becomes effective for annual periods beginning on or after 1 January 2013, and is to be applied retrospectively for joint arrangements held at the date of initial application. The impact of IFRS 11 on the current period (which will be the comparative period in the financial statements as of 31 December 2013), of certain line items, is estimated to be a reduction of revenue of €30,047,000 and a reduction of operating profit of €1,484,000 as income from joint ventures will be presented outside operating profit going forward. Current assets and current liabilities will be reduced by €1,613,000 and €112,000 respectively, while the impact on non-current assets will be €1,432,000 and the non-current liabilities will be reduced by €510,000 .

4. Standards issued but not yet effective *continued*

IFRS 12 *Disclosure of Interests in Other Entities*
IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required, but has no impact on the Group's financial position or performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 13 *Fair Value Measurement*
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance, but based on the preliminary analyses, no material impact is expected. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*

This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. The interpretation is effective for annual periods beginning on or after 1 January 2013. The new interpretation will not have an impact on the Group.

Annual Improvements May 2012

These improvements will not have an impact on the Group, but include:

IFRS 1 *First-time Adoption of International Financial Reporting Standards*
This improvement clarifies that an entity that stopped applying IFRS in the past and chooses, or is required, to apply IFRS, has the option to re-apply IFRS 1. If IFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never stopped applying IFRS.

IAS 1 *Presentation of Financial Statements*
This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

IAS 16 *Property Plant and Equipment*
This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

IAS 32 *Financial Instruments, Presentation*
This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 *Income Taxes*.

IAS 34 *Interim Financial Reporting*
The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

These improvements are effective for annual periods beginning on or after 1 January 2013.

Commentary
IAS 8.30 requires disclosure of those standards that have been issued but are not yet effective. These disclosures are required to provide known or reasonably estimable information to enable users to assess the possible impact of the application of such IFRSs on an entity's financial statements. The Group has listed all standards and interpretations that are not yet effective. However, an alternative would be to only list and address the ones expected to have an impact on the Group's financial position, performance, and/or disclosures.

5. Business combinations and acquisition of non-controlling interests

Acquisitions in 2012

Acquisition of Extinguishers Limited

On 1 May 2012, the Group acquired 80% of the voting shares of Extinguishers Limited, an unlisted company based in Euroland and specialising in the manufacture of fire retardant fabrics. The Group acquired Extinguishers Limited because it significantly enlarges the range of products in the fire prevention equipment segment that can be offered to its clients. *IFRS 3.59* *IFRS 3.B64(a)* *IFRS 3.B64(b)* *IFRS 3.B64(d)* *IFRS 3.B64(c)*

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

Assets acquired and liabilities assumed

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

	Fair value recognised on acquisition	*IFRS 3.B64(i)* *IAS 7.40(d)*
	€000	
Assets		
Property, plant and equipment (Note 13)	7,042	
Cash and cash equivalents	230	*IAS 7.40(c)*
Trade receivables	1,716	
Inventories	3,578	
Patents and licences (Note 15)	1,200	
	13,766	
Liabilities		
Trade payables	(2,542)	
Contingent liability (Note 23)	(380)	
Provision for onerous operating lease costs (Note 23)	(400)	
Provision for restructuring (Note 23)	(500)	
Provision for decommissioning costs (Note 23)	(1,200)	
Deferred tax liability	(1,511)	
	(6,533)	
Total identifiable net assets at fair value	**7,233**	
Non-controlling interest measured at fair value	(1,547)	*IFRS 3.B64(o)(i)*
Goodwill arising on acquisition (Note 15)	2,231	
Purchase consideration transferred	**7,917**	

The fair value of the trade receivables amounts to €1,716,000. The gross amount of trade receivables is €1,754,000. However, none of the trade receivables have been impaired and it is expected that the full contractual amounts can be collected. *IFRS 3.B64(h)*

Prior to the acquisition, Extinguishers Limited decided to eliminate certain product lines (further details are given in Note 23). The restructuring provision recognised was a present obligation of Extinguishers Limited immediately prior to the business combination. The execution of the restructuring plan was not conditional upon it being acquired by the Group.

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

The goodwill of €2,231,000 comprises the value of expected synergies arising from the acquisition and a customer list, which is not separately recognised. Goodwill is allocated entirely to the fire prevention segment. Due to the contractual terms imposed on acquisition, the customer list is not separable. Therefore, it does not meet the criteria for recognition as an intangible asset under IAS 38. None of the goodwill recognised is expected to be deductible for income tax purposes. *IFRS 3.B64(e)* *IFRS 3.B64(k)*

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

A contingent liability at a fair value of €380,000 was reconised at the acquisition date resulting from a claim of a supplier whose shipment was rejected and payment was refused by the Group due to deviations from the defined technical specifications of the goods. The claim is subject to legal arbitration and is only expected to be finalised in late 2013. As at the reporting date, the contingent liability has been reassessed and is determined to be €400,000, based on the expected probable outcome (see Note 23). The charge to profit or loss has been recognised. *IFRS 3.B64(j) IFRS 3.56(a)*

The fair value of the non-controlling interest in Extinguishers Limited has been estimated by applying a discounted earnings approach. Extinguishers Limited is an unlisted company and, as such, no market information is available. The fair value estimate is based on: *IFRS 3.B64 (o)(ii)*

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

From the date of acquisition, Extinguishers Limited has contributed €17,857,000 of revenue and €750,000 to the profit before tax from continuing operations of the Group. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been €222,582,000 and the profit before tax from continuing operations for the Group would have been €12,285,000. *IFRS 3.B64 (q)(i) IFRS 3.B64 (q)(ii)*

Purchase consideration	**€000**	
Shares issued, at fair value	7,203	*IFRS 3.B64 (f)(iv)*
Contingent consideration liability	714	*IFRS 3.B64 (f)(iii)*
Total consideration	**7,917**	*IAS 7.40(a)*

Analysis of cash flows on acquisition:		
Transaction costs of the acquisition (included in cash flows from operating activities)	(600)	
Net cash acquired with the subsidiary (included in cash flows from investing activities)	230	*IAS 7.40(c)*
Transaction costs attributable to issuance of shares (included in cash flows from financing activities, net of tax)	(32)	
Net cash flow on acquisition	**(402)**	

The Group issued 2,500,000 ordinary shares as consideration for the 80% interest in Extinguishers Limited. The fair value of the shares is the published price of the shares of the Group at the acquisition date, which was €2.88 each. The fair value of the consideration given is therefore €7,203,000. *IFRS 3.B64 (f)(iv)*

Transaction costs of €600,000 have been expensed and are included in administrative expenses. The attributable costs of the issuance of the shares of €32,000 have been charged directly to equity as a reduction in share premium. *IFRS 3.B64 (f)(iv) IFRS 3.B64(m)*

Contingent consideration

As part of the purchase agreement with the previous owner of Extinguishers Limited, a contingent consideration has been agreed. There will be additional cash payments to the previous owner of Extinguishers Limited of: *IFRS 3.B64 (g)(ii)*

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

Or

b) €1,125,000, if the entity generates €1,500,000 of profit before tax in a 12-month period after the acquisition date *IFRS 3.B64 (g)(iii) IFRS 3.B64 (g)(i)*

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

As at 31 December 2012, the key performance indicators of Extinguishers Limited show clearly that it is probably that the target will be achieved due to a significant expansion of the business and the synergies implemented. Accordingly, the fair value of the contingent consideration has been adjusted to reflect this development and a charge has been recognised through profit or loss. *IFRS 3.58 (b)(i)*

The contingent consideration as at 31 December 2012 increased by €357,500 to €1,071,500 due to changes in the underlying assumptions that reflect the fair value of the discounted cash payment. This fair value adjustment is recognised in administrative expenses.

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

Commentary

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

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

Acquisition of additional interest in Lightbulbs Limited

On 1 October 2012, the Group acquired an additional 7.4% interest in the voting shares of Lightbulbs Limited, increasing its ownership interest to 87.4%. Cash consideration of €325,000 was paid to the non-controlling shareholders. The carrying value of the net assets of Lightbulbs Limited (excluding goodwill on the original acquisition) at the acquisition date was €1,824,000, and the carrying value of the additional interest acquired was €135,000. The difference of €190,000 between the consideration and the carrying value of the interest acquired has been recognised in retained earnings within equity. *IAS 27.30* *IAS 27.41(e)*

Acquisitions in 2011

On 1 December 2011, the Group acquired 80% of the voting shares of Lightbulbs Limited, a company based in Euroland, specialising in the production and distribution of lightbulbs. The Group acquired this business to enlarge the range of products in the electronics segment. *IFRS 3.59* *IFRS 3.B64(a)* *IFRS 3.B64(b)* *IFRS 3.B64(c)* *IFRS 3.B64(d)* *IFRS 3.B64(o)(i)*

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

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

	Fair value recognised on acquisition (Restated)	*IFRS 3.B64(i)* *IAS 7.40(d)*
	€000	
Land and buildings (Note 13)	1,280	
Cash and cash equivalents	50	*IAS 7.40(c)*
Trade receivables	853	
Inventories	765	
	2,948	
Trade payables	(807)	
Deferred tax liability	(380)	
Provision for maintenance warranties	(50)	
	(1,237)	
Net assets	1,711	
Non-controlling interest (20% of net assets fair value)	(342)	
Total net assets acquired	1,369	
Goodwill arising on acquisition (Note 15)	131	*IAS 7.40(a)*
Purchase consideration transferred	**1,500**	

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

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

The net assets recognised in the 31 December 2011 financial statements were based on a provisional assessment of fair value while the Group sought an independent valuation for the land and buildings owned by Lightbulbs Limited. The valuation had not been completed by the date the 2011 financial statements were approved for issue by management. *IFRS 3.45 IFRS 3.B67(a)(i) IFRS 3.B67(a)(ii)*

In April 2012 the valuation was completed and the acquisition date fair value of the land and buildings was €1,280,000, an increase of €200,000 over the provisional value. The 2011 comparative information was restated to reflect the adjustment to the provisional amounts. As a result, there was an increase in the deferred tax liability of €60,000 and an increase in the non-controlling interest of €28,000. There was also a corresponding reduction in goodwill of €112,000, resulting in €131,000 of total goodwill arising on the acquisition. The increased depreciation charge on the buildings from the acquisition date to 31 December 2011 was not material. *IFRS 3.49 IFRS3.B67(a)(iii)*

From the date of acquisition, Lightbulbs Limited contributed €476,000 of revenue and €20,000 to profit before tax from continuing operations of the Group. If the combination had taken place at the beginning of 2011, the Groups revenue from continuing operations would have been €198,078,000 and the profit before tax from continuing operations would have been €7,850,000. *IFRS 3.B64(q)*

The goodwill of €131,000 comprises the fair value of expected synergies arising from acquisition. *IFRS 3.B64(e)*

Commentary

In the 2011 business combination the Group elected to value the non-controlling interest by its proportionate share of the acquiree's identifiable net assets. In the 2012 business combination, the Group elected to value the non-controlling interest at fair value. This election can be made separately for each business combination, and is not a policy choice that determines an accounting treatment for all business combinations the Group will carry out (IFRS 3.19).

6. Interest in a joint venture

The Group has a 50% interest in Showers Limited, a jointly controlled entity involved in the manufacture of fire prevention equipment in Euroland. *IAS 31.56*

The Group's share of the assets and liabilities as at 31 December 2012 and 2011 and 1 January 2011 and income and expenses of the jointly controlled entity for the years ended 31 December 2012 and 2011, which is proportionally consolidated in the consolidated financial statements, is as follows: *IAS 31.57*

	2012	2011	As at 1 January 2011	*IAS 31.56*
	€000	€000	€000	
Share of the joint venture's statement of financial position:				
Current assets	1,613	1,404	1,088	
Non-current assets	1,432	1,482	1,445	
Current liabilities	(112)	(551)	(750)	
Non-current liabilities	(510)	(500)	(505)	
Equity	**2,423**	**1,835**	**1,278**	
Share of the joint venture's revenue and profit:				
Revenue	30,047	29,438		
Cost of sales	(27,244)	(26,710)		
Administrative expenses	(1,319)	(1,293)		
Finance costs	(102)	(100)		
Profit before tax	1,382	1,335		
Income tax expense	(794)	(778)		
Profit for the year from continuing operations	**588**	**557**		

The joint venture had no contingent liabilities or capital commitments as at 31 December 2012 and 2011 and 1 January 2011. *IAS 31.54 IAS 31.55*

7. Investment in an associate

The Group has a 25% interest in Power Works Limited, which is involved in the manufacture of fire prevention equipment for power stations in Euroland.

Power Works Limited is a private entity that is not listed on any public exchange. The following table illustrates the summarised financial information of the Group's investment in Power Works Limited: *IAS 28.37(b)*

	2012	2011	As at 1 January 2011
	€000	€000	€000
Share of the associate's statement of financial position:			
Current assets	1,631	1,581	1,500
Non-current assets	3,416	3,207	3,126
Current liabilities	(1,122)	(976)	(920)
Non-current liabilities	(3,161)	(3,131)	(3,106)
Equity	**764**	**681**	**600**
Share of the associate's revenue and profit:			
Revenue	8,323	8,160	
Profit	83	81	
Carrying amount of the investment	**764**	**681**	**600**

IAS 28.37(b)

8. Segment information

For management purposes, the Group is organised into business units based on its products and services and has three reportable segments as follows: *IAS 1.138 IFRS 8.22(a) IFRS 8.22(b)*

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

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

The Executive Management Committee monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, Group financing (including finance costs and finance income) and income taxes are managed on a Group basis and are not allocated to operating segments. *IFRS 8.28(b)*

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties. *IFRS 8.27(a)*

8. Segment information *continued*

Year ended 31 December 2012	Fire prevention equipment	Electronics	Investment property	Total segments	Adjustments and eliminations	Consolidated	
	€000	€000	€000	€000	€000	€000	
Revenue							
External customers	139,842	69,263	1,404	210,509	–	210,509	*IFRS 8.23(a)*
Inter-segment	–	7,465	–	7,465	(7,465)	–	*IFRS 8.23(b)*
Total revenue	**139,842**	**76,728**	**1,404**	**217,974**	**(7,465)**	**210,509**	
Results							
Depreciation and amortisation	(3,428)	(389)	–	(3,817)	–	(3,817)	*IFRS 8.23(e)*
Goodwill impairment (Note 17)	–	(200)	–	(200)	–	(200)	*IFRS 8.23(e)*
Impairment on AFS financial assets (Note 9.3)	(111)	–	–	(111)	–	(111)	
Share of profit of an associate (Note 7)	83	–	–	83	–	83	*IFRS 8.23(g)*
Segment profit	**10,475**	**2,968**	**321**	**13,764**	**(1,859)**	**11,905**	*IFRS 8.23*
Operating assets	**58,696**	**44,814**	**18,467**	**121,977**	**18,926**	**140,903**	*IFRS 8.23*
Operating liabilities	**18,309**	**7,252**	**4,704**	**30,265**	**46,151**	**76,416**	*IFRS 8.23*
Other disclosures							
Investment in an associate (Note 7)	764	–	–	764	–	764	*IFRS 8.24(a)*
Capital expenditure	18,849	2,842	1,216	22,907	–	22,907	*IFRS 8.24(b)*

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

8. Segment information *continued*

Year ended 31 December 2011	Fire prevention equipment	Electronics	Investment property	Rubber equipment (disc. operation)	Total segments	Adjustments and eliminations	Consolidated	
	€000	€000	€000	€000	€000	€000	€000	
Revenue								
External customers	123,905	66,621	1,377	45,206	237,109	(45,206)	191,903	*IFRS 8.23(a)*
Inter-segment	–	7,319	–	–	7,319	(7,319)	–	*IFRS 8.23(b)*
Total revenue	**123,905**	**73,940**	**1,377**	**45,206**	**244,428**	**(52,525)**	**191,903**	
Results								
Depreciation and amortisation	(2,460)	(472)	–	324	(2,608)	(324)	(2,932)	*IFRS 8.23(e)*
Impairment of property, plant and equipment (Note 13)	(301)	–	–	–	(301)	–	(301)	*IFRS 8.23(i) IAS 36.129*
Share of profit of an associate (Note 7)	81	–	–	–	81	–	81	*IFRS 8.23(g)*
Segment profit	**6,449**	**5,396**	**314**	**326**	**12,485**	**(1,423)**	**11,062**	*IFRS 8.23*
Operating assets	**41,711**	**40,409**	**9,887**	**11,587**	**103,594**	**2,211**	**105,805**	*IFRS 8.23*
Operating liabilities	**8,015**	**4,066**	**1,688**	**12,378**	**26,147**	**30,480**	**56,627**	*IFRS 8.23*
Other disclosures								
Investment in an associate	681	–	–	–	681	–	681	*IFRS 8.24(a)*
Capital expenditure	5,260	4,363	1,192	–	10,815	–	10,815	*IFRS 8.24(b)*

As at 1 January 2011	Fire prevention equipment	Electronics	Investment property	Rubber equipment (disc. operation)	Total segments	Adjustments and eliminations	Consolidated	
	€000	€000	€000	€000	€000	€000	€000	
Operating assets	**39,289**	**36,341**	**9,152**	**10,990**	**95,772**	**2,125**	**97,897**	*IFRS 8.23*
Operating liabilities	**6,993**	**3,965**	**1,520**	**12,354**	**24,832**	**30,148**	**54,980**	*IFRS 8.23*
Other disclosures								
Investment in an associate	600	–	–	–	600	–	600	*IFRS 8.24(a)*

Commentary

Additional disclosure may be required if the chief operating decision maker (CODM), the Executive Management Committee of the Group, regularly reviews certain other items recorded in the statement of comprehensive income, i.e., depreciation and amortisation, impairments and the share of profit in associates.

8. Segment information *continued*

Adjustments and eliminations

IFRS 8.28

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

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

Capital expenditure consists of additions of property, plant and equipment, intangible assets and investment properties including assets from the acquisition of subsidiaries.

Inter-segment revenues are eliminated on consolidation.

Reconciliation of profit	**2012**	**2011**
	€000	**€000**
Segment profit	**13,764**	**12,485**
Finance income	336	211
Fair value loss on financial assets at fair value through profit or loss	(1,502)	–
Fair value gain on financial assets at fair value through profit or loss	850	–
Finance costs	(1,366)	(1,223)
Net realised gains from available-for-sale financial assets (elimination)	(2)	–
Inter-segment sales (elimination)	(175)	(85)
Gain from discontinued operations	–	(326)
Group profit	**11,905**	**11,062**

Reconciliation of assets	**2012**	**2011**	**As at 1 January 2011**
	€000	**€000**	**€000**
Segment operating assets	**121,977**	**103,594**	**95,772**
Deferred tax assets	383	365	321
Loans to an associate (Note 29)	200	–	–
Loans to directors (Note 29)	13	8	8
Loan notes	3,674	1,685	1,659
Derivatives	1,102	153	137
Assets classified as held for sale	13,554	–	–
Group operating assets	**140,903**	**105,805**	**97,897**

Reconciliation of liabilities	**2012**	**2011**	**As at 1 January 2011**
	€000	**€000**	**€000**
Segment operating liabilities	**30,265**	**26,147**	**24,832**
Deferred tax liabilities	3,060	1,235	1,261
Current tax payable	3,963	4,013	4,625
Loans	20,538	22,334	21,469
Convertible preference shares	2,778	2,644	2,522
Derivatives	2,687	254	271
Liabilities classified as held for sale	13,125	–	–
Group operating liabilities	**76,416**	**56,627**	**54,980**

8. Segment information *continued*

Geographic information

Revenues from external customers *IFRS 8.33(a)*

	2012	2011
	€000	€000
Euroland	158,285	142,022
United States	52,224	49,881
Total revenue per consolidated income statement	**210,509**	**191,903**

The revenue information above is based on the locations of the customers. *IFRS 8.33(a)*

Revenue from one customer amounted to €25,521,000 (2011: €21,263,000), arising from sales by the fire prevention equipment segment. *IFRS 8.34*

Non-current assets

	2012	2011	As at 1 January 2011	*IFRS 8.33(b)*
	€000	€000	€000	
Euroland	40,023	29,004	24,350	
United States	9,300	7,251	5,240	
Total	**49,323**	**36,255**	**29,590**	

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

Commentary

Interest revenue and interest expense have not been disclosed by segment as these items are managed on a group basis, and are not provided to the CODM at the operating segment level. Disclosure of operating segment assets and liabilities is only required when such measures are provided to the CODM. The Group provides information about operating assets and liabilities to the CODM. The remaining operations (e.g., treasury), which are amongst others reflected in 'adjustments and eliminations', do not constitute an individual operating segment.

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

IFRS 8 does not provide specific disclosure requirements for an operating segment classified as a discontinued operation. An entity is therefore not required to provide such segment information as long as the classification criteria held for sale is met. It is, however, allowed to continue to present segment information as long as the definition of an operating segment is met. The Group has elected to continue to present segment information for the prior year including operations classified as discontinued in the current year. In the current year, the discontinued operation has been eliminated and is part of the reconciling items.

9. Other income/expenses and adjustments

9.1 Other operating income

	2012	2011	
	€000	€000	
Government grants (Note 24)	1,053	541	*IAS 20.39(b)*
Net gain on disposal of property, plant and equipment	532	2,007	*IAS 1.97*
	1,585	**2,548**	

Government grants have been received for the purchase of certain items of property, plant and equipment. There are no unfulfilled conditions or contingencies attached to these grants. *IAS 20.39(c)*

9.2 Other operating expenses

	2012	2011	
	€000	€000	
Bid defence costs	(579)	(31)	*IAS 1.97*
Cost of WEEE (Note 23)	(102)	(22)	*IAS 1.97*
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	(101)	(353)	*IAS 40.75 (f)(ii)*
Change in fair value of investment properties (Note 14)	(306)	(300)	*IAS 1.97*
Ineffectiveness on forward commodity contracts designated as cash flow hedges (Note 16.3)	(65)	–	*IFRS 7.24(b)*
Total other operating expenses	**(1,153)**	**(706)**	

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

Ineffectiveness resulting from cash flow hedges on the commodity forward contracts was incurred in the electronics segment. Ineffectiveness on forward commodity contracts due to the change in forward points was €23,000.

9.3 Finance costs

	2012	2011	
	€000	€000	
Interest on debts and borrowings	(1,172)	(1,182)	
Finance charges payable under finance leases and hire purchase contracts	(40)	(40)	
Total interest expense	**(1,212)**	**(1,222)**	*IFRS 7.20(b)*
Impairment loss on quoted available-for-sale equity investments (Note 16.1)	(111)	–	*IFRS 7.20(e)*
Net loss on financial instruments at fair value through profit or loss	(1,502)	–	*IFRS 7.20(a)*
Unwinding of discount on provisions (Note 23)	(43)	(1)	*IAS 37.60*
Total finance costs	**(2,868)**	**(1,223)**	

9.4 Finance income

	2012	2011	
	€000	€000	
Interest income on a loan to an associate (Note 29)	20	–	
Interest income from available-for-sale investments	316	211	
Fair value gain on financial instruments at fair value through profit or loss	850	–	*IAS 1.85* *IFRS 7.20(a)(i)*
Total finance income	**1,186**	**211**	*IFRS 7.20(b)*

Net loss on financial instruments through profit or loss in Note 9.3 and fair value gain on financial instruments in Note 9.4 above relates to foreign exchange forward contracts that did not qualify for hedge accounting and embedded derivatives, which have been bifurcated, respectively.

No ineffectiveness has been recognised on foreign exchange and interest rate hedges.

Commentary

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

9. Other income/expenses and adjustments *continued*

9.5 Depreciation, amortisation, foreign exchange differences and costs of inventories included in the consolidated income statement

	2012	2011	*IAS 1.104*
	€000	€000	
Included in cost of sales:			
Depreciation	3,520	2,800	
Impairment of property, plant and equipment (Note 13)	–	301	*IAS 36.126(a)*
Amortisation and impairment of intangible assets (Note 15)	325	174	
Net foreign exchange differences	(65)	(40)	*IAS 21.52(a)*
Warranty provision (Note 23)	106	52	
Costs of inventories recognised as an expense	150,283	131,140	*IAS 2.36(d)*
Included in administrative expenses:			
Depreciation	277	282	
Minimum lease payments recognised as an operating lease expense	250	175	*IAS 17.35(c)*
Increase of contingent consideration of the business combination (Note 5)	357	–	

9.6 Employee benefits expense

	2012	2011	*IAS 1.104*
	€000	€000	
Included in cost of sales:			
Wages and salaries	6,551	6,513	
Social security costs	664	659	
Pension costs (Note 26)	349	340	
Post-employment benefits other than pensions (Note 26)	38	28	
Share-based payment expense (Note 27)	103	123	
Included in selling and distribution expenses:			
Wages and salaries	10,882	10,220	
Social security costs	1,102	1,135	
Pension costs (Note 26)	559	545	
Post-employment benefits other than pensions (Note 26)	61	45	
Share-based payment expense (Note 27)	165	197	
Included in cost of administrative expenses:			
Wages and salaries	13,372	13,317	
Social security costs	1,349	1,343	
Pension costs (Note 26)	487	476	
Post-employment benefits other than pensions (Note 26)	54	40	
Share-based payment expense (Note 27)	144	172	*IFRS 2.51(a)*
Total employee benefits expense	**35,880**	**35,153**	

9.7 Research and development costs

Research and development costs recognised as an expense in the income statement during the financial year amounted to €2,235,000 (2011: €1,034,000). *IAS 38.126*

9. Other income/expenses and adjustments *continued*

9.8 Components of other comprehensive income

	2012	2011	*IAS 1.97*
Cash flow hedges:	€000	€000	
Gains/(losses) arising during the year			
Currency forward contracts			*IAS 1.92*
Reclassification during the year to profit or loss	401	412	*IFRS 7.23(d)*
Net gain/(loss) during the year (except not-yet matured contracts)	(300)	(278)	
Net gain/(loss) during the year of the not-yet matured contracts	82	(101)	
Commodity forward contracts			
Loss of the not-yet matured commodity forward contracts	(915)	–	
	(732)	33	
Available-for-sale financial assets:			*IAS 1.92*
Gains/(losses) arising during the year	(59)	3	IFRS 7.20(a)(ii)

Commentary

The purpose of Note 9.8 is to provide an analysis of items presented net in the Statement of Comprehensive Income which have been subject to reclassification. This analysis does not include the remaining items of other comprehensive income, as those are either never reclassified to profit or loss or reclassification adjustments did not occur.

The total comprehensive balance of the cash flow hedge (net of tax) is provided for illustrative purposes in Note 21, where the split among the different equity reserves is shown. In addition, the balance of the available-for-sale financial assets (net of tax) cannot be obtained directly or indirectly from the notes to these financial statements because IFRS does not require the disclosure of the movements. Note 16.4 includes the movements of those available-for-sale financial assets classified as level 3 in the fair value hierarchy, which are mandatory disclosures.

10. Income tax

The major components of income tax expense for the years ended 31 December 2012 and 2011 are: *IAS 12.79*

Consolidated income statement

	2012 €000	2011 €000	
Current income tax:			
Current income tax charge	3,732	3,816	*IAS 12.80(a)*
Adjustments in respect of current income tax of previous year	(18)	(44)	*IAS 12.80(b)*
Deferred tax:			
Relating to origination and reversal of temporary differences	179	(340)	*IAS 12.80(c)*
Income tax expense reported in the income statement	**3,893**	**3,432**	

Consolidated statement of comprehensive income

IAS 12.81(a)

Deferred tax related to items charged or credited directly to OCI during the year:		
Net gain/(loss) on revaluation of cash flow hedges	220	(9)
Unrealised gain/(loss) on available-for-sale financial assets	17	(1)
Net loss on revaluation of land and buildings	(254)	–
Net loss on hedge of net investment	(83)	–
Net (loss)/gain on actuarial gains and losses	(94)	120
Income tax charged directly to other comprehensive income	**(194)**	**110**

Commentary

Deferred taxes related to the revaluation of land and buildings have been calculated on the basis of recovery by sale at the tax rate of the jurisdiction in which they are sited (30% of the total revaluation of 846,000, see Note 13).

The tax effect of cash flow hedge instruments reflects the change in balances from 2011 to 2012 only for the effective portion (ineffectiveness has been accounted for directly in profit or loss). The reconciliation of these changes to the notes is difficult to directly observe. For illustrative purposes, a reconciliation is provided below (please note that the net change is also included in the Statement of comprehensive income):

	Assets		Liabilities	
	2012	2011	2012	2011
	(€000)	(€000)	(€000)	(€000)
Foreign exchange forward contract assets (Note 16.1)	252	153	–	–
Foreign exchange forward contract liabilities (Note 16.2)	–	–	170	254
Commodity forward contract (Note 16.2)	–	–	980	–
Ineffectiveness of commodity contract (Note 9.2)	–	–	(65)	–
Total balances	252	153	1,085	254
Net variation in OCI	99		831	
Net increase of cash flow hedge balances during 2012 (net liability and net loss)			732	
Tax rate			30%	
Tax gain			220	

10. Income tax *continued*

A reconciliation between tax expense and the accounting profit multiplied by Euroland's domestic tax rate for the years ended 31 December 2012 and 2011 is as follows: *IAS 12.81 (cXi)*

	2012	2011
	€000	€000
Accounting profit before tax from continuing operations	11,905	11,062
Profit/(loss) before tax from a discontinued operation	213	(193)
Accounting profit before income tax	**12,118**	**10,869**
At Euroland's statutory income tax rate of 30% (2011: 30%)	3,635	3,261
Adjustments in respect of current income tax of previous years	(18)	(44)
Government grants exempted from tax	(316)	(162)
Utilisation of previously unrecognised tax losses	(231)	(89)
Non-deductible expenses for tax purposes:		
Impairment of goodwill	60	–
Change in contingent consideration on acquisition of Extinguishers Limited	107	–
Other non-deductible expenses	121	145
Effect of higher tax rates in the US	528	316
At the effective income tax rate of 31% (2011: 32%)	**3,886**	**3,427**
Income tax expense reported in the consolidated income statement	3,893	3,432
Income tax attributable to a discontinued operation	(7)	(5)
	3,886	**3,427**

Commentary

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

- Government grants (Note 24) upon recognition in the income statement
- Unrecognised tax losses using the change in the amount mentioned in Note 3 under the section headed *Taxes*
- Impairment of goodwill in Note 15 and contingent consideration expense in Note 5

10. Income tax *continued*

Deferred tax

Deferred tax relates to the following:

	Consolidated statement of financial position			Consolidated income statement		IAS 12.81(g)(i)
	2012	2011	As at 1 January 2011	2012	2011	IAS 12.81(g)(ii)
	€000	€000	€000	€000	€000	
Accelerated depreciation for tax purposes	(2,762)	(811)	(589)	442	(157)	
Revaluations of investment properties to fair value	(1,330)	(1,422)	(1,512)	(92)	(90)	
Revaluations of land and buildings to fair value	(254)	–	–	–	–	
Revaluations of available-for-sale investments to fair value	17	(1)	–	–	–	
Revaluation of a hedged loan to fair value	(11)	–	–	11	–	
Net gain on hedge of a net investment	(83)	–	–	–	–	
Share based payments	51	100	101	49	–	
Post-employment medical benefits	102	59	26	(43)	(33)	
Pension	685	689	596	(90)	27	
Revaluation of an interest rate swap (fair value hedge) to fair value	11	–	–	(11)	–	
Revaluation of cash flow hedges	250	31	40	–	–	
Impairment on available-for-sale unquoted debt instruments	27	–	–	(27)	–	
Deferred revenue on customer loyalty programmes	71	65	54	(6)	(11)	
Convertible preference shares	91	55	23	(36)	(32)	
Losses available for offsetting against future taxable income	383	365	321	(18)	(44)	
Deferred tax expense/(income)				**179**	**(340)**	
Net deferred tax assets/(liabilities)	**(2,752)**	**(870)**	**(940)**			
Reflected in the statement of financial position as follows:						
Deferred tax assets	383	365	321			
Deferred tax liabilities - continuing operations	(3,060)	(1,235)	(1,261)			
Deferred tax liabilities - discontinued operations	(75)	–	–			
Deferred tax liabilities, net	**(2,752)**	**(870)**	**(940)**			

Reconciliation of deferred tax liabilities, net

	2012	2011
	€000	€000
Opening balance as of 1 January	**(870)**	**(940)**
Tax income/(expense) during the period recognised in profit or loss	(179)	340
Tax income/(expense) during the period recognised in other comprehensive income	(194)	110
Discontinued operation	2	–
Deferred taxes acquired in business combinations	(1,511)	(380)
Closing balance as at 31 December	**(2,752)**	**(870)**

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority. *IAS 12.73*

10. Income tax *continued*

Commentary

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

As in some other disclosures included in this note, the cross reference with the amounts from which they are derived is not direct. Nevertheless, the reasonableness of each balance may be obtained from the respective notes by applying a 30% tax rate. The exception being the accelerated depreciation for tax purposes whose change during the year is mainly explained by the acquisition of Extinguishers Limited (see Note 5).

The Group has tax losses which arose in Euroland of €427,000 (2011: €1,198,000, 1 January 2011: €1,494,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. *IAS 12.81(e)*

Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group, they have arisen in subsidiaries that have been loss-making for some time, and there are no other tax planning opportunities or other evidence of recoverability in the near future. If the Group were able to recognise all unrecognised deferred tax assets, the profit would increase by €128,000. *IAS 12.87*

At 31 December 2012, there was no recognised deferred tax liability (2011: €Nil, 1 January 2011: €Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, associate or joint venture. The Group has determined that undistributed profits of its subsidiaries, joint venture or associate will not be distributed in the foreseeable future. The Group has an agreement with its associate that the profits of the associate will not be distributed until it obtains the consent of the Group. The parent company does not foresee giving such a consent at the reporting date. Further the joint venture of the Group cannot distribute its profits until it obtains the consent from all venture partners. *IAS 12.81(f)*

The temporary differences associated with investments in subsidiaries, associate and joint venture, for which a deferred tax liability has not been recognised, aggregate to €1,745,000 (2011: €1,458,000, 1 January 2011: €1,325,000).

There are no income tax consequences attached to the payment of dividends in either 2012 or 2011 by the Group to its shareholders. *IAS 12.82A*

Commentary

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

11. Discontinued operations

On 1 March 2012, the Group publicly announced the decision of its Board of Directors to dispose of Hose Limited. The business of Hose Limited has been operating in an unpredictable product environment, making it difficult for management to derive real growth and profitability from the segment. The disposal of Hose Limited is due to be completed on 28 February 2013 and, as at 31 December 2012, final negotiations for the sale were in progress. At 31 December 2012, Hose Limited was classified as a disposal group held for sale and as a discontinued operation. The results of Hose Limited for the year are presented below:

IFRS 5.30
IFRS 5.41

	2012	2011	
	€000	€000	*IFRS 5.34*
Revenue	42,809	45,206	
Expenses	(41,961)	(44,880)	
Gross profit	848	326	
Finance costs	(525)	(519)	
Impairment loss recognised on the remeasurement to fair value less costs to sell (Note 13)	(110)	–	*IFRS 5.33 (b)(iii)*
Profit/(loss) before tax from a discontinued operation	213	(193)	
Tax income:			
Related to current pre-tax profit/(loss)	5	5	*IAS 12.81(h)(ii)*
Related to measurement to fair value less costs to sell (deferred tax)	2	–	*IAS 12.81(h)(i)*
Profit/(loss) for the year from a discontinued operation	**220**	**(188)**	

IFRS 5.33(b)(i)

11. Discontinued operations *continued*

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

	2012 €000	2011 €000	*IFRS 5.38* *IFRS 5.40*
Assets			
Intangible assets (Note 15)	135	–	
Property, plant and equipment (Note 13)	4,637	–	
Debtors	6,980	–	
Equity shares – unquoted	508	–	
Cash and short-term deposits (Note 20)	1,294	–	
Assets classified as held for sale	13,554	–	
Liabilities			
Creditors	(7,241)	–	
Deferred tax liability	(75)	–	
Interest-bearing liabilities (Note 16.2)	(5,809)	–	
Liabilities directly associated with assets classified as held for sale	(13,125)	–	
Net assets directly associated with disposal group	**429**	**–**	
Included in other comprehensive income:			
Available-for-sale reserve	66	–	*IFRS 5.38* *IFRS 7.20(a)(ii)*
Deferred tax on available-for-sale reserve	(20)	–	
Reserve of disposal group classified as held for sale	**46**	**–**	

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

	2012 €000	2011 €000
Operating	(1,999)	3,293
Investing	–	–
Financing	(436)	(436)
Net cash (outflow)/inflow	**(2,435)**	**2,857**
Earnings per share:		
Basic, profit/(loss) for the year from discontinued operation	€0.01	(€0.01) *IAS 33.68*
Diluted, profit/(loss) for the year from discontinued operation	€0.01	(€0.01)

Interest-bearing liabilities comprise a fixed rate bank loan of €5,809,000 having an effective interest rate of 7.5% that is repayable in full on 1 January 2016.

Commentary

IFRS 5 specifies certain disclosures required in respect of discontinued operations and non-current assets held for sale. In April 2009, the IASB issued its second omnibus of Improvements to IFRSs which clarified that disclosures required in other IFRS do not apply to non-current assets held for sale and discontinued operations, except where other IFRSs explicitly refer to non-current assets held for sale and discontinued operations.

The Group has elected to present the earnings per share from discontinued operations in the notes. Alternatively, it could have presented those amounts on the face of the statement of comprehensive income.

11. Discontinued operations *continued*

Impairment of property, plant and equipment *IAS 36.130*

Immediately before the classification of Hose Limited as a discontinued operation, the recoverable amount was estimated for certain items of property, plant and equipment and no impairment loss was identified. Following the classification, an impairment loss of €110,000 (net of tax €77,000) was recognised to reduce the carrying amount of the assets in the disposal group to the fair value less costs to sell. This was recognised in discontinued operations in the income statement. An independent valuation was obtained as a basis to determine the fair value of property, plant and equipment, which was based on recent transactions for similar assets within the same industry. *IFRS 5.33 (a)(iii)*

The discontinued operation includes unquoted equity shares (Level 3 in the fair value hierarchy) of Test Ltd. with a carrying amount of €508,000. For more details on the recognition and measurement (including valuation techniques used) of this instrument, see Note 2.3(n) and Note 16. This equity instrument is classified as available-for-sale and carried at fair value through other comprehensive income. The Group did not pledge the financial assets nor receive any collateral for it. *IFRS 7.8(h)* *IFRS 7.14* *IFRS 7.15* *IFRS 7.25*

As at the reporting date, the carrying amount equals the fair value of the instrument. *IFRS 7.25*

Reconciliation of fair value measurements of Level 3 financial instruments

The following reconciliation illustrates the movements in the unquoted equity instrument from the day of its reclassification to the end of the reporting period. The instrument is classified as Level 3 within the fair value hierarchy (see Note 16). *IFRS 7.27B(c)*

	Test Ltd	Total
	€000	€000
1 March 2012	508	508
Sales	–	–
Purchases	–	–
Total gains and losses recognised in OCI	–	–
31 December 2012	**508**	**508**

The Group did not incur gains or losses recorded in the statement of comprehensive income with respect to Level 3 financial instruments. Furthermore, the Group did not recognise any gain or loss in other comprehensive income, as the valuation of the equity instrument as of 31 December 2012 only insignificantly differed from last year's valuation. *IFRS 7.27B(d)*

The collaboration with Test Ltd. is closely related with the discontinued operation of Hose Limited and was therefore reclassified as part of the discontinued operation.

Refer to Note 31 with regard to the nature and extent of risks arising from financial instruments.

Commentary

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

12. Earnings per share

Basic earnings per share amounts are calculated by dividing the net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

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

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2012	2011	
	€000	€000	
Net profit attributable to ordinary equity holders of the parent from continuing operations	7,724	7,391	
Profit/(loss) attributable to ordinary equity holders of the parent from discontinued operations	220	(188)	
Net profit attributable to ordinary equity holders of the parent for basic earnings	**7,944**	**7,203**	*IAS 33.70(a)*
Interest on convertible preference shares	247	238	
Net profit attributable to ordinary equity holders of the parent adjusted for the effect of dilution	**8,191**	**7,441**	*IAS 33.70(a)*

	2012	2011	
	Thousands	Thousands	*IAS 33.70(b)*
Weighted average number of ordinary shares for basic earnings per share *	20,797	19,064	
Effect of dilution:			
Share options	112	177	
Convertible preference shares	833	833	
Weighted average number of ordinary shares adjusted for the effect of dilution *	**21,742**	**20,074**	

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

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

To calculate the earnings per share amounts for discontinued operation (see Note 11), the weighted average number of ordinary shares for both the basic and diluted amounts is as per the table above. The following table provides the profit/(loss) amount used:

	2012	2011
	€000	€000
Net profit/(loss) attributable to ordinary equity holders of the parent from a discontinued operation for the basic and diluted earnings per share calculations	**220**	**(188)**

13. Property, plant and equipment

	Freehold land and buildings	Construction in progress	Plant and equipment	Total	IAS 1.78(a) IAS 16.73(e) IAS 16.73(d)
	€000	€000	€000	€000	
Cost or valuation					
At 1 January 2011	11,887	–	24,602	36,489	
Additions	1,587	–	6,235	7,822	
Acquisition of a subsidiary (Note 5)	1,280	–	–	1,280	
Disposals	(3,381)	–	(49)	(3,430)	
Exchange differences	10	–	26	36	
At 31 December 2011 (restated)	**11,383**	**–**	**30,814**	**42,197**	
Additions	1,612	4,500	4,543	10,655	
Acquisition of a subsidiary (Note 5)	2,897	–	4,145	7,042	
Disposals	–	–	(4,908)	(4,908)	
Discontinued operations (Note 11)	(4,144)	–	(3,980)	(8,124)	
Revaluations	846	–	–	846	
Transfer*	(102)	–	–	(102)	IAS 16.35
Exchange differences	30	–	79	109	
At 31 December 2012	**12,522**	**4,500**	**30,693**	**47,715**	
Depreciation and impairment					
At 1 January 2011	4,160	–	11,944	16,104	
Depreciation charge for the year	354	–	2,728	3,082	
Impairment (Note 9.5)	–	–	301	301	
Disposals	(3,069)	–	(49)	(3,118)	
Exchange differences	5	–	12	17	
At 31 December 2011	**1,450**	**–**	**14,936**	**16,386**	
Depreciation charge for the year**	500	–	3,297	3,797	
Disposals	–	–	(3,450)	(3,450)	
Discontinued operations (Note 11)	(1,283)	–	(2,094)	(3,377)	
Transfer*	(102)	–	–	(102)	
Exchange differences	20	–	30	50	
At 31 December 2012	**585**	**–**	**12,719**	**13,304**	
Net book value					
At 31 December 2012	11,937	4,500	17,974	34,411	
At 31 December 2011 (restated)	9,933	–	15,878	25,811	
At 1 January 2011	7,727	–	12,658	20,385	

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

*** Depreciation for the year excludes an impairment loss of €110,000 (see Note 11).*

13. Property, plant and equipment *continued*

In 2011, the impairment loss of €301,000 represented the write-down of certain property, plant and equipment in the fire prevention segment to the recoverable amount. This was recognised in the income statement as cost of sales. The recoverable amount was based on value in use and was determined at the level of the CGU. The CGU consisted of the Euroland based assets of Sprinklers Limited, a subsidiary, and Showers Limited, a jointly controlled entity of the Group. In determining value in use for the CGU, the cash flows were discounted at a rate of 12.4% on a pre-tax basis. *IAS 36.126(a)*

Capitalised borrowing costs

The Group started the construction of a new fire safety facility in February 2012. This project is expected to be completed in February 2013. The carrying amount of the fire safety facility at 31 December 2012 was €3 million (2011: Nil, 1 January 2011: Nil). The fire safety facility is financed by a third party in a common arrangement. *IAS 23.26(a)* *IAS 23.26(b)*

The amount of borrowing costs capitalised during the year ended 31 December 2012 was €303,000 (2011: Nil, 1 January 2011: Nil). The rate used to determine the amount of borrowing costs eligible for capitalisation was 11%, which is the effective interest rate of the specific borrowing.

Finance leases and assets under construction

The carrying value of property, plant and equipment held under finance leases and hire purchase contracts at 31 December 2012 was €1,178,000 (2011: €1,486,000, 1 January 2011: €1,432,000). Additions during the year include €45,000 (2011: €54,000) of property, plant and equipment under finance leases and hire purchase contracts. Leased assets and assets under hire purchase contracts are pledged as security for the related finance lease and hire purchase liabilities. *IAS 17.31(a)* *IAS 7.43* *IAS 16.74(a)*

Land and buildings with a carrying amount of €7,400,000 (2011: €5,000,000, 1 January 2011: €4,500,000) are subject to a first charge to secure two of the Group's bank loans (Note 16). *IAS 16.74(a)*

Included in property, plant and equipment at 31 December 2012 was an amount of €1,500,000 (2011: Nil, 1 January 2011: Nil) relating to expenditure for a plant in the course of construction. *IAS 16.74(b)*

Plant and equipment contributed by customers

The Group recognises as plant and equipment any contribution made by its customers to be utilised in the production process and that meets the definition of an asset. The initial gross amount is estimated at fair value by reference to the market price of these assets on the date in which control is obtained. *IFRIC 18.11* *IAS 16.73(a)*

The amount that the Group has recognised as plant and equipment and revenue during 2012 was €190,000 (2011, €150,000).

Revaluation of land and buildings

From 1 January 2012, the Group has changed its accounting policy for the measurement of land and buildings to the revaluation model. The Group engaged Chartered Surveyors & Co., an accredited independent valuer, to assess the fair value of its land and buildings. *IAS 16.77(a)* *IAS 16.77(e)* *IAS 8.17* *IAS 8.18*

The Group determined fair value by reference to market-based evidence. This means that valuations performed by the valuer are based on active market prices, adjusted for any difference in the nature, location or condition of the specific property. The date of the revaluation was 31 January 2012.

If land and buildings were measured using the cost model, the carrying amounts would be as follows:

	2012	2011	As at 1 January 2011
	€000	€000	€000
Cost	11,778	11,383	11,887
Accumulated depreciation and impairment	(573)	(1,450)	(4,160)
Net carrying amount	**11,205**	**9,933**	**7,727**

IAS 16.77(e)

Commentary

The Group has changed its accounting policy for the measurement of land and buildings to the revaluation model. IAS 8.17 and IAS 8.18 exempt this change in accounting policy from the requirement to retrospectively apply the policy and to provide detailed disclosure as outlined in IAS 8.28 to IAS 8.31.

14. Investment properties

	2012	2011	IAS 40.76
	€000	€000	
Opening balance at 1 January	7,983	7,091	
Additions (subsequent expenditure)	1,216	1,192	
Net loss from fair value adjustment	(306)	(300)	
Closing balance at 31 December	**8,893**	**7,983**	

	2012	2011	IAS 40.75(f)
	€000	€000	
Rental income derived from investment properties	1,404	1,377	
Direct operating expenses (including repairs and maintenance) generating rental income	(101)	(353)	
Direct operating expenses (including repairs and maintenance) that did not generate rental income (included in cost of sales)	(37)	(127)	
Net profit arising from investment properties carried at fair value	**1,266**	**897**	

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

Investment properties are stated at fair value, which has been determined based on valuations performed by Chartered Surveyors & Co., an accredited independent valuer, as at 31 December 2012 and 2011. Chartered Surveyors & Co. is a specialist in valuing these types of investment properties. The fair value of the properties has not been determined using transactions observable in the market because of the lack of comparable data given the nature of the property. Instead, a valuation model in accordance with that recommended by the International Valuation Standards Committee has been applied. The following primary inputs have been used. *IAS 40.75(d) IAS 40.75(e)*

	2012	2011	IAS 40.75(d)
Yields (%)	6 – 7%	5 – 6%	
Inflation rate (%)	3.5%	3%	
Long term vacancy rate (%)	9%	5%	
Long term growth in real rental rates (%)	3%	4%	

Commentary

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

IAS 40 permits property, plant and equipment and investment properties to be carried at historical cost less provision for depreciation and impairment. If the Group accounted for investment properties at cost, information about the cost basis and depreciation rates (similar to property, plant and equipment) would be required in addition to the disclosures about the fair value, including disclosures about the methods and significant assumptions used to determine fair value.

15. Intangible assets

	Development costs	Patents and licences	Goodwill	Total	IAS 38.118(c)
	€000	€000	€000	€000	IAS 38.118(e)
Cost					
At 1 January 2011	1,585	635	119	2,339	
Additions – internal development	390	–	–	390	
Acquisition of a subsidiary (restated) (Note 5)	–	–	131	131	
At 31 December 2011 (restated)	**1,975**	**635**	**250**	**2,860**	
Additions – internal development	587	–	–	587	
Acquisition of a subsidiary (Note 5)	–	1,200	2,231	3,431	
Discontinued operations (Note 11)	–	(138)	–	(138)	
At 31 December 2012	**2,562**	**1,697**	**2,481**	**6,740**	
Amortisation and impairment					
At 1 January 2011	165	60	–	225	
Amortisation	124	50	–	174	
At 31 December 2011	**289**	**110**	**–**	**399**	
Amortisation	95	30	–	125	
Impairment (Note 17)	–	–	200	200	
Discontinued operations (Note 11)	–	(3)	–	(3)	
At 31 December 2012	**384**	**137**	**200**	**721**	
Net book value					
At 31 December 2012	2,178	1,560	2,281	6,019	
At 31 December 2011 (restated)	1,686	525	250	2,461	
At 1 January 2011	1,420	575	119	2,114	

There are two fire prevention research and development projects. One is to improve fire detection and sprinkler systems and the other is related to fire-retardant fabrics for motor vehicles and aircraft. The Group's electronics business research and development concentrates on the development of internet-enabled safety equipment. Research and development costs that are not eligible for capitalisation have been expensed in the period incurred and are recognised in administrative expenses (Note 9.7). *IAS 38.118(d)*

Acquisition during the year

Patents and licences include intangible assets acquired through business combinations. These patents have been granted for a minimum of 10 years by the relevant government agency, while licences have been acquired with the option to renew at the end of the period at little or no cost to the Group. Previous licences acquired have been renewed and have allowed the Group to determine that these assets have indefinite useful lives. As at 31 December 2012, these assets were tested for impairment (Note 17).

16. Other financial assets and financial liabilities

16.1. Other financial assets

	2012	2011	As at 1 January 2011	IFRS 7.6 IFRS 7.8
	€000	€000	€000	
Financial instruments at fair value through other comprehensive income				
Cash flow hedges				
Foreign exchange forward contracts (Note 16.3)	252	153	137	
Financial instruments at fair value through profit or loss				
Derivatives not designated as hedges				
Foreign exchange forward contracts	640	–	–	
Embedded derivatives	210	–	–	
Total instruments at fair value through profit or loss	**850**	**–**	**–**	
Available for sale investments				
Unquoted equity shares	1,038	898	890	
Quoted equity shares	337	300	334	
Quoted debt securities	612	600	378	
Total available for sale investments	**1,987**	**1,798**	**1,602**	
Total financial instruments at fair value	**3,089**	**1,951**	**1,739**	
Loans and receivables				
Loan notes	3,674	1,685	1,659	
Loan to an associate (Note 29)	200	–	–	
Loan to directors (Note 29)	13	8	8	
Total loans and receivables	**3,887**	**1,693**	**1,667**	
Total other financial assets	**6,976**	**3,644**	**3,406**	
Total current	**551**	**153**	**137**	
Total non-current	**6,425**	**3,491**	**3,269**	

Financial assets at fair value through other comprehensive income reflect the positive change in fair value of foreign exchange forward contracts, designated as cash flow hedges to hedge highly probable forecast sales in US$ and purchases in GBP. Financial assets through profit or loss reflect the positive change in fair value of those foreign exchange forward contracts that are not designated in hedge relationships, but are nevertheless intended to reduce the level of foreign currency risk for expected sales and purchases. *IFRS 7.32A*

Loans and receivables are held to maturity and generate a fixed or variable interest income for the Group. The carrying value might be affected by changes in the credit risk of the counterparties.

Available-for-sale investment - unquoted equity shares
A significant portion of the available-for-sale financial assets consist of an investment in shares of a non-listed company, which are valued based on non-market observable information. Changes in underlying assumptions can lead to adjustments in the fair value of the investment (see sensitivity risk analysis in Note 30).

The Group holds non-controlling interests (between 2% and 9%) in entities where it has entered into research collaboration. The fair value of the unquoted ordinary shares has been estimated using a discounted cash flow model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments. Management has determined the potential effect of using reasonably possible alternatives, a change in the net cash flows of 10% in either direction as inputs to the valuation model. An decrease of in the net cash flows of 10% would reduce the fair value by €24,000 (2011: €25,000) while an increase in the net cash flows of 10% would increase the fair value by €21,000 (2011: €22,000. *IFRS 7.27 IAS 39.AG 74-79(c)* *IFRS 7.27B(e)*

16. Other financial assets and financial liabilities *continued*

Available-for-sale investment - quoted debt securities and equity shares *IFRS 7.27*

The Group has investments in listed equity and debt securities. The fair value of the quoted debt securities and equity shares is determined by reference to published price quotations in an active market.

Impairment on available-for-sale financial investments

IAS 39.58
IAS 39.61
IAS 39.67
IAS 39.68
IAS 39.69

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Based on these criteria, the Company identified an impairment of €88,000 on available-for-sale investment - quoted debt securities and an impairment of €23,000 on available-for-sale investment - quoted equity securities. The impairment on available-for-sale financial investments is recognised within finance costs in the income statement (Note 9.3).

16.2 Other financial liabilities

IFRS 7.6
IFRS 7.8

	2012	2011	As at 1 January 2011
	€000	€000	€000
Financial liabilities at fair value through other comprehensive income			
Cash flow hedges			
Foreign exchange forward contracts (Note 16.3)	170	254	271
Commodity forward contracts (Note 16.3)	980	–	–
Total financial liabilities at fair value through other comprehensive income	**1,150**	**254**	**271**
Financial liabilities at fair value through profit or loss			
Contingent consideration (Note 5)	1,072	–	–
Fair value hedges			
Interest rate swaps	35	–	–
Derivatives not designated as hedges			
Foreign exchange forward contracts	720	–	–
Embedded derivatives	782	–	–
Total financial liabilities at fair value through profit or loss	**2,609**	**–**	**–**
Other financial liabilities at amortised cost			
Financial guarantee contracts	87	49	32
Total other financial liabilities at amortised cost	**87**	**49**	**32**
Total other financial liabilities	**3,846**	**303**	**303**
Total current	**3,040**	**303**	**303**
Total non-current	**806**	**–**	**–**

Financial liabilities at fair value through other comprehensive income reflect the change in fair value of foreign exchange forward contracts, designated as cash flow hedges to hedge highly probable future purchases in GBP. *IFRS 7.32A*

Financial liabilities at fair value through other comprehensive income also include the change in fair value of commodity forward contracts contracted during 2012. The Group is exposed to changes in the price of copper on its forecast copper purchases. The forward contracts do not result in physical delivery of copper, but are designated as cash flow hedges to offset the effect of price changes in copper. The Group hedges approximately 45% of its expected copper purchases in the next reporting period. The remaining volume of copper purchases is exposed to price volatility. *IFRS 7.32A*

16. Other financial assets and financial liabilities *continued*

Contingent consideration

As part of the purchase agreement with the previous owner of Extinguishers Limited, a contingent consideration has been agreed. This consideration is dependent on the profit before tax of Extinguishers Limited during a 12-month period. The fair value of the contingent consideration at the acquisition date was €714,000. The fair value increased to €1,071,500 as at 31 December 2012 due to a significantly enhanced performance compared to budget. The contingent consideration is due for final measurement and payment to the former shareholders on 30 September 2013. No further significant change to the contingent consideration is expected.

16. Other financial assets and financial liabilities *continued*

Interest-bearing loans and borrowings

	Interest rate	Maturity	2012	2011	As at 1 January 2011	IFRS 7.7
	%		€000	€000	€000	
Current interest-bearing loans and borrowings						
Obligations under finance leases and hire purchase contracts (Note 30)	7.8	2013	83	51	47	
Bank overdrafts (Note 20)	EURIBOR+1.0	On demand	966	2,650	2,750	
Other current loans						
€1,500,000 bank loan (2011: €1,400,000)	EURIBOR+0.5	1 Nov 2013	1,411	–	–	
€2,200,000 bank loan	EURIBOR+0.5	31 Mar 2012	–	74	1,758	
Total current interest-bearing loans and borrowings			**2,460**	**2,775**	**4,555**	
Non-current interest-bearing loans and borrowings						
Obligations under finance leases and hire purchase contracts (Note 30)	7.8	2014-2015	905	943	938	
8% debentures	8.2	2014-2020	3,374	3,154	3,154	
8.25% secured loan of US$3,600,000	*LIBOR+0.2	31 May 2018	2,246	–	–	
Secured bank loan	LIBOR+2.0	31 Jul 2018	3,479	3,489	3,489	
Other non-current loans						
€1,500,000 bank loan (2011: €1,400,000)	EURIBOR+0.5	1 Nov 2012	–	1,357	1,357	
€2,750,000 bank loan (2011: €2,500,000)	EURIBOR+1.1	2015-2017	2,486	2,229	2,229	
€2,200,000 bank loan	EURIBOR+0.5	31 Mar 2016	2,078	2,078	2,078	
€5,809,000 bank loan	7.5	1 Jan 2017	–	5,809	3,164	
Loan from a partner in a Special Purpose Entity	11.00	2015	3,000	–	–	
Share of a joint venture's loan	EURIBOR+1.1	30 Jun 2016	510	500	505	
			18,078	**19,559**	**16,914**	
Convertible preference shares						
Convertible preference shares	11.65	2014-2018	2,778	2,644	2,522	
Total non-current interest-bearing loans and borrowings			**20,856**	**22,203**	**19,436**	

* *Includes the effects of related interest rate swaps.*

Commentary

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

16. Other financial assets and financial liabilities *continued*

Bank overdrafts *IFRS 7.7*

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

€1,500,000 bank loan

This loan is unsecured and is repayable in full on 1 November 2013.

8% debentures

The 8% debentures are repayable in equal annual instalments of €350,000 commencing on 1 January 2014.

8.25% secured loan

The loan is secured by a first charge over certain of the Group's land and buildings with a carrying value of €2,400,000 (2011: Nil, 1 January 2011: Nil).

Secured bank loan

This loan has been drawn down under a six-year multi-option facility (MOF). The loan is repayable within 12 months after the reporting date, but has been classified as long term because the Group expects and has the discretion to exercise its rights under the MOF to refinance this funding. Such immediate replacement funding is available until 31 July 2018. The total amount repayable on maturity is €3,500,000. The facility is secured by a first charge over certain of the Group's land and buildings, with a carrying value of €5,000,000 (2011: €5,000,000, 1 January 2011: €4,500,000). *IAS 1.73*

€2,750,000 bank loan

The Group increased its borrowings under this loan contract by €250,000 during the reporting period. This loan is repayable in two instalments of €1,250,000 due on 31 December 2015 and €1,500,000 due on 31 December 2017.

€2,200,000 bank loan

This loan is unsecured and is repayable in full on 31 March 2016. As of 31 December 2011, €74,000 was repayable on 31 March 2012.

€5,809,000 bank loan

This loan has been transferred to the net balance of the discontinued operations, see Note 11.

Share of a joint venture's loan

This relates to the Group's 50% share of the joint venture's €1,020,000 bank loan (2011: €1,000,000, 1 January 2011: €1,010,000) and is repayable in full on 30 June 2016.

Loan from a partner in a Special Purpose Entity

In February 2012, the Group and a third party partner formed an entity to acquire, construct and operate a fire equipment safety facility. The partner contributed approximately €2,700,000 in 2012 for the acquisition and construction of the fire safety test facility and is committed to provide approximately €1,000,000 in each of the following two years to complete the project. The construction is expected to be completed in 2014 at a total cost of approximately €4,700,000. The partner is entitled to a 22% return on the outstanding capital upon the commencement of operations. At the end of the fourth annual period, the partner is entitled to a 100% capital return. The effective interest rate is 11% and the interest accumulated on the contributed amount totalled €303,000 at 31 December 2012.

Convertible preference shares *IAS 1.79(a)(v)*

At 31 December 2012 and 2011, there were 2,500,000 convertible preference shares in issue. Each share has a par value of €1 and is convertible at the option of the shareholders into ordinary shares of the parent of the Group on 1 January 2015 on the basis of one ordinary share for every three preference shares held. Any preference shares not converted will be redeemed on 31 December 2018 at a price of €1.20 per share. The preference shares carry a dividend of 7% per annum, payable half-yearly in arrears on 30 June and 31 December. The dividend rights are non-cumulative. The preference shares rank ahead of the ordinary shares in the event of a liquidation. The equity portion of these shares is included in Note 21 below.

16. Other financial assets and financial liabilities *continued*

16.3. Hedging activities and derivatives

Derivatives not designated as hedging instruments

The Group uses foreign currency denominated borrowings and foreign exchange forward contracts to manage some of its transaction exposures. The foreign exchange forward contracts are not designated as cash flow hedges and are entered into for periods consistent with foreign currency exposure of the underlying transactions, generally from one to 24 months. *IFRS 7.22*

Cash flow hedges

Foreign currency risk

Foreign exchange forward contracts measured at fair value through OCI are designated as hedging instruments in cash flow hedges of forecast sales in USD and forecast purchases in GBP. These forecast transactions are highly probable, and they comprise about 25% of the Group's total expected sales in USD and about 65% of its total expected purchases in GBP. *IFRS 7.23(a)*

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

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

	2012		2011		As at 1 January 2011	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
	€000	€000	€000	€000	€000	€000
Foreign currency forward contracts						
Fair value	252	(170)	153	(254)	137	(271)

The terms of the foreign currency forward contracts match the terms of the expected highly probable forecast transactions. As a result, no hedge ineffectiveness arises requiring recognition through profit or loss. Notional amounts are as provided in Note 31. *IFRS 7.24(b)*

The cash flow hedges of the expected future sales in January 2013 were assessed to be highly effective and a net unrealised gain of €252,000, with a deferred tax liability of €76,000 relating to the hedging instruments, is included in OCI. *IFRS 7.23(c)*

The cash flow hedges of the expected future purchases in February and March 2013 were assessed to be highly effective, and as at 31 December 2012, a net unrealised loss of €170,000, with a related deferred tax asset of €51,000 was included in OCI in respect of these contracts. *IFRS 7.23(c)*

At the end of December 2011, the cash flow hedges of the expected future sales in the first quarter of 2012 were assessed to be highly effective and an unrealised gain of €153,000 with a deferred tax liability of €46,000 was included in OCI in respect of these contracts. The cash flow hedges of the expected future purchases in the first quarter of 2012 were also assessed to be highly effective and an unrealised loss of €254,000, with a deferred tax asset of €76,000 was included in OCI in respect of these contracts. *IFRS 7.23(c)*

The amount removed from OCI during the year and included in the carrying amount of the hedging items as a basis adjustment for 2011 is detailed in Note 9.8, and for 2010 the amount was immaterial. The amounts retained in OCI at 31 December 2012 are expected to mature and affect the income statement in 2013. Reclassifications to profit or loss during the year gains or losses included in OCI are shown in Note 9.8. *IFRS 7.23(d)* *IFRS 7.23(e)* *IFRS 7.23(a)*

Commodity price risk

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

16. Other financial assets and financial liabilities *continued*

These contracts, which commenced on 1 July 2012, are expected to reduce the volatility attributable to price fluctuations of copper. Hedging the price volatility of forecast copper purchases is in accordance with the risk management strategy outlined by the Board of Directors. The hedging relationships are for a period between three and 12 months based on existing purchase agreements. The Group designated only the spot-to-spot movement of the entire commodity purchase price as the hedged risk. The forward points of the commodity forward contracts are therefore excluded from the hedge designation. Changes in fair value of the forward points recognised in the income statement in finance costs were immaterial during the year.

As at 31 December 2012, the fair value of outstanding commodity forward contracts amounted to a liability of €980,000. The ineffectiveness recognised in other operating expenses in the income statement for the current year was €65,000 (see Note 9.2). The cumulative effective portion of €915,000 is reflected in other comprehensive income and will affect the profit or loss in the first six months of 2013.

Fair value hedge

At 31 December 2012, the Group had an interest rate swap agreement in place with a notional amount of US$3,600,000 (€2,246,000) (2011: €Nil, 1 January 2011: €Nil) whereby the Group receives a fixed rate of interest of 8.25% and pays interest at a variable rate equal to LIBOR+0.2% on the notional amount. The swap is being used to hedge the exposure to changes in the fair value of its 8.25% secured loan. *IFRS 7.22* *IFRS 7.24(a)*

The decrease in fair value of the interest rate swap of €35,000 (2011: €Nil) has been recognised in finance costs and offset with a similar gain on the bank borrowings. The ineffectiveness recognised in 2012 was immaterial.

Hedge of net investments in foreign operations

Included in loans at 31 December 2012 was a borrowing of US$3,600,000 which has been designated as a hedge of the net investments in the two subsidiaries in the United States, Wireworks Inc. and Sprinklers Inc. This borrowing is being used to hedge the Group's exposure to US$ foreign exchange risk on these investments. Gains or losses on the retranslation of this borrowing are transferred to other comprehensive income to offset any gains or losses on translation of the net investments in the subsidiaries. There is no ineffectiveness in the years ended 31 December 2012 and 2011. *IFRS 7.22* *IFRS 7.24(c)*

Embedded derivatives

In 2012, the Group entered into long-term sale contracts with customers in Switzerland and Norway. The selling prices in these contracts are fixed and set in Canadian dollars. These contracts require physical delivery and will be held for the purpose of the delivery of the commodity in accordance with the buyers' expected sale requirements. These contracts have embedded foreign exchange derivatives that require bifurcation. *IAS 39.AG33(d)*

The Group also entered into various purchase contracts for brass and chrome (for which there is an active market) with a number of suppliers in South Africa and Russia. The prices in these purchase contracts are linked to the price of electricity. These contracts have embedded commodity swaps that require bifurcation. *IAS 39.AG33(e)*

These embedded foreign currency and commodity derivatives have been separated and are carried at fair value through profit or loss. The carrying values of the embedded derivatives at 31 December 2012 amounted to €210,000 (other financial assets) and €782,000 (other financial liabilities) (2011: both €Nil, 1 January 2011: both €Nil). The effects on profit or loss are reflected in finance income and finance costs, respectively.

16. Other financial assets and financial liabilities *continued*

16.4 Fair values

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are carried in the financial statements: *IFRS 7.25* *IFRS 7.26*

	Carrying amount			Fair value		
	2012	2011	As at 1 January 2011	2012	2011	As at 1 January 2011
	€000	€000	€000	€000	€000	€000
Financial assets						
Other financial assets						
Loans and other receivables	3,887	1,693	1,667	3,741	1,654	1,633
Available-for-sale financial investments	1,987	1,798	1,602	1,987	1,798	1,602
Foreign exchange forward contracts	640	–	–	640	–	–
Embedded derivatives	210	–	–	210	–	–
Derivatives in effective hedges	252	153	137	252	153	137
Cash and short-term deposits	17,112	14,916	11,066	17,112	14,916	11,066
Total	**24,088**	**20,561**	**14,472**	**23,942**	**18,521**	**14,438**
Financial liabilities						
Interest-bearing loans and borrowings						
Obligations under finance leases and hire purchase contracts	(988)	(994)	(985)	(1,063)	(1,216)	(1,217)
Floating rate borrowings*	(12,210)	(9,727)	(11,416)	(12,210)	(9,727)	(11,416)
Fixed rate borrowings	(6,374)	(8,963)	(6,318)	(6,321)	(8,944)	(6,341)
Convertible preference shares	(2,778)	(2,644)	(2,522)	(2,766)	(2,621)	(2,537)
Bank overdrafts	(966)	(2,650)	(2,750)	(966)	(2,650)	(2,750)
Financial guarantee contracts	(87)	(49)	(32)	(87)	(49)	(32)
Contingent consideration	(1,072)	–	–	(1,072)	–	–
Derivative financial liabilities at fair value through profit or loss						
Foreign exchange forward contracts	(720)	–	–	(720)	–	–
Embedded derivatives	(782)	–	–	(782)	–	–
Derivatives in effective hedges	(1,185)	(254)	(271)	(1,185)	(254)	(271)
Total	**(27,162)**	**(25,281)**	**(24,294)**	**(27,172)**	**(25,461)**	**(24,564)**

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

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values: *IFRS 7.27*

- Cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Long-term fixed-rate and variable-rate receivables/borrowings are evaluated by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As at 31 December 2012, the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values.
- Fair value of quoted notes and bonds is based on price quotations at the reporting date. The fair value of unquoted instruments, loans from banks and other financial liabilities, obligations under finance leases, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

16. Other financial assets and financial liabilities *continued*

- Fair value of available-for-sale financial assets is derived from quoted market prices in active markets.
- Fair value of unquoted available-for-sale financial assets is estimated using appropriate valuation techniques.
- The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are mainly interest rate swaps, foreign exchange forward contracts and commodity forward contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves of the underlying commodity.

As at 31 December 2012, the marked to market value of derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognised at fair value.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data

As at 31 December 2012, the Group held the following financial instruments carried at fair value in the statement of financial position:

Assets measured at fair value

	31 December 2012	Level 1	Level 2	Level 3	*IFRS 7.27A*
	€000	€000	€000	€000	
Financial assets at fair value through profit or loss:					
Foreign exchange forward contracts – hedged	252	–	252	–	
Foreign exchange forward contracts – non-hedged	640	–	640	–	
Embedded derivatives	210	–	210	–	
Available-for-sale financial assets:					
Equity shares	1,375	337	–	1,038	
Debt securities	612	612	–	–	

Liabilities measured at fair value

	31 December 2012	Level 1	Level 2	Level 3
	€000	€000	€000	€000
Financial liabilities at fair value through profit or loss:				
Foreign exchange forward contracts – hedged	170	–	170	–
Commodity forward contracts	980	–	980	–
Interest rate swaps	35	–	35	–
Foreign exchange forward contracts – non-hedged	720	–	720	–
Embedded derivatives	782	–	782	–

During the reporting period ended 31 December 2012, there were no transfers between Level 1 and Level 2 fair value measurements. *IFRS 7.27B(b)* *IFRS 7.27B(c)*

16. Other financial assets and financial liabilities *continued*

As at 31 December 2011, the Group held the following financial instruments measured at fair value:

Assets measured at fair value

	31 December 2011	Level 1	Level 2	Level 3	*IFRS 7.27A*
	€000	**€000**	**€000**	**€000**	
Financial assets at fair value through profit or loss:					
Foreign exchange forward contracts – hedged	153	–	153	–	
Available-for-sale financial assets:					
Equity shares	1,198	300	–	898	
Debt securities	600	600	–	–	

Liabilities measured at fair value

	31 December 2011	Level 1	Level 2	Level 3
	€000	**€000**	**€000**	**€000**
Financial liabilities at fair value through profit or loss:				
Foreign exchange forward contracts – hedged	254	–	254	–

During the reporting period ended 31 December 2011, there were no transfers between Level 1 and Level 2 fair value measurements. *IFRS 7.27B(b) IFRS 7.27B(c)*

Reconciliation of fair value measurements of Level 3 financial instruments

The Group carries unquoted equity shares as available-for-sale financial instruments classified as Level 3 within the fair value hierarchy. *IFRS 7.27B(c) IFRS 7.27B(d)*

The Group has equity interests in three unlisted entities with which it entered into a research and collaboration agreement. As part of the agreement, the Group invested in equity instruments of those entities.

A reconciliation of the beginning and closing balances including movements is summarised below:

	Evo Ltd	Lab Ltd	Test Ltd	Total
	€000	**€000**	**€000**	**€000**
1 January 2011	232	156	502	890
Total gains and losses recognised in OCI	2	–	6	8
31 December 2011	**234**	**156**	**508**	**898**
1 January 2012	234	156	508	898
Sales	(232)	–	–	(232)
Purchases	–	870	–	870
Reclassification to a discontinued operation (Note 11)	–	–	(508)	(508)
Total gains and losses recognised in OCI	(2)	12	–	10
31 December 2012	**–**	**1,038**	**–**	**1,038**

The Group did not incur gains or losses recorded in the statement of comprehensive income with respect to Level 3 financial instruments. Fair value would not significantly vary if one or more of the inputs were changed. *IFRS7.27B (e)*

The research agreement with Evo Ltd. expired in 2012, the equity instruments were sold to a third party. The collaboration with Lab Ltd. was significantly increased due to strong results arising from their research activities. The collaboration with Test Ltd. is closely related with the discontinued operations of Hose Limited and was therefore reclassified as part of the discontinued operation (see Note 11). All transactions were performed on an arm's length basis.

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

Goodwill acquired through business combinations and licences with indefinite lives has been allocated to the two CGUs below, which are also operating and reportable segments for impairment testing:

- Electronics CGU
- Fire prevention equipment CGU

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

	Electronics unit			Fire prevention equipment unit			Total			
	2012	2011	1 Jan 2011	2012	2011	1 Jan 2011	2012	2011	1 Jan 2011	
	€000	€000	€000	€000	€000	€000	€000	€000	€000	
Goodwill	50	250	119	2,231	–	–	2,281	250	119	*IAS 36.134(a)*
Licences with indefinite useful lives	360	–	–	1,050	240	240	1,410	240	240	*IAS 36.134(b)*

The Group performed its annual impairment test at 31 December 2012. The Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. As at 31 December 2012, the market capitalisation of the Group was below the book value of its equity, indicating a potential impairment of goodwill and impairment of the assets of the operating segment. In addition, the overall decline in construction and development activities around the world as well as the ongoing economic uncertainty have led to a decreased demand in both the Fire Prevention Equipment and Electronics CGUs. *IAS 36.130(a)*

Electronics CGU

The recoverable amount of the Electronics CGU has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The projected cash flows have been updated to reflect the decreased demand for products and services. The pre-tax discount rate applied to cash flow projections is 15.5% (2011: 12.1%) and cash flows beyond the five-year period are extrapolated using a 3.0% growth rate (2011: 5.0%) that is the same as the long-term average growth rate for the electronics industry. It was concluded that the fair value less cost to sell did not exceed the value in use. As a result of this analysis, management has recognised an impairment charge of €200,000 against goodwill previously carried at €250,000, which is recorded within administrative expenses in the income statement. *IAS 36.134(c) IAS 36.134 (d)(iii) IAS 36.134 (d)(iv) IAS 36.134 (d)(v) IAS 36.126(a)*

Fire prevention equipment CGU

The recoverable amount of the Fire Prevention Equipment CGU is also determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The projected cash flows have been updated to reflect the decreased demand for products and services. The pre-tax discount rate applied to the cash flow projections is 14.4% (2011: 12.8%). The growth rate used to extrapolate the cash flows of the fire prevention equipment unit beyond the five-year period is 2.9% (2011: 3.8%). This growth rate exceeds the average growth rate for the industry in which the Fire Prevention Equipment unit operates by 0.75%. Management of the Fire Prevention Equipment unit believes this growth rate is justified based on the acquisition of Extinguishers Limited. This acquisition has resulted in the Group obtaining control of an industry patent, thereby preventing other entities from manufacturing a specialised product for a period of 10 years. The Group has an option to renew the patent after the 10 years have expired. As a result of the updated analysis, management did not identify an impairment for this CGU to which goodwill of €2,231,000 is allocated. *IAS 36.134(c) IAS 36.134 (d)(iii) IAS 36.134 (d)(iv) IAS 36.134 (d)(v)*

17. Impairment testing of goodwill and intangibles with indefinite lives *continued*

Key assumptions used in value in use calculations

The calculation of value in use for both electronics and fire prevention equipment units is most sensitive to the following assumptions:

IAS 36.134 (d)(i)
IAS 36.134 (d)(ii)

- Gross margins
- Discount rates
- Raw materials price inflation
- Market share during the forecast period
- Growth rates used to extrapolate cash flows beyond the forecast period

Gross margins – Gross margins are based on average values achieved in the three years preceding the beginning of the budget period. These are increased over the budget period for anticipated efficiency improvements. An increase of 1.5% per annum was applied for the Electronics unit and 2% per annum for the Fire Prevention Equipment unit.

Discount rates – Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

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

Market share assumptions – When using industry data for growth rates (as noted below), these assumptions are important because management assesses how the unit's position, relative to its competitors, might change over the forecast period. Management expects the Group's share of the electronics market to be stable over the forecast period, whereas for the reasons explained above, management expects the Group's position relative to its competitors to strengthen following the acquisition of Extinguishers Limited.

Growth rate estimates – Rates are based on published industry research. For the reasons explained above, the long-term rate used to extrapolate the budget for the fire prevention equipment unit has been adjusted by an additional element because of the acquisition of a significant industry patent.

Sensitivity to changes in assumptions

IAS 36.134(f)

With regard to the assessment of value in use of the fire prevention equipment unit, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

For the electronics unit, the estimated recoverable amount is equal to its carrying value and, consequently, any adverse change in a key assumption would result in a further impairment loss. The implications of the key assumptions for the recoverable amount are discussed below:

IAS 36.134 (f)(i)

- *Raw materials price inflation* – Management has considered the possibility of greater than forecast increases in raw material price inflation. This may occur if anticipated regulatory changes result in an increasing demand that cannot be met by suppliers. Forecast price inflation lies within a range of 1.9% to 2.6%, depending on the country from which materials are purchased. If prices of raw materials increase greater than the forecast price inflation and the Group is unable to pass on or absorb these increases through efficiency improvements, then the Group will have a further impairment.

IAS 36.134 (f)(ii)
IAS 36.134 (f)(iii)

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

IAS 36.134 (f)(ii)
IAS 36.134 (f)(iii)

18. Inventories

	2012	2011	As at 1 January 2011	
	€000	€000	€000	IAS 1.78(c)
Raw materials (at cost)	6,046	7,793	8,250	
Work in progress (at cost)	13,899	11,224	12,951	
Finished goods (at cost or net realisable value)	4,930	6,472	5,950	
Total inventories at the lower of cost and net realisable value	**24,875**	**25,489**	**27,151**	

IAS 2.36(b)

During 2012, €286,000 (2011: €242,000) was recognised as an expense for inventories carried at net realisable value. This is recognised in cost of sales. *IAS 2.36(e)*

19. Trade and other receivables (current)

	2012	2011	As at 1 January 2011	
	€000	€000	€000	IFRS 7.6
Trade receivables	26,501	23,158	24,490	
Receivables from an associate (Note 29)	551	582	602	
Receivables from other related parties (Note 29)	620	550	445	
	27,672	**24,290**	**25,537**	

IAS 1.78(b)

For terms and conditions relating to related party receivables, refer to Note 29. *IFRS 7.34(a)*

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

As at 31 December 2012, trade receivables of an initial value of €108,000 (2011: €97,000, 1 January 2011: €95,000) were impaired and fully provided for. See below for the movements in the provision for impairment of receivables. *IFRS 7.37*

	Individually impaired	Collectively impaired	Total	
	€000	€000	€000	IFRS 7.16
At 1 January 2011	**29**	**66**	**95**	
Charge for the year	4	8	12	
Utilised	(4)	(7)	(11)	
Unused amounts reversed	–	–	–	
Discount rate adjustment	–	1	1	
At 31 December 2011	**29**	**68**	**97**	
Charge for the year	10	16	26	
Utilised	(3)	(5)	(8)	
Unused amounts reversed	(2)	(6)	(8)	
Discount rate adjustment	–	1	1	
At 31 December 2012	**34**	**74**	**108**	

As at 31 December, the ageing analysis of trade receivables is as follows: *IFRS 7.37*

			Past due but not impaired				
	Total	Neither past due nor impaired	< 30 days	30-60 days	61-90 days	91-120 days	> 120 days
	€000	€000	€000	€000	€000	€000	€000
2012	26,501	17,596	4,791	2,592	1,070	360	92
2011	23,158	16,455	3,440	1,840	945	370	108
As at 1 January 2011	24,490	18,367	2,693	1,989	862	421	158

See Note 31 on credit risk of trade receivables, which discusses how the Group manages and measures credit quality of trade receivables that are neither past due nor impaired. *IFRS 7.36(c)*

20. Cash and short-term deposits

	2012	2011	As at 1 January 2011
	€000	€000	€000
Cash at banks and on hand	11,316	11,125	6,816
Short-term deposits	5,796	3,791	4,250
	17,112	**14,916**	**11,066**

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

At 31 December 2012, the Group had available €5,740,000 (2011: €1,230,000, 1 January 2011: €1,200,000) of undrawn committed borrowing facilities. *IAS 7.50(a)*

The Group has pledged a part of its short-term deposits to fulfil collateral requirements. Refer to Note 31 for further details. *IAS 7.48*

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 31 December: *IAS 7.45*

	2012	2011	As at 1 January 2011
	€000	€000	€000
Cash at banks and on hand	11,316	11,125	6,816
Short-term deposits	5,796	3,791	4,250
Cash at banks and short-term deposits attributable to a discontinued operation (Note 11)	1,294	–	–
	18,406	14,916	11,066
Bank overdrafts (Note 16)	(966)	(2,650)	(2,750)
Cash and cash equivalents	**17,440**	**12,266**	**8,316**

21. Issued capital and reserves

Authorised shares

	2012	2011	*IAS 1.78(e)*
	Thousands	Thousands	*IAS 1.79(a)(i)*
Ordinary shares of €1 each	22,588	20,088	*IAS 1.79(a)(iii)*
7% convertible preference shares of €1 each (Note 16)	2,500	2,500	
	25,088	**22,588**	

Ordinary shares issued and fully paid	Thousands	€000	*IAS 1.79(a)(iv)*
At 1 January 2011	**19,388**	**19,388**	
At 31 December 2011	**19,388**	**19,388**	
Issued on 1 May 2012 in exchange for issued share capital of Extinguishers Limited (Note 5)	2,500	2,500	
At 31 December 2012	**21,888**	**21,888**	

During the year, the authorised share capital was increased by €2,500,000 by the issue of 2,500,000 ordinary shares of €1 each.

21. Issued capital and reserves *continued*

Share premium	€000	*IAS 1.78(e)*
At 1 January 2011	**–**	
Increase on 1 November 2011 for cash on exercise of share options in excess of cost of treasury shares	80	
At 31 December 2011	**80**	
Increase on 1 May 2012 because of issuance of share capital for the acquisition of Extinguishers Limited (Note 5)	4,703	
Increase on 1 November 2012 for cash on exercise of share options in excess of cost of treasury shares	29	
Decrease due to transaction costs for issued share capital	(32)	
At 31 December 2012	**4,780**	

Treasury shares	Thousands	€000	*IAS 1.79(a)(vi)*
At 1 January 2011	**335**	**774**	
Issued on 1 November 2011 for cash on exercise of share options	(65)	(120)	
At 31 December 2011	**270**	**654**	
Issued on 1 November 2012 for cash on exercise of share options	(75)	(146)	
At 31 December 2012	**195**	**508**	

Share options exercised in each respective year have been settled using the treasury shares of the Group. The reduction in the treasury share equity component is equal to the cost incurred to acquire the shares, on a weighted average basis. Any excess of the cash received from employees over the reduction in treasury shares is recorded in share premium.

Share option schemes

The Group has two share option schemes under which options to subscribe for the Group's shares have been granted to certain executives and senior employees (Note 27).

Other capital reserves	Share-based payments	Convertible preference shares	Total
	€000	€000	€000
As at 1 January 2011	**338**	**228**	**566**
Share-based payment (Note 27)	298	–	298
At 31 December 2011	**636**	**228**	**864**
Share-based payment (Note 27)	307	–	307
At 31 December 2012	**943**	**228**	**1,171**

21. Issued capital and reserves *continued*

Nature and purpose of reserves

IAS 1.79(b)

Other capital reserves

Share-based payments

The share-based payment reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration. Refer to Note 27 for further details of these plans.

Convertible preference shares

The convertible preference share reserve covers the equity component of the issued convertible shares. The liability component is reflected in financial liabilities.

All other reserves as stated in the consolidated statement of changes in equity

Other comprehensive income, net of tax

IAS 1.106A

The disaggregation of changes of other comprehensive income by each type of reserve in equity is shown below:

As at 31 December 2012	Cash flow hedge reserve	Available-for-sale reserve	Foreign currency translation reserve	Asset revaluation reserve	Retained earnings	Total
	€000	€000	€000	€000	€000	€000
Net investment hedging	–	–	(195)	–	–	(195)
Foreign-exchange translation differences	–	–	246	–	–	246
Currency forward contracts	640	–	–		–	640
Commodity forward contracts	153	–	–	–	–	153
Reclassification to income statement	(281)	–	–	–	–	(281)
Gain/loss on available for sale financial assets	–	42	–	–	–	42
Actuarial variation on pension plans	–	–	–	–	(217)	(217)
Revaluation of land and buildings	–	–	–	(592)	–	(592)
	512	42	51	(592)	(217)	(204)

As at 31 December 2011	Cash flow hedge reserve	Available-for-sale reserve	Foreign currency translation reserve	Retained earnings	Total
	€000	€000	€000	€000	€000
Foreign-exchange translation differences	–	–	117	–	117
Currency forward contracts	265	–	–	–	265
Reclassification to income statement	(289)	–	–	–	(289)
Gain/loss on available for sale financial assets	–	(2)	–	–	(2)
Actuarial variation on pension plans	–	–	–	281	281
	(24)	(2)	117	281	372

22. Dividends paid and proposed

	2012	2011	
	€000	€000	
Declared and paid during the year:			*IAS 1.107*
Dividends on ordinary shares:			
Final dividend for 2011: 5.66 cents per share (2010: 3.93 cents per share)	1,082	749	
Interim dividend for 2012: 4.66 cents per share (2011: 4.47 cents per share)	890	851	
	1,972	**1,600**	
Proposed for approval at the annual general meeting (not recognised as a liability as at 31 December):			*IAS 1.137(a)*
Dividends on ordinary shares:			
Final dividend for 2012: 5.01 cents per share (2011: 5.66 cents per share)	**1,087**	**1,082**	

23. Provisions

	Maintenance warranties	Social security contributions on share options	Waste electrical and electronic equipment	Total	
	€000	€000	€000	€000	
At 1 January 2011	**66**	**3**	**31**	**100**	*IAS 37.84(a)*
Arising during the year	52	1	22	75	*IAS 37.84(b)*
At 31 December 2011	**118**	**4**	**53**	**175**	*IAS 37.84(c)*
At 1 January 2011	**66**	**3**	**31**	**100**	
Current	22	–	18	40	
Non-current	44	3	13	60	
At 31 December 2011	**118**	**4**	**53**	**175**	
Current	60	–	38	98	
Non-current	58	4	15	77	

Commentary

The above table shows the voluntary disclosure of provisions for the comparative period as IAS 37.84 does not require such disclosure.

	Maintenance warranties	Restructuring	Decommissioning	Onerous operating lease	Social security contributions on share options	Waste electrical and electronic equipment	Contingent liability	Total	
	€000	€000	€000	€000	€000	€000	€000	€000	
At 1 January 2012	**118**	**–**	**–**	**–**	**4**	**53**	**–**	**175**	*IAS 37.84(a)*
Acquisition of a subsidiary (Note 5)	–	500	1,200	400	–	–	380	2,480	
Arising during the year	112	–	–	–	26	102	20	260	*IAS 37.84(b)*
Utilised	(60)	(39)	–	(20)	(19)	(8)	–	(146)	*IAS 37.84(c)*
Unused amounts reversed	(6)	(6)	–	–	–	–	–	(12)	*IAS 37.84(d)*
Discount rate adjustment and imputed interest	2	11	21	6	1	2	–	43	*IAS 37.84(e)*
At 31 December 2012	**166**	**466**	**1,221**	**386**	**12**	**149**	**400**	**2,800**	*IAS 37.84(c)*
Current	114	100	–	205	3	28	400	850	*IAS 1.60*
Non-current	52	366	1,221	181	9	121	–	1,950	
	166	**466**	**1,221**	**386**	**12**	**149**	**400**	**2,800**	

23. Provisions *continued*

Maintenance warranties

IAS 37.85

A provision is recognised for expected warranty claims on products sold during the last two years, based on past experience of the level of repairs and returns. It is expected that most of these costs will be incurred in the next financial year and all will have been incurred within two years after the reporting date. Assumptions used to calculate the provision for warranties were based on current sales levels and current information available about returns based on the two-year warranty period for all products sold.

Restructuring

Extinguishers Ltd recorded a restructuring provision prior to the Group's acquisition. The provision relates principally to the elimination of certain of its product lines. The restructuring plan was drawn up and announced to the employees of Extinguishers Limited in 2011 when the provision was recognised in its financial statements. The restructuring is expected to be completed by 2014.

Decommissioning

A provision has been recognised for decommissioning costs associated with a factory owned by Extinguishers Limited. The Group is committed to decommissioning the site as a result of the construction of the manufacturing facility for the production of fire retardant fabrics.

Onerous operating lease

On acquisition of Extinguishers Limited, a provision was recognised for the fact that the lease premiums on the operating lease were significantly higher than the market rate at acquisition. The provision has been calculated based on the difference between the market rate and the rate paid.

Social security contributions on share options

The provision for social security contributions on share options is calculated based on the number of options outstanding at the reporting date that are expected to be exercised. The provision is based on market price of the shares at the reporting date which is the best estimate of the market price at the date of exercise. It is expected that the costs will be incurred during the exercise period of 1 January 2012 to 31 December 2014.

Waste electrical and electronic equipment

The provision for waste electrical and electronic equipment is calculated based on sales in the current year (new waste) and expected disposals of old waste (sales before August 2009).

Contingent liability

A contingent liability at a fair value of €380,000 was initially recognised at the acquisition date of Extinguishers Limited. The claim is subject to legal arbitration and only expected to be finalised in late 2013. At the reporting date, the provision was reassessed and increased to €400,000 (see Note 5). *IFRS 3.56(a)*

24. Government grants

IAS 20.39(b)

	2012	2011	2010
	€000	€000	€000
At 1 January	1,551	1,450	
Received during the year	2,951	642	
Released to the income statement	(1,053)	(541)	
At 31 December	**3,449**	**1,551**	
Current	149	151	150
Non-current	3,300	1,400	1,300
	3,449	**1,551**	**1,450**

Government grants have been received for the purchase of certain items of property, plant and equipment. There are no unfulfilled conditions or contingencies attached to these grants. *IAS 20.39(c)*

25. Deferred revenue

	2012	2011	2010
	€000	€000	€000
At 1 January	**365**	**364**	
Deferred during the year	1,426	1,126	
Released to the income statement	(1,375)	(1,125)	
At 31 December	**416**	**365**	
Current	220	200	190
Non-current	196	165	174
	416	**365**	**364**

The deferred revenue refers to the accrual and release of *GoodPoints* transactions. As at 31 December 2012, the estimated liability for unredeemed points amounted to approximately €416,000 (2011: €365,000, 1 January 2011: €364,000).

26. Pensions and other post-employment benefit plans

The Group has a defined benefit pension plan. It is a final salary plan for Euroland employees which requires contributions to be made to a separately administered fund. *IAS 19.120 IAS 19.120A(b)*

The Group also provides certain additional post-employment healthcare benefits to employees in the United States. These benefits are unfunded.

The following tables summarise the components of net benefit expense recognised in the income statement and the funded status and amounts recognised in the statement of financial position for the respective plans:

Post-employment medical

Net benefit expense 2012 (recognised in cost of sales) *IAS 19.120A(g)*

	2012
	€000
Current service cost	(132)
Interest cost on benefit obligation	(21)
Net benefit expense	**(153)**

Net benefit expense 2011 (recognised in cost of sales) *IAS 19.120A(g)*

	2011
	€000
Current service cost	(105)
Interest cost on benefit obligation	(8)
Net benefit expense	**(113)**

Changes in the present value of the defined benefit obligation are as follows:

	Post-employment medical
	€000
Defined benefit obligation at 1 January 2011	**88**
Interest cost	8
Current service cost	105
Exchange differences	(4)
Defined benefit obligation at 31 December 2011	**197**
Interest cost	21
Current service cost	132
Exchange differences	(11)
Defined benefit obligation at 31 December 2012	**339**

IAS 19.120A(c)

26. Pensions and other post-employment benefit plans *continued*

Euroland Plan

2012 changes in the defined benefit obligation, fair value of plan assets and unrecognised past service costs

		Cost of sales for pensions during the year										
	1 January 2012	Current service cost	Interest cost on benefit obligation	Expected return on plan assets	Past service costs recognised	Subtotal included in cost of sales (Note 9.6)	Benefits paid	Actuarial gains (losses) in other comprehensive income	Contributions by employer	Exchange differences	Total 31 December 2012	*IAS 19.120A* *IAS 19.120A(b)* *IAS 19.120A(c)* *IAS 19.120A(e)* *IAS 19.120A(f)* *IAS 19.120A(g)*
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	
Defined benefit obligation	(5,223)	(1,267)	(256)	–	–	(1,523)	868	(244)	–	89	(6,033)	
Fair value of plan assets	2,443	–	–	183	–	183	(868)	555	1,003	6	3,322	
Total recognised benefit liability	(2,780)										(2,711)	
Unrecognised past service costs	483				(55)	(55)	–	–	–	–	428	
Benefit liability	**(2,297)**					**(1,395)**	–	**311**	**1,003**	**95**	**(2,283)**	

The actual return in plan assets for 2012 amounted to €738,000 corresponding to the expected return and the actuarial variation *IAS19.120A(m*

2011 changes in the defined benefit obligation, fair value of plan assets and unrecognised past service costs

		Cost of sales for pensions during the year										
	1 January 2011	Current service cost	Interest cost on benefit obligation	Expected return on plan assets	Past service costs recognised	Subtotal included in cost of sales (Note 9.6)	Benefits paid	Actuarial gains (losses) in other comprehensive income	Contributions by employer	Exchange differences	Total 31 December 2011	*IAS 19.120A* *IAS 19.120A(b)* *IAS 19.120A(c)* *IAS 19.120A(e)* *IAS 19.120A(f)* *IAS 19.120A(g*
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	
Defined benefit obligation	(5,248)	(1,144)	(283)	–	–	(1,427)	1,166	276	–	10	(5,223)	
Fair value of plan assets	2,810	–	–	173	–	173	(1,166)	(677)	1,299	4	2,443	
Total recognised benefit liability	(2,438)										(2,780)	
Unrecognised past service costs	590				(107)	(107)	–	–	–	–	483	
Benefit liability	**(1,848)**					**(1,361)**	–	**(401)**	**1,299**	**14**	**(2,297)**	

The actual return in plan assets for 2011 amounted to €504,000 corresponding to the expected return and the actuarial variation *IAS 19.120A(m)*

26. Pensions and other post-employment benefit plans *continued*

The Group expects to contribute €1,500,000 to its defined benefit pension plan in 2013. *IAS 19.120A(q)*

The acquisitions of Extinguishers Limited in 2012 and Lightbulbs Limited in 2011 did not affect plan assets or the defined benefit obligation, as neither of the companies had defined benefit plans.

The major categories of plan assets as a percentage of the fair value of the total plan assets are, as follows: *IAS 19.120A(j)*

	Euroland plan	
	2012	**2011**
	%	%
Euroland equities	44	49
American equities	29	29
Euroland bonds	10	5
American bonds	10	8
Property	7	9

The plan assets include a property occupied by the Group with a fair value of €150,000 (2011: €140,000, 1 January 2011: €130,000). *IAS 19.120A(k)*

The overall expected rate of return on assets is determined based on the market expectations prevailing, applicable to the period over which the obligation is to be settled. These are reflected in the principal assumptions below. *IAS 19.120A(l)*

The principal assumptions used in determining pension and post-employment medical benefit obligations for the Group's plans are shown below: *IAS 19.120(n)*

	2012	**2011**
	%	%
Discount rate:		
Euroland plan	4.9	5.5
Post-employment medical plan	5.7	5.9
Expected rate of return on assets:		
Euroland plan	7.2	5.9
Future salary increases:		
Euroland plan	3.5	4.0
Future pension increases:		
Euroland plan	2.1	2.1
Healthcare cost increase rate	7.2	7.4
Post retirement mortality for pensioners at the age of 65:		
Euroland plan		
Male	20.0	20.0
Female	23.0	23.0
Post-employment medical plan		
Male	19.0	19.0
Female	22.0	22.0

26. Pensions and other post-employment benefit plans *continued*

A one percentage point change in the assumed rate of increase in healthcare costs would have had the following effects:

IAS 19.120A(o)

	Increase	Decrease
	€000	€000
2012		
Effect on the aggregate current service cost and interest cost	6	(2)
Effect on the defined benefit obligation	12	(8)
2011		
Effect on the aggregate current service cost and interest cost	4	(2)
Effect on the defined benefit obligation	7	(5)

A one percentage point change in the assumed discount rate would have had the following effects:

IAS 1.125
IAS 1.129(b)

	Increase	Decrease
	€000	€000
2012		
Effect on the aggregate current service cost and interest cost	(43)	37
Effect on the defined benefit obligation	(34)	31
2011		
Effect on the aggregate current service cost and interest cost	(34)	30
Effect on the defined benefit obligation	(28)	26

Commentary

Although not specifically required by IAS 19, the discount rate assumption or other assumptions may give rise to estimation uncertainty which can result in having a significant risk for a material adjustment. IAS 1.122 requires adequate disclosure about the assumptions that helps users of the financial statements to understand the source of estimation uncertainty. Therefore, a sensitivity analysis involving the discount rate is regarded as important information and the Group has found it appropriate to include it.

Change in policy:

The cumulative amount of actuarial gains or losses recognised since 1 January 1999 in OCI is €323,000 (2010: €134,000). The Group is unable to determine how much of the pension scheme deficit of €1,839,000 taken directly to equity is attributable to actuarial gains and losses since inception of the pension scheme because that information was not required to be determined in those earlier periods. Consequently, it is impractical to determine the amount of actuarial gains and losses that would have been recognised in OCI before 1 January 1999.

IAS 8.22
IAS 8.25
IAS 8.28(h)
IAS 19.157
IAS 19.160

Commentary

IAS 19 provides no transitional relief from the requirement to disclose cumulative actuarial gains or losses recognised in OCI. Full retrospective application would require disclosure of such gains or losses since the inception of the defined benefit plans.

The Group measured its defined benefit plan in accordance with IAS 19 from 1 January 1999 and has details of actuarial variances from that date. As a different measurement basis was previously used, the Group concluded that it was impractical for gains or losses to be determined for periods prior to that date.

26. Pensions and other post-employment benefit plans *continued*

Amounts for the current and previous four periods are as follows: *IAS 19.120A(p)*

	Euroland plan				
	2012	**2011**	**2010**	**2009**	**2008**
	€000	**€000**	**€000**	**€000**	**€000**
Defined benefit obligation	(6,033)	(5,223)	(5,248)	(2,648)	(2,678)
Plan assets	3,322	2,443	2,810	3,621	3,099
(Deficit)/surplus	(2,711)	(2,780)	(2,438)	973	421
Experience adjustments on plan liabilities	(427)	145	576	(275)	590
Experience adjustments on plan assets	561	(681)	(1,095)	(328)	(114)

	Post-employment medical benefits				
	2012	**2011**	**2010**	**2009**	**2008**
	€000	**€000**	**€000**	**€000**	**€000**
Defined benefit obligation	(339)	(197)	(88)	(80)	(78)
Experience adjustments on plan liabilities	(48)	(37)	(22)	15	20

27. Share-based payments

Senior Executive Plan *IFRS 2.45(a)*

Under the Senior Executive Plan (SEP), share options of the parent are granted to senior executives of the parent with more than 12 months of service. The exercise price of the share options is equal to the market price of the underlying shares on the date of grant. The share options vest if and when the Group's earnings per share increase by 10% three years from the date of grant and the senior executive remains employed on such date. The share options granted will not vest if the earnings per share performance is not met.

The fair value of the share options is estimated at the grant date using a binomial option pricing model, taking into account the terms and conditions upon which the share options were granted. *IFRS 2.46*

The contractual term of each option granted is five years. There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these share options.

General Employee Share-option Plan *IFRS 2.45(a)*

Under the General Employee Share-option Plan (GESP), the Group, at its discretion, may grant share options of the parent to non-senior executive employees, once the employee has completed two years of service. Vesting of the share options is dependent on the Group's total shareholder return (TSR) as compared to a group of principal competitors. Employees must remain in service for a period of three years from the date of grant. The fair value of share options granted is estimated at the date of grant using a Monte-Carlo simulation model, taking into account the terms and conditions upon which the share options were granted. The model simulates the TSR and compares it against the group of principal competitors. It takes into account historical and expected dividends, and the share price fluctuation covariance of the Group and its competitors to predict the distribution of relative share performance. *IFRS 2.47(a)(iii)*

The exercise price of the share options is equal to the market price of the underlying shares on the date of grant. The contractual term of the share options is five years and there are no cash settlement alternatives for the employees. The Group does not have a past practice of cash settlement for these awards. *IFRS 2.46*

27. Share-based payments *continued*

Share Appreciation Rights

Employees in the business development group are granted share appreciation rights (SARs), which are settled in cash. The SARs vest when a specified target number of new sales contracts are closed and the employee continues to be employed by the Group at the vesting date. The contractual term of the SARs is six years. The fair value of the SARs is measured at each reporting date using a binomial option pricing model taking into account the terms and conditions upon which the instruments were granted and the current likelihood of achieving the specified target. *IFRS 2.45(a) IFRS 2.46*

The carrying amount of the liability relating to the SARs at 31 December 2012 was €299,000 (2011: €194,000, 1 January 2011: Nil). No SARs had vested at 31 December 2012 2011, respectively. *IFRS 2.51(b)*

The expense recognised for employee services received during the year is shown in the following table:

	2012	2011	
	€000	€000	
Expense arising from equity-settled share-based payment transactions	307	298	
Expense arising from cash-settled share-based payment transactions	105	194	
Total expense arising from share-based payment transactions	**412**	**492**	*IFRS 2.51(a)*

There were no cancellations or modifications to the awards in 2012 or 2011.

Movements during the year

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year (excluding SARs):

	2012 Number	2012 WAEP	2011 Number	2011 WAEP	
Outstanding at 1 January	575,000	€2.85	525,000	€2.75	
Granted during the year	250,000	€3.85	155,000	€3.13	
Forfeited during the year	–	–	(25,000)	€2.33	
Exercised during the year	(75,000)[2]	€2.33	(65,000)[1]	€3.08	*IFRS 2.45(c)*
Expired during the year	(25,000)	€3.02	(15,000)	€2.13	
Outstanding at 31 December	**725,000**	€3.24	**575,000**	€2.85	*IFRS 2.45(d)*
Exercisable at 31 December	110,000	€2.98	100,000	€2.51	*IFRS 2.45(b)*

[1] *The weighted average share price at the date of exercise of these options was €4.09.* *IFRS 2.45(c)*

[2] *The weighted average share price at the date of exercise of these options was €3.13.*

The weighted average remaining contractual life for the share options outstanding as at 31 December 2012 was 2.94 years (2011: 2.60 years).

The weighted average fair value of options granted during the year was €1.32 (2011: €1.18). *IFRS 2.47(a)*

The range of exercise prices for options outstanding at the end of the year was €2.33 to €3.85 (2011: €2.13 to €3.13). *IFRS 2.45(d)*

27. Share-based payments *continued*

The following tables list the inputs to the models used for the three plans for the years ended 31 December 2012 and 2011, respectively: *IFRS 2.47(a)(i)*

	2012 SEP	2012 GESP	2012 SAR
Dividend yield (%)	3.13	3.13	3.13
Expected volatility (%)	15.00	16.00	18.00
Risk-free interest rate (%)	5.10	5.10	5.10
Expected life of share options/SARs (years)	6.50	4.25	6.00
Weighted average share price (€)	3.10	3.10	3.12
Model used	Binomial	Monte Carlo	Binomial

	2011 SEP	2011 GESP	2011 SAR
Dividend yield (%)	3.01	3.01	3.01
Expected volatility (%)	16.30	17.50	18.10
Risk-free interest rate (%)	5.00	5.00	5.00
Expected life of options/SARs (years)	3.00	4.25	6.00
Weighted average share price (€)	2.86	2.86	2.88
Model used	Binomial	Monte Carlo	Binomial

The expected life of the share options and SARs is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome. *IFRS 2.47(a)(ii)*

28. Trade and other payables (current)

	2012 €000	2011 €000	As at 1 January 2011 €000
Trade payables	17,640	19,496	18,725
Other payables	1,833	1,495	1,565
Interest payable	43	269	289
Joint venture (Note 29)	30	12	9
Other related parties (Note 29)	10	9	12
	19,556	**21,281**	**20,600**

Terms and conditions of the above financial liabilities: *IFRS 7.39*

- Trade payables are non-interest bearing and are normally settled on 60-day terms
- Other payables are non-interest bearing and have an average term of six months
- Interest payable is normally settled quarterly throughout the financial year
- For terms and conditions relating to joint ventures and other related parties, refer to Note 29

For explanations on the Group's credit risk management processes, refer to Note 31. *IFRS 7.39(b)*

29. Related party disclosures

IAS 24.13

The consolidated financial statements of the Group include:

Name	Country of incorporation	% equity interest 2012	% equity interest 2011
Extinguishers Limited	Euroland	80.0	–
Bright Sparks Limited	Euroland	95.0	95.0
Wireworks Inc.	United States	98.0	98.0
Sprinklers Inc.	United States	100.0	100.0
Lightbulbs Limited	Euroland	87.4	80.0
Hose Limited	Euroland	100.0	100.0
Fire Equipment Test Lab Limited	Euroland	20.0	–

Commentary

IAS 24 does not explicitly require a separate list of subsidiaries, jointly controlled entities or associates. However, IAS 27.42(b) requires this information for the separate financial statements of an entity. In many cases, the separate financial statements of a parent entity are presented as part of the consolidated financial statements. The Group concluded that presenting these entities would be beneficial for the users of its consolidated financial statements.

The Group holds a 20% equity interest in the newly formed Fire Equipment Test Lab Limited. However, the Group has majority representation on the entity's board of directors and the Group's approval is required for all major operational decisions. The operations, once they commence, will be solely carried out for the benefit of the Group. Based on these facts and circumstances, management determined that, in substance, the Group controls this entity and therefore has consolidated this entity in its financial statements.

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year. For information regarding outstanding balances at 31 December 2012 and 2011, as well as 1 January 2011, refer to Notes 19 and 28:

IAS 24.17
IAS 24.22

		Sales to related parties	Purchases from related parties	Amounts owed by related parties*	Amounts owed to related parties*
Entity with significant influence over the Group:		€000	€000	€000	€000
International Fires P.L.C.	2012	7,115	–	620	–
	2011	5,975	–	550	–
	As at 1 January 2011	–	–	445	–
Associate:					
Power Works Limited	2012	2,900	–	551	–
	2011	2,100	–	582	–
	As at 1 January 2011	–	–	602	–
Joint venture in which the parent is a venturer:					
Showers Limited	2012	–	590	–	30
	2011	–	430	–	12
	As at 1 January 2011	–	–	–	9
Key management personnel of the Group:					
Other directors' interests	2012	225	510	20	10
	2011	135	490	–	9
	As at 1 January 2011	–	–	–	12

IAS 24.17

* *The amounts are classified as trade receivables and trade payables, respectively.*

29. Related party disclosures *continued*

IAS 24.13

		Interest received	Amounts owed by related parties €000
Loans from/to related parties		€000	€000
Associate:			
Power Works Limited (Note 16.1)	2012	20	200
	2011	–	–
	As at 1 January 2011	–	–
Key management personnel of the Group:			
Directors' loans (Note 16.1)	2012	1	13
	2011	–	8
	As at 1 January 2011	–	8

IAS 24.17

The ultimate parent

The ultimate parent of the Group is S.J. Limited and is based and listed in Euroland.

IAS 24.13
IAS 1.138(c)

There were no transactions other than dividends paid between the Group and S.J. Limited during the financial year (2011: €Nil).

Entity with significant influence over the Group

International Fires P.L.C.

International Fires P.L.C. owns 31.48% of the ordinary shares in Good Group (International) Limited (2011: 31.48%, 1 January 2011: 31.48%).

Associate

Power Works Limited

The Group has a 25% interest in Power Works Limited (2011: 25%, 1 January 2011: 25%).

Joint venture in which the Group is a venturer

Showers Limited

The Group has a 50% interest in Showers Limited (2011: 50%, 1 January 2011: 50%).

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2012, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2011: €Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

IAS 24.21
IAS 24.18(b)

Commentary

The disclosure that transactions with related parties are made on terms equivalent to an arm's length transaction is only required if an entity can substantiate such terms, i.e., IAS 24.23 does not require such disclosure. The Group was able to substantiate the terms and therefore provides the disclosure.

Commitments with related parties

On 1 July 2012, Bright Sparks Limited entered into a two-year agreement ending 30 June 2014 with Wireworks Inc. to purchase specific electrical and optical cables that Bright Sparks Limited uses in its production cycle. Bright Sparks Limited expects the potential purchase volume to be €750,000 in 2013 and €250,000 in the first six months of 2014. The purchase price is based on Wireworks Inc.'s actual cost plus a 5% margin and will be settled in cash within 30 days after receiving the inventories.

IAS 24.18(b)

Loan to an associate

The loan granted to Power Works Limited is intended to finance an acquisition of new machines for the manufacturing of fire prevention equipment. The loan is unsecured and repayable in full on 1 June 2015. Interest is charged at 10%.

29. Related party disclosures *continued*

IAS 24.13

Transactions with key management personnel

Directors' loans

The Group offers senior management a facility to borrow up to €20,000, repayable within five years from the date of disbursement. Such loans are unsecured and the interest rate is the average rate incurred on long-term loans (currently EURIBOR + 0.8). Any loans granted are included in financial instruments on the face of the statement of financial position. *IAS 24.17(b)*

Other directors' interests

During both 2012 and 2011, Group companies made purchases at market prices from Gnome Industries Limited, of which the spouse of one of the directors of the Group is a director and controlling shareholder.

One director has a 25% (2011: 25%, 1 January 2011: 25%) equity interest in Home Fires Limited. The Group has a contract for the supply of fire extinguishers. During 2012 and 2011, the Group supplied fire extinguishers to Home Fires Limited at market prices.

Compensation of key management personnel of the Group

	2012	2011	
	€000	€000	
Short-term employee benefits	435	424	*IAS 24.16(a)*
Post-employment pension and medical benefits	110	80	*IAS 24.16(b)*
Termination benefits	40	–	*IAS 24.16(d)*
Share-based payment transactions	18	12	*IAS 24.16(e)*
Total compensation paid to key management personnel	**603**	**516**	

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

Generally, the non-executive directors do not receive pension entitlements from the Group. During 2012, an amount of €40,000 was paid to a director who retired from an executive director's position in 2011.

Directors' interests in the Senior Executive Plan

Share options held by executive members of the Board of Directors under the Senior Executive Plan to purchase ordinary shares have the following expiry dates and exercise prices:

Issue date	Expiry date	Exercise price	2012	2011	*IAS 24.16(e)*
			Number outstanding	Number outstanding	
2011	2013	€2.33	10,000	10,000	
2011	2015	€3.13	83,000	83,000	
2012	2015	€3.85	27,000	–	
Total			**120,000**	**93,000**	

No share options have been granted to the non-executive members of the Board of Directors under this scheme. Refer to Note 27 for further details on the scheme.

Commentary

Certain jurisdictions might require additional and more extensive disclosures, e.g., on remuneration and benefits of key management personnel and members of the Board of Directors.

30. Commitments and contingencies

Operating lease commitments — Group as lessee

IAS 17.35(d)

The Group has entered into commercial leases on certain motor vehicles and items of machinery. These leases have an average life of between three and five years with no renewal option included in the contracts. There are no restrictions placed upon the Group by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 31 December are, as follows: *IAS 17.35(a)*

	2012	2011
	€000	€000
Within one year	255	250
After one year but not more than five years	612	600
More than five years	408	400
	1,275	**1,250**

Operating lease commitments — Group as lessor

IAS 17.56(c)

The Group has entered into commercial property leases on its investment property portfolio, consisting of the Group's surplus office and manufacturing buildings. These non-cancellable leases have remaining terms of between five and 20 years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are as follows:

	2012	2011	*IAS 17.56(a)*
	€000	€000	
Within one year	1,418	1,390	
After one year but not more than five years	5,630	5,520	
More than five years	5,901	5,864	
	12,949	**12,774**	

Finance lease and hire purchase commitments

IAS 17.31(e)

The Group has finance leases and hire purchase contracts for various items of plant and machinery. These leases have terms of renewal, but no purchase options and escalation clauses. Renewals are at the option of the specific entity that holds the lease. Future minimum lease payments under finance leases and hire purchase contracts together with the present value of the net minimum lease payments are as follows:

	2012		2011		
	Minimum payments	Present value of payments (Note 16)	Minimum payments	Present value of payments (Note 16)	
	€000	€000	€000	€000	
Within one year	85	83	56	51	
After one year but not more than five years	944	905	1,014	943	
More than five years	–	–	–	–	
Total minimum lease payments	1,029	988	1,070	994	*IAS 17.31(b)*
Less amounts representing finance charges	(41)	–	(76)	–	
Present value of minimum lease payments	**988**	**988**	**994**	**994**	

30. Commitments and contingencies *continued*

Capital commitments

IAS 16.74(c)
IAS 31.55

At 31 December 2012, the Group had commitments of €2,310,000 (2011: €4,500,000) including €2,000,000 (2011: €Nil) relating to the completion of the fire equipment safety facility and €310,000, (2011: €516,000) relating to the Group's interest in the jointly controlled entity.

Legal claim contingency

IAS 37.86

An overseas customer has commenced an action against the Group in respect of equipment claimed to be defective. The estimated payout is €850,000 should the action be successful. A trial date has not yet been set and therefore it is not practicable to state the timing of the payment, if any.

The Group has been advised by its legal counsel that it is only possible, but not probable, that the action will succeed. Accordingly, no provision for any liability has been made in these financial statements.

Guarantees

IAS 24.21(h)
IAS 31.54(a)
IAS 28.40
IAS 37.86

The Group has provided the following guarantees at 31 December 2012:

- Guarantee of 25% of the bank overdraft of the associate to a maximum amount of €500,000 (2011: €250,000), which is incurred jointly with other investors of the associate (carrying amounts of the related financial guarantee contracts were €67,000 and €34,000 at 31 December 2012 and 2011, respectively, see Note 16) *IAS 31.54(b)*
- Guarantee to an unrelated party for the performance in a contract by the jointly controlled entity. No liability is expected to arise *IAS 28.40(a)*
- Guarantee of its share of €20,000 (2011: €15,000) of the associate's contingent liabilities which have been incurred jointly with other investors

Contingent liabilities

The Group recognised a contingent liability of €400,000 in the course of the acquisition of Extinguishers Limited. Refer to Note 5 for additional information.

31. Financial risk management objectives and policies

IFRS 7.33

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

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

31. Financial risk management objectives and policies *continued*

Market risk

IFRS 7.33

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings, deposits, available-for-sale investments and derivative financial instruments.

The sensitivity analyses in the following sections relate to the position as at 31 December in 2012 and 2011. *IFRS 7.40*

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place at 31 December 2012.

The analyses excludes the impact of movements in market variables on: the carrying values of pension and other post-retirement obligations; provisions: and the non-financial assets and liabilities of foreign operations.

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

- The statement of financial position sensitivity relates to derivatives and available-for-sale debt instruments
- The sensitivity of the relevant income statement item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 December 2012 and 2011 including the effect of hedge accounting
- The sensitivity of equity is calculated by considering the effect of any associated cash flow hedges and hedges of a net investment in a foreign subsidiary at 31 December 2012 for the effects of the assumed changes of the underlying risk

Interest rate risk

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

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. The Group's policy is to keep between 40% and 60% of its borrowings at fixed rates of interest, excluding borrowings that relate to discontinued operations. To manage this, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations. At 31 December 2012, after taking into account the effect of interest rate swaps, approximately 43% of the Group's borrowings are at a fixed rate of interest (2011: 60%).

Interest rate sensitivity

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

	Increase/decrease in basis points	Effect on profit before tax	*IFRS 7.40(a)*
		€000	
2012			
Euro	+45	(48)	
US dollar	+60	(13)	
Euro	-45	33	
US dollar	-60	12	
2011			
Euro	+10	(19)	
US dollar	+15	–	
Euro	-10	12	
US dollar	-15	–	

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

31. Financial risk management objectives and policies *continued*

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's presentation currency) and the Group's net investments in foreign subsidiaries. *IFRS 7.33* *IFRS 7.40(b)*

The Group manages its foreign currency risk by hedging transactions that are expected to occur within a maximum 24-month period. Transactions that are certain are hedged without any limitation in time.

When the nature of the hedge relationship is not an economic hedge, it is the Group's policy to negotiate the terms of the hedging derivatives to match the terms of the underlying hedge items to maximise hedge effectiveness.

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

At 31 December 2012 and 2011, the Group hedged 75% and 70%, respectively, of its foreign currency sales for which highly probable forecasted transactions existed at the reporting date.

Foreign currency sensitivity

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

	Change in US$ rate	Effect on profit before tax	Effect on equity
		€000	€000
2012	+5%	(30)	(154)
	-5%	20	172
2011	+4%	(40)	(146)
	−4%	40	158

IFRS 7.40(a)

	Change in GBP rate	Effect on profit before tax	Effect on equity
		€000	€000
2012	+5%	26	102
	-5%	(15)	(113)
2011	+4%	31	92
	−4%	(28)	(96)

IFRS 7.40(a)

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

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

31. Financial risk management objectives and policies *continued*

Commodity price risk

The Group is affected by the volatility of certain commodities. Its operating activities require the ongoing purchase and manufacture of electronic parts and therefore require a continuous supply of copper. Due to the significantly increased volatility of the price of the copper, the Group's Board of Directors has developed and enacted a risk management strategy regarding commodity price risk and its mitigation.

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

Forward contracts with a physical delivery that qualify for normal purchase, sale or usage and that are therefore not recognised as derivatives are disclosed in Note 16.3.

Commodity price sensitivity

The following table shows the effect of price changes in copper net of hedge accounting impact (see Note 16.3 for information about hedge accounting).

	Change in year-end price	Effect on profit before tax	Effect on equity	*IFRS 7.40(a)*
2012		**€000**	**€000**	
Copper	+15%	(220)	(585)	
	-15%	220	585	

Equity price risk

The Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions. *IFRS 7.33(b)*

At the reporting date, the exposure to unlisted equity securities at fair value was €1,038,000. A decrease of 10% in the overall earnings stream of the valuations performed could have an impact of approximately €120,000 on the profit or loss or equity attributable to the Group, depending on whether the decline is significant or prolonged. An increase of 10% in the overall earnings stream would only impact equity. *IFRS 7.33(a)* *IFRS 7.40*

At the reporting date, the exposure to listed equity securities at fair value was €337,000. A decrease of 10% on the NYSE market index could have an impact of approximately €55,000 on the income or equity attributable to the Group, depending on whether the decline is significant or prolonged. An increase of 10% in the value of the listed securities would only impact equity, but would not have an effect on profit or loss.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. *IAS 7.33*

31. Financial risk management objectives and policies *continued*

Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit or other forms of credit insurance. At 31 December 2012, the Group had 55 customers (2011: 65 customers, 1 January 2011: 60 customers) that owed the Group more than €250,000 each and accounted for approximately 71% (2011: 76%, 1 January 2011: 72%) of all the receivables owed. There were five customers (2011: seven customers, 1 January 2011: three customers) with balances greater than €1 million accounting for just over 17% (2011: 19%, 1 January 2011: 13%) of the total amounts receivable.

IAS 7.34(c)
IFRS 7.36(c)
IFRS 7.B8

The requirement for an impairment is analysed at each reporting date on an individual basis for major clients. Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actual incurred historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 16. The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Group's Board of Directors on an annual basis, and may be updated throughout the year subject to approval of the Group's Finance Committee. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty's failure to make payments. The Group's maximum exposure to credit risk for the components of the statement of financial position at 31 December 2012 and 2011 is the carrying amounts as illustrated in Note 16 except for financial guarantees and derivative financial instruments. The Group's maximum exposure for financial guarantees and financial derivative instruments are noted in either Note 30 or in the liquidity table below, respectively.

IFRS 7.33
IFRS 7.36

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool.

IFRS 7.33
IFRS 7.39(c)

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, debentures, preference shares, finance leases and hire purchase contracts. The Group's policy is that not more than 25% of borrowings should mature in the next 12-month period. 10.6% of the Group's debt will mature in less than one year at 31 December 2012 (2011: 11.1%) based on the carrying value of borrowings reflected in the financial statements. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

IFRS 7.B8

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. Selective hedging is used within the Group to manage risk concentrations at both the relationship and industry levels.

31. Financial risk management objectives and policies *continued*

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

Year ended 31 December 2012	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total	*IFRS 7.39(a)(b)*
	€000	€000	€000	€000	€000	€000	
Interest-bearing loans and borrowings	966	21	1,578	10,554	8,000	21,119	
Convertible preference shares	–	–	–	676	2,324	3,000	
Other liabilities	–	–	–	150	–	150	
Trade and other payables	3,620	14,766	1,170	–	–	19,556	
Financial guarantee contracts	87	–	–	–	–	87	
Financial derivatives	1,970	2,740	391	1,191	1,329	7,621	
	6,643	**17,527**	**3,139**	**12,571**	**11,653**	**51,533**	

Year ended 31 December 2011	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	€000	€000	€000	€000	€000	€000
Interest-bearing loans and borrowings	2,650	18	133	8,872	11,600	23,273
Trade and other payables	4,321	14,904	2,056	–	–	21,281
Other liabilities	–	–	–	202	–	202
Convertible preference shares	–	–	–	624	2,376	3,000
Financial guarantee contracts	49	–	–	–	–	49
Financial derivatives	549	1,255	–	–	–	1,804
	7,569	**16,177**	**2,189**	**9,698**	**13,976**	**49,609**

The disclosed financial derivative instruments in the above table are the gross undiscounted cash flows. However, those amounts may be settled gross or net. The following table shows the corresponding reconciliation of those amounts to their carrying amounts.

Year ended 31 December 2012	On demand	Less than 3 months	3 to 12 months	1 to 5 years	over 5 years	Total	*IFRS 7.39(a)(b)*
	€000	€000	€000	€000	€000	€000	
Inflows	800	1,000	250	700	950	3,700	
Outflows	(1,970)	(2,740)	(391)	(1,191)	(1,329)	(7,621)	
Net	(1,170)	(1,740)	(141)	(491)	(379)	(3,921)	
Discounted at the applicable interbank rates	(1,170)	(1,731)	(139)	(463)	(343)	(3,846)	

Year ended 31 December 2011	On demand	Less than 3 months	3 to 12 months	1 to 5 years	over 5 years	Total
	€000	€000	€000	€000	€000	€000
Inflows	500	1,000	–	–	–	1,500
Outflows	(549)	(1,254)	–	–	–	(1,803)
Net	(49)	(254)	–	–	–	(303)
Discounted at the applicable interbank rates	(49)	(254)	–	–	–	(303)

31. Financial risk management objectives and policies *continued*

Capital management

Capital includes convertible preference shares and equity attributable to the equity holders of the parent. *IAS 1.134 IAS 1.135*

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios to support its business and maximise the shareholder's value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2012 and 2011.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio between 20% and 40%. The Group includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and cash equivalents, excluding discontinued operations.

	2012	2011
	€000	€000
Interest-bearing loans and borrowings (Note 16.2)	20,538	22,334
Trade and other payables (Note 28)	19,556	21,281
Less: cash and short-term deposits (Note 20)	(17,112)	(14,916)
Net debt	22,982	28,699
Convertible preference shares (Note 16.2)	2,778	2,644
Equity	62,077	48,438
Total capital	64,855	51,082
Capital and net debt	**87,837**	**79,781**
Gearing ratio	26%	36%

IAS 1.134

Commentary

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

Collateral

The Group has pledged part of its short-term deposits in order to fulfil the collateral requirements for the hedging derivatives in place. At 31 December 2012 and 2011, the fair values of the short-term deposits pledged were €5 million and €2 million, respectively. The counterparties have an obligation to return the securities to the Group. There are no other significant terms and conditions associated with the use of collateral. *IAS 7.48 IFRS 7.14 IFRS 7.38*

The Group did not hold any collateral at 31 December 2012 and 2011, respectively. *IFRS 7.15 IFRS 7.36(b)*

32. Events after the reporting period

On 14 January 2013, a building with a net book value of €1,695,000 was severely damaged by flooding and inventories with a net book value of €857,000 were destroyed. It is expected that insurance proceeds will fall short of the costs of rebuilding and loss of inventories by €750,000. *IAS 10.21 IAS 10.10*

Appendix 1 – Consolidated statement of comprehensive income (example of a single statement)

IAS 1.10(b)
IAS 1.51(b)(c)

for the year ended 31 December 2012

Commentary

The Group presents the income statement in two separate statements. For illustrative purposes, the income statement is presented as a single statement of comprehensive income in this appendix.

	Notes	2012 €000	2011 Restated* €000	
				IAS 1.10(b) *IAS 1.51(b)(c)* *IAS 8.28* *IAS 1.51(d)(e)*
Continuing operations				
Sale of goods		190,599	172,864	*IAS 18.35(b)(i)*
Rendering of services		17,131	16,537	*IAS 18.35(b)(ii)*
Revenue from redemption of *GoodPoints*	25	1,375	1,125	*IAS 18.35(b)(ii)*
Rental income	14	1,404	1,377	*IAS 18.35(c)*
Revenue		**210,509**	**191,903**	*IAS 1.82(a)*
Cost of sales		(163,691)	(155,268)	*IAS 1.103*
Gross profit		**46,818**	**36,635**	*IAS 1.85, IAS 1.103*
Other operating income	9.1	1,585	2,548	*IAS 1.103*
Selling and distribution expenses		(14,000)	(13,002)	*IAS 1.103*
Administrative expenses		(19,746)	(13,482)	*IAS 1.103*
Other operating expenses	9.2	(1,153)	(706)	*IAS 1.103*
Operating profit		**13,504**	**11,993**	*IAS 1.82(a)*
Finance costs	9.3	(2,868)	(1,223)	*IAS 1.82(b), IFRS 7.20*
Finance income	9.4	1,186	211	*IAS 1.82(a)*
Share of profit of an associate	7	83	81	*IAS 1.82(c), IAS 28.38*
Profit before tax from continuing operations		**11,905**	**11,062**	*IAS 1.85*
Income tax expense	10	(3,893)	(3,432)	*IAS 1.82(d), IAS 12.77*
Profit for the year from continuing operations		**8,012**	**7,630**	*IAS 1.85*
Discontinued operations				
Profit/(loss) after tax for the year from discontinued operations	11	220	(188)	*IAS 1.82(e), IFRS 5.33(a)*
Profit for the year		**8,232**	**7,442**	*IAS 1.82(f)*
Other comprehensive income				*IAS 1.82(g)*
Net gain on hedge of net investment		278	–	
Exchange differences on translation of foreign operations		(246)	(117)	
Net movement of cash flow hedges	9.8	(732)	33	
Net (losses)/gains on available-for-sale financial assets	9.8	(59)	3	
Actuarial gains/(losses) on defined benefit plans	26	311	(401)	*IAS 19.93B*
Revaluation of land and buildings	13	846	–	
Income tax relating to the components of other comprehensive income	10	(194)	110	*IAS 1.90*
Other comprehensive income for the year, net of tax		**204**	**(372)**	*IAS 1.85*
Total comprehensive income for the year, net of tax		**8,436**	**7,070**	*IAS 1.82(i)*

* Certain numbers shown here do not correspond to those in the 2011 financial statements and reflect adjustments made as detailed in Note 2.4.

Appendix 1 – Consolidated statement of comprehensive income (example of a single statement)

IAS 1.10(b)
IAS 1.51(b)
IAS 1.81(a)
IAS 1.51(c)

for the year ended 31 December 2012

		2012	2011 Restated*	
				IAS 8.28
		€000	€000	
Profit attributable to:				
Equity holders of the parent		7,944	7,203	*IAS 1.83(a)(ii)*
Non-controlling interests		288	239	*IAS 1.83(a)(i), IAS 27.27*
		8,232	**7,442**	
Total comprehensive income attributable to:				
Equity holders of the parent		8,148	6,831	*IAS 1.83(b)(ii)*
Non-controlling interests		288	239	*IAS 1.83(b)(i), IAS 27.27*
		8,436	**7,070**	
Earnings per share	12			*IAS 33.66*
▶ Basic, profit for the year attributable to ordinary equity holders of the parent		€0.38	€0.38	
▶ Diluted, profit for the year attributable to ordinary equity holders of the parent		€0.38	€0.37	
Earnings per share for continuing operations				
▶ Basic, profit from continuing operations attributable to ordinary equity holders of the parent		€0.37	€0.39	
▶ Diluted, profit from continuing operations attributable to ordinary equity holders of the parent		€0.37	€0.38	

* Certain numbers shown here do not correspond to those in the 2011 financial statements and reflect adjustments made as detailed in Note 2.4.

Commentary

The Group presents, for illustrative purposes, the disclosure of a single statement of comprehensive income in this Appendix.

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

In this Appendix, the Group illustrates the presentation of the income tax effects on other comprehensive income on a net basis. Therefore, additional note disclosures would be required, which have not been illustrated.

Appendix 2 – Consolidated income statement (example of expenses disclosed by nature)

IAS 1.10(b)
IAS 1.51(b)(c)

for the year ended 31 December 2012

Commentary

The Group presents the income statement disclosing expenses by function. For illustrative purposes, the income statement disclosing expenses by nature is presented in this appendix.

	Notes	2012 €000	2011 Restated* €000	
Continuing operations				
Sale of goods		190,599	172,864	*IAS 18.35(b)(i)*
Rendering of services		17,131	16,537	*IAS 18.35(b)(ii)*
Revenue from redemption of *GoodPoints*	25	1,375	1,125	
Rental income	14	1,404	1,377	*IAS 18.35(c)*
Revenue		**210,509**	**191,903**	*IAS 1.82(a)*
Other operating income	9.1	1,585	2,548	*IAS 1.103*
Changes in inventories of finished goods and work in progress		(1,133)	(3,791)	*IAS 1.103*
Raw materials and consumables used		(148,440)	(130,833)	*IAS 1.103*
Employee benefits expense	9.6	(44,019)	(43,853)	*IAS 1.103*
Depreciation, amortisation and goodwill impairment		(3,845)	(2,974)	*IAS 1.103*
Impairment of non-current assets	13	–	(301)	
Other expenses	9.2	(1,153)	(706)	*IAS 1.103*
Finance costs	9.3	(2,868)	(1,223)	*IAS 1.82(b)*
Finance income	9.4	1,186	211	*IAS 1.82(a)*
Share of profit of an associate	7	83	81	*IAS 1.82(c)*
Profit before tax from continuing operations		**11,905**	**11,062**	*IAS 1.85*
Income tax expense	10	(3,893)	(3,432)	*IAS 1.82(d)* *IAS 12.77*
Profit for the year from continuing operations		**8,012**	**7,630**	*IAS 1.85*
Discontinued operations				
Profit/(loss) after tax for the year from discontinued operations	11	220	(188)	*IAS 1.82(e)* *IFRS 5.33(a)*
Profit for the year		**8,232**	**7,442**	*IAS 1.82(f)*
Attributable to:				
Equity holders of the parent		7,944	7,203	*IAS 1.83(a)(ii)*
Non-controlling interests		288	239	*IAS 1.83(a)(i)*
		8,232	**7,442**	
Earnings per share	12			*IAS 33.66*
▶ Basic profit for the year attributable to ordinary equity holders of the parent		€0.38	€0.38	
▶ Diluted profit for the year attributable to ordinary equity holders of the parent		€0.38	€0.37	
Earnings per share for continuing operations				
▶ Basic profit from continuing operations attributable to ordinary equity holders of the parent		€0.37	€0.39	
▶ Diluted profit from continuing operations attributable to ordinary equity holders of the parent		€0.37	€0.38	

* Certain numbers shown here do not correspond to those in the 2011 financial statements and reflect adjustments made as detailed in Note 2.4.

Appendix 3 – Consolidated statement of cash flows – direct method

for the year ended 31 December 2012

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 cash flows using the indirect method. However, the statement of cash flows prepared using the direct method for operating activities is presented in this appendix for illustrative purposes.

	Notes	2012 €000	2011 €000	IAS 1.10(d) IAS 1.51(b)(c) IAS 7.10 IAS 1.51(d)(e)
Operating activities				IAS 7.18(a)
Receipts from customers		227,113	235,778	
Payments to suppliers		(175,293)	(183,585)	
Payments to employees		(35,815)	(35,048)	
Interest received		336	211	IAS 7.31
Interest paid		(586)	(1,126)	IAS 7.31
Income tax paid		(3,925)	(3,591)	IAS 7.35
Net cash flows from operating activities		**11,830**	**12,252**	
Investing activities				IAS 7.21
Proceeds from sale of property, plant and equipment		1,990	2,319	IAS 7.16(b)
Purchase of property, plant and equipment	13	(10,162)	(7,672)	IAS 7.16(a)
Purchase of investment properties	14	(1,216)	(1,192)	IAS 7.16(a)
Purchase of financial instruments		(3,060)	(225)	IAS 7.16(c)
Proceeds from available-for-sale investments		–	145	
Purchase of intangible assets	15	(587)	(390)	IAS 7.16(a)
Acquisition of a subsidiary, net of cash acquired	5	230	(1,450)	IAS 7.39
Receipt of government grants	24	2,951	642	
Net cash flows used in investing activities		**(9,854)**	**(7,823)**	
Financing activities				IAS 7.21
Proceeds from exercise of share options	21	175	200	IAS 7.17(a)
Acquisition of non-controlling interest	5	(325)	–	
Transaction costs of issue of shares	21	(32)	–	
Payment of finance lease liabilities		(51)	(76)	IAS 7.17(e)
Proceeds from borrowings		5,577	2,645	IAS 7.17(c)
Repayment of borrowings		(122)	(1,684)	IAS 7.17(d)
Dividends paid to owners of the parent	22	(1,972)	(1,600)	IAS 7.31
Dividends paid to non-controlling interests		(30)	(49)	IAS 7.31
Net cash flows from/(used in) financing activities		**3,220**	**(564)**	
Net increase in cash and cash equivalents		5,196	3,865	
Net foreign exchange difference		(22)	85	IAS 7.28
Cash and cash equivalents at 1 January	20	12,266	8,316	
Cash and cash equivalents at 31 December	20	**17,440**	**12,266**	IAS 7.45

Commentary

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

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