Quality Holdings (Australian SDS) Pty Ltd

Illustrative Australian Company's financial report for 31 December 2025 (and 30 June 2026)

Complying with Australian Accounting Standards – Simplified

The better the question.
The better the answer.
The better the world works.

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Foreword

Welcome to the 2025 edition of *Quality Holdings (Australian SDS) Pty Ltd*. Australia has a two-tier reporting system for entities preparing general purpose financial statements (GPFS). This two-tier regime allows certain entities to reduce the costs of financial reporting by simplifying the disclosures otherwise required by Australian Accounting Standards (AAS). An entity is able to apply the simplified disclosure framework (SDS) if it is not considered to be publicly accountable. This determination requires the application of judgement.

Australia and the world continue to endure the challenges caused by macroeconomic and geopolitical events that have resulted in commodity price volatility, inflation, tariffs, rising interest rates and high energy costs. Interest rates and cost of living continue to dominate headlines in Australia, with impacts felt across the economy. Entities will need to pay attention to the accounting impacts of these uncertainties. Where relevant, certain such impacts have been addressed in commentary throughout this publication. In addition, entities should consider whether additional disclosures are necessary to explain macroeconomic and geopolitical events, and related transactions that are significant to their financial statements.

The current year sees one new standard, that clarifies how entities should assess whether a currency is exchangeable and how to determine a spot exchange rate when exchangeability is lacking. Although unlikely to have widespread impact, timely consideration should be given to the amendment.

The AASB is currently undertaking a post-implementation review of the simplified disclosure framework. The purpose of the review is to consider whether the framework is operating well but to also consider how amendments made to *IFRS for SMEs* and the issuance of AASB 18 *Presentation and Disclosure in Financial Statements* should be incorporated into AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-For-Profit Tier 2 Entities*. In addition, the AASB is to consider whether IFRS 19 *Subsidiaries without Public Accountability: Disclosures* should be adopted in Australia, and if so, how. Comments are due by 22 January 2026 and therefore the impact of these activities on SDS is currently unknown.

Quality Holdings (Australian SDS) Pty Ltd provides illustrative financial statements that comply with Australian Accounting Standards – Simplified Disclosures. The following assumptions were made in preparing these financial statements:

- Quality Holdings (Australian SDS) Pty Ltd is a for-profit industrial company, incorporated in Australia, not engaged in any insurance or agricultural activities.
- These financial statements for the year ended 31 December 2025 are not the entity's first set of SDS financial statements.

In the appendices, we also explain the revised differential reporting framework, transition requirements for adopting SDS and include illustrative transition disclosures for entities moving from special purpose financial statements (SPFS) to SDS in the current year.

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

Frank Palmer
Partner, Ernst & Young, Australia and EY Regional IFRS Leader, Oceania
December 2025

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Introduction

Tiers of AAS

Australia has a two-tier reporting regime which applies to all entities that prepare general purpose financial statements. Entities are classified, for financial reporting purposes, as either:

"Tier 1" on the basis that they are "publicly accountable" or are a government entity

or

"Tier 2" on the basis that they are not "publicly accountable"

Tier 1 entities must prepare general purpose financial statements that comply with Australian Accounting Standards (AAS) that are equivalent to International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and includes requirements that are specific to Australian entities. For-profit entities will be able to make an unreserved statement of compliance with IFRS Accounting Standards.

In this publication, these financial statements illustrate an entity that has adopted Tier 2 (SDS) in a prior year. Appendix 9, however, includes illustrative transition disclosures for those entities only adopting SDS in the current year.

Tier 2 entities can prepare general purpose financial statements that comply with the recognition and measurement requirements of Tier 1, but substantially reduced disclosure requirements (SDS). The presentation requirements for the financial statements under SDS are the same as in Tier 1, except for two matters. SDS does not require a third statement of financial position in circumstances required by Tier 1. Further, SDS gives a choice of presenting a single statement of income and retained earnings in place of the statement of comprehensive income and statement of changes in equity if the only changes to equity arise from profit or loss, payment of dividends, corrections of prior period errors, and changes in accounting policies. See Appendix 3 for an illustrative statement of income and retained earnings. Where reduced disclosures have been adopted, the financial statements will not be IFRS Accounting Standard compliant and cannot be described as complying with IFRS Accounting Standards as issued by the IASB.

For further details of the differential reporting framework and transition requirements, see Appendix 8.

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

This document contains the consolidated financial statements of a fictitious entity, Quality Holdings (Australian SDS) Pty Ltd, an industrial company with subsidiaries (the Group). Quality Holdings (Australian SDS) Pty Ltd is incorporated in Australia. These financial statements are intended to illustrate transactions, events and circumstances that we consider to be most common for a broad range of companies across a wide variety of industries. Certain disclosures are included in these financial statements merely for illustrative purposes, even though they may be regarded as items, transactions or accounting policy information that are not material for Quality Holdings (Australian SDS).

Notations shown in the right-hand margin of each page are references to AASB 1060, or other applicable pronouncements that require the specific disclosures, such as the *Corporations Act 2001*. Commentaries are provided to explain the basis for the disclosure or to address alternative disclosures not included in the illustrative financial statements. Additional line items, headings, subtotals and information not specifically required by AASB 1060 have been presented and disclosed in these financial statements on the basis that such presentation is relevant to an understanding of the entity.

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

Changes in the 2025 edition of Quality Holdings (Australian SDS) Pty Ltd annual financial statements

This is the December 2025 edition of Quality Holdings (Australian SDS) Pty Ltd. The standards applied in these illustrative financial statements are those that were on issue as at 30 November 2025 and effective for annual periods beginning on or after 1 January 2025.

The standards and interpretations listed below are effective for annual periods beginning on or after 1 January 2025 and have not previously been early adopted. While the list of new standards is provided below, not all of these new standards will have an impact on these illustrative financial statements. To the extent that changes in standards and interpretations are effective for financial periods beginning on or after 1 January 2025, the impact of those changes is disclosed in Note 2.4:

- AASB 2023-5 *Amendments to Australian Accounting Standards – Lack of Exchangeability*

Other changes from the December 2024 (and June 2025) edition have been made in order to improve the overall quality of the illustrative financial statements.

For an overview of the upcoming changes in standards and interpretations, please refer to the recent version of our *New Australian Reporting Pronouncements* publication.

Users of this publication are cautioned to check for any changes in requirements of AAS between 30 November 2025 and the date on which their financial statements are authorised for issue. Our *Focus On Reporting* publication will keep you informed of further changes.

Financial review by management

Many entities present a financial review by management that is outside the financial statements. Australian Accounting Standards do not require the presentation of such information. IFRS Practice Statement 1 *Management Commentary* provides a non-binding framework for presenting 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.

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

Climate-related matters

While AAS do not explicitly refer to climate-related matters, entities must consider them in applying AAS when the effect of those matters is material. In its educational material in July 2023, the IASB clarified its view that existing IFRS accounting standards require entities to consider climate-related matters. In March 2023, the IASB added a project to its work plan to consider whether and how entities can provide better information about climate-related risks in their financial statements. The project also considers what actions, if any, the IASB could take to improve the information it requires entities to provide about climate-related matters.

Where relevant, climate-related matters have been addressed in separate commentaries and illustrative disclosures in these financial statements. As the impact of climate-related matters differs significantly across entities and industries, entities need to consider carefully any specific impacts on their business, arising from physical and transition risks when preparing their financial statements.

Reporting on climate-related matters outside the financial statements may be included in what is commonly referred to as "sustainability reporting", which refers to reporting on environmental, social and governance (ESG) matters. Sustainability reporting is not illustrated nor addressed in this publication.

Entities that are considering climate-related matters in their financial statements should also refer to our publications, *IFRS Developments: 177 Effects of climate-related matters on financial statements* (November 2020) and *Applying IFRS – Connected Financial Reporting: Accounting for Climate Change* (updated May 2025).

Entities should also consider recent IFRS IC agenda decision dealing with climate-related matters, including *Climate-related Commitments* in the April 2024 and *Recognition of Intangible Assets from Climate-related Expenditure* in the April 2025.

For further information on latest developments for sustainability reporting (including our publication *Quality Holdings Resource Limited – Climate-related financial disclosure*), refer to EY Sustainability Disclosure Hub.

Macroeconomic and geopolitical uncertainty

Recent volatility in commodity prices, high inflation, changes in interest rates and increasing energy costs linked to geopolitical uncertainty have impacted the economy. Entities must focus on accounting issues such as going concern, asset impairment, expected credit losses, pensions, fair value, assessment of events as either adjusting or non-adjusting, disclosures (e.g., liquidity disclosures), and hyperinflation.

Where relevant, these accounting issues have been addressed in commentary boxes throughout this publication. However, as the impact largely depends on the nature of an entity's business and the extent to which it has been affected, relevant accounting issues have not been illustrated in these consolidated financial statements themselves.

Entities that are considering macroeconomic and geopolitical uncertainty should refer to our publications, *Applying IFRS – Accounting consideration related to geopolitical events and uncertainty (May 2024)*.

Independent auditor's report

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

Abbreviations and key

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

AASB 1060.25	AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities,* paragraph 25
PS 2.88F	AASB Practice Statement 2 *Making Materiality Judgements*, paragraph 88F
ASIC CI	*Australian Securities & Investments Commission Corporations Instrument*
ASIC RG	*Australian Securities & Investments Commission Regulatory Guide*
Reg 2M.3.03(1)	*Corporations Regulations 2001*, Chapter 2M, Regulation 3.03, paragraph 1
CA 295	*Corporations Act 2001*, section 295
Commentary on Corporations Act	The commentary provides guidance and further information on the *Corporations Act 2001* and related ASIC Corporation Instruments
Commentary on AAS	The commentary explains how the requirements of AAS have been implemented in arriving at the illustrative disclosure
Commentary on climate-related matters	The commentary explains how the impact from climate change has been considered in preparing the illustrative financial statements and what factors that an entity may need to consider in this regard
Commentary on macroeconomic and geopolitical uncertainty	The commentary explains which issues an entity may need to consider in relation to the current macroeconomic and geopolitical uncertainty

Caveat

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

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

In this publication, when a choice is available in AAS, 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, and the reasons for this policy selection.

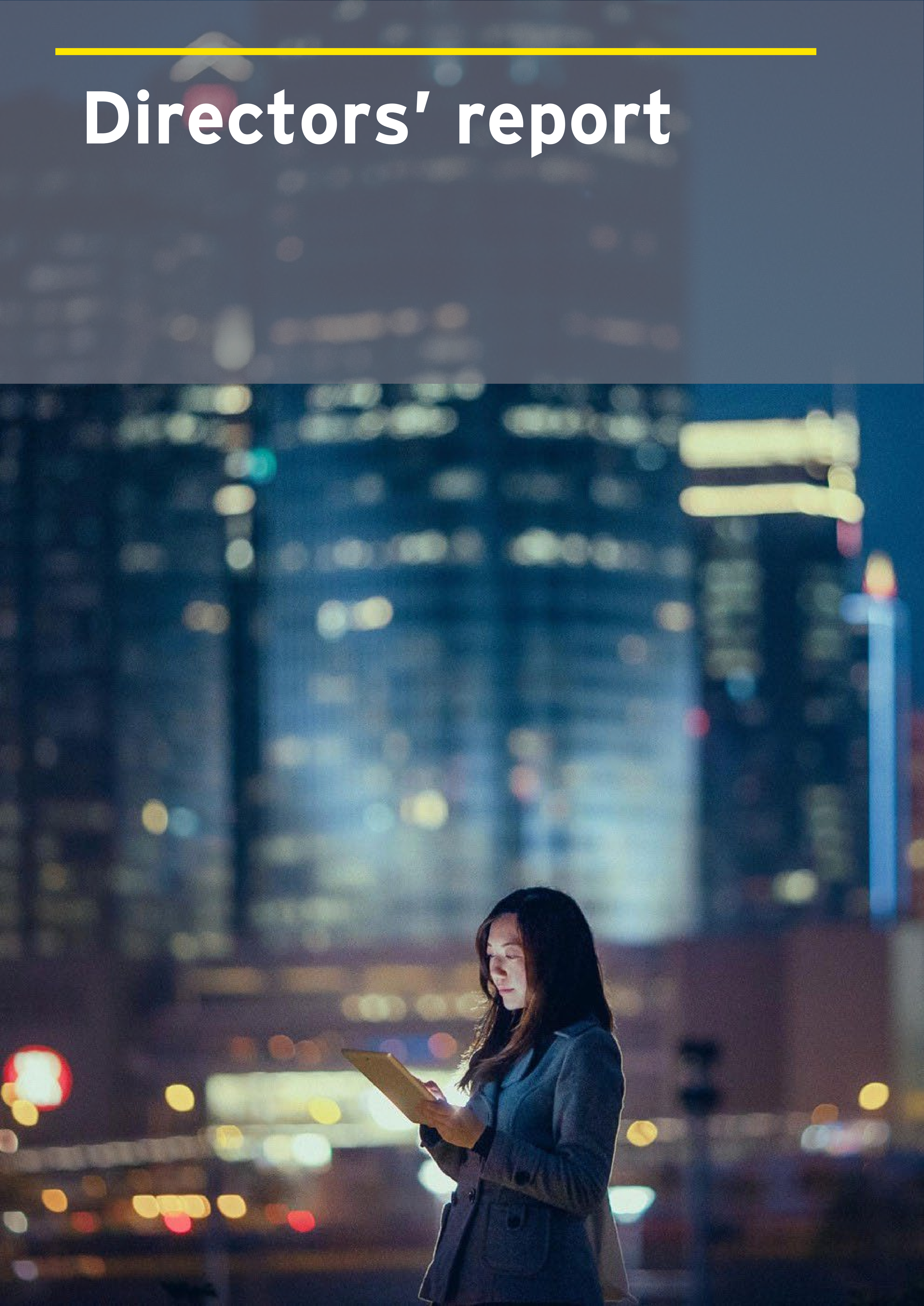
Quality Holdings (Australian SDS) Pty Ltd

ABN 00 000 000 000

Illustrative Australian Company's financial report for 31 December 2025 (and 30 June 2026)

Complying with Australian Accounting Standards – Simplified Disclosures

Directors' report



Directors' report

The directors of Quality Holdings (Australian SDS) Pty Ltd (the Company) and its subsidiaries (collectively, the Group), present their report for the year ended 31 December 2025. *CA 298(1), 299(2)*

Directors

The names and details of the Company's directors in office during the financial year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated. *CA 300(1)(c)*

V. Sheen (Non-Executive Chair)

T. Hannah (Managing Director)

M. Simpson

M. Krupp

K. Harris

D.J Estreux – appointed 1 February 2025

C. Mohot – resigned 31 July 2025

Officers who are former partners of the auditors of the Company

CA 300(1)(ca)

C. Mohot was an officer of the Company during the year and was previously a partner of the current audit firm, Ernst & Young, Australia, at the time when the audit firm undertook the audit of the Group.

Principal activities

CA 299(1)(c)

The principal activities of the Group are:

- Production, installation and servicing of extinguishers, fire prevention equipment and fire-retardant fabrics
- Supply and servicing of electronic equipment for defence, aviation and electrical safety markets
- Management of investment property
- Production of rubber hosepipes for commercial applications

Other than the planned discontinuance of the manufacturing of rubber equipment which came about through the decision to sell Hose Limited, there have been no other significant changes in the nature of these activities during the year.

Review of operations

CA 299(1)(a)

Revenue

The Group produces and installs extinguishers, fire prevention equipment and fire-retardant fabrics for industrial markets and has been an assertive player in the fire prevention market over the last few years.

The growth in sale of fire prevention equipment includes eight months of revenue generated by the newly acquired subsidiary, Extinguishers Limited, of $9.857 thousand. We expect a further increase in revenues from fire prevention for the 31 December 2026 year-end, benefiting from a full year of trading by Extinguishers Limited.

In our traditional market in Australia, the impending publication of the Fire Prevention Act (the Act) in the next 12 months is likely to result in an increased demand for fire prevention equipment. The Act has come about as a direct result of the severe fires that occurred in office buildings in the states of New South Wales and Queensland during the year and will require all companies with more than 250 employees to replace their fire prevention equipment every five years.

Wireworks Inc. was incorporated on 13 May 2022 with a view to expanding the Group's activities in the fire prevention business in the United States, a key growth market for the Group. Wireworks Inc. is still very much in the growth stage and, as expected, is currently running at a loss. However, management anticipates this business will begin to show a return on our investment in 2026, and that revenue streams will stabilise by 2030.

The Group produces and supplies electronic equipment for electrical safety applications, with a particular focus on the defence, aviation, property and industrial sectors. Products include electronics, safety, thermal and electrical architecture.

Directors' report

Review of operations *continued*

The Group continues to perform strongly in a difficult market with sales of electronic equipment increasing by 4.0% to $69.263 million (2024: $66.621 million) due to continuous improvement of product quality and the contribution by Lightbulbs Limited in its first full year post acquisition. Management expects that the growth in sales of electronic equipment will be modest in the years to come due to heavy competition in the market.

Profit from continuing operations

The Group reported a profit before tax from continuing operations of $11.088 million for the year ended 31 December 2025, an increase of 25.1% from the prior year. The increase in profit before tax from continuing operations was substantially driven by the contribution of Lightbulbs Limited in its first full year post acquisition and the acquisition of Extinguishers Limited.

Significant changes in the state of affairs

CA 299(1)(b)

Divestments, acquisitions and formations

Sale of Hose Limited

The board of directors of the Company approved the plan to sell Hose Limited, a wholly owned subsidiary, on 14 November 2025.

Acquisition of Extinguishers Limited

Our business was substantially strengthened by the acquisition of Extinguishers Limited, a company that has been operating in Australia for many years. As well as a strong customer base and quality product line, Extinguishers Limited has a world-leading research and development program that is well placed to contribute to converting our tailored products for the mass market. The acquisition also included a number of highly profitable fire prevention patents that will bring in stable revenue streams for several years to come.

Formation of Fire Equipment Test Lab Limited

The Group has bolstered its ongoing R&D and quality control program with the establishment of Fire Equipment Test Lab Limited. The Lab will provide us with a bespoke facility for testing potential new mass market products and supporting our ongoing quality control program for existing products. Construction of the new facility is due for completion in 2027.

Capital structure

Long-term borrowings

The Group obtained additional funding of $3.000 million during the course of the year at the rate of 11%, due for repayment in 2026. This funding was provided by a third-party investor and will be used to finance the start-up of the new entity, Fire Equipment Test Lab Limited.

The Group also borrowed USD3.600 million ($2.246 million) to address working capital requirements and fund capital expenditures of the two US subsidiaries, Wireworks Inc. and Sprinklers Inc.

Issued shares

The acquisition of Extinguishers Limited was funded by the issue of 2,500,000 ordinary shares with a fair value of $7.203 million.

Contingent consideration liability

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

- $0.675 million, if the entity generates $0.800 million or more of profit before tax in a 12-month period after the acquisition date

Or

- $1.125 million, if the entity generates $1.500 million or more of profit before tax in a 12-month period after the acquisition date

Directors' report

Significant changes in the state of affairs *continued*

At 31 December 2025, the key performance indicators of Extinguishers Limited indicated that it was highly probable it would generate a profit before tax in excess of $1.500 million. Accordingly, that probability, when considered in combination with the time value of money, resulted in a contingent consideration liability at balance date of $1.072 million associated with the acquisition of Extinguishers Limited. The contingent consideration liability is due to be settled on 30 September 2026.

Significant events after the balance date

CA 299(1)(d)

On 14 January 2026, a building with a net book value of $1.695 million and inventory with a net book value of $0.857 million were severely damaged by flooding resulting in estimated impairment losses of $2.552 million. It is expected that insurance proceeds will fall short of the costs of rebuilding and the loss of inventories by $0.750 million. The financial effects of these events were not reflected in the 31 December 2025 financial statements.

On 22 January 2026, the directors of Quality Holdings (Australian SDS) Pty Ltd declared a final dividend on ordinary shares in respect of the 2025 financial year. The total amount of the dividend is $1.087 million, which represents a fully franked dividend of 5.01 cents per share. The dividend has not been provided for in the 31 December 2025 financial statements.

Likely developments and expected results of operations

CA 299(1)(e)

The acquisition of Extinguishers Limited adds fire-retardant fabrics to the portfolio of products offered by the Group, and we believe this puts the Group in a strong position in the market as it is now able to offer a full range of fire prevention products to its customers. Similarly, the launch of the Wireworks business in the US market will position us for future growth in this key market.

Future growth in our business is expected to be mainly driven by the sale of fire prevention products.

Dividends

	Cents	$000	
Dividends paid in the year:			*CA 300(1)(a)*
Final for 2024 shown as recommended in the 2024 financial report	5.66	1,089	
Interim for the year	4.12	890	
Special cash dividends on ordinary shares declared but not paid	1.89	410	*CA 300(1)(b)*
		2,389	
Final dividends recommended	5.01	1,087	

Share options

As at the date of this report, there were 723,875 unissued ordinary shares under options in the Company. These options have a weighted average exercise price of $3.24 and expire in 2027. Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate.

CA 300(1)(e), (3), (6)

CA 300(1)(d), (3), (5)

Since the beginning of the year, T. Hannah received 100,000 options over ordinary shares in the Company as part of his compensation. During and since the end of the financial year, employees and executives paid the Company $0.177 million as a result of exercising options to acquire 76,125 fully paid ordinary shares in the Company (no amounts remain unpaid).

CA 300(1)(f), (3), (7)

Commentary on Corporations Act

Companies are required to disclose details of unissued shares or interests as at the date the directors' report was issued and the shares or interests issued during or since the end of the year from exercise of options over unissued shares or interests.

Directors' report

Environmental regulation and performance

CA 299(1)(f)
ASIC RG 68

The Group holds licences issued by the relevant environmental protection authorities of the various countries in which the Group operates. These licences specify limits and regulate the management of discharges to the air and storm water run-off associated with the fire prevention and rubber equipment operations.

There have been no significant known breaches of the Group's licence conditions or any environmental regulations to which it is subject.

Indemnification and insurance of directors and officers

CA 300(1)(g)

CA 300(8)(a), (9)(a), 9(c), 9(e)

The Company has agreed to indemnify all the directors and executive officers for any breach of environmental or discrimination laws by the Company for which they may be held personally liable. The agreement provides for the Company to pay an amount not exceeding $200,000 provided that:

a. The liability does not arise out of conduct involving a lack of good faith.

b. The liability is for costs and expenses incurred by the director or officer in defending proceedings in which judgement is given in their favour or in which they are acquitted.

CA 300(8)(b)

During the year ended 31 December 2025, the Company has paid premiums in respect of a contract insuring all the directors of Quality Holdings (Australian SDS) Pty Ltd against legal costs incurred in defending proceedings for conduct other than:

a. A wilful breach of duty

b. A contravention of sections 182 or 183 of the *Corporations Act 2001*, as permitted by section 199B of the *Corporations Act 2001*

CA 300(9)(f)

Disclosure of the insurance premium is prohibited by the insurance contract.

Indemnification of auditors

CA 300(8)(a), (9)(b), 9(c), 9(e)

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young, Australia during the year ended 31 December 2025.

Proceedings on behalf of the Company

CA 300(14, 15)

Commentary on Corporations Act

For any application of leave under section 237 of the *Corporations Act 2001* made in respect of the company, disclosure in the directors' report must include the applicant's name and a statement indicating whether leave was granted.

Where leave is granted under section 237 of the *Corporations Act 2001*, disclosure should be made for any proceeding that a person has brought or intervened in on behalf of the company, including the following details:

- The person's name
- The name of the parties to the proceedings
- Sufficient information to enable members to understand the nature and status of proceedings (including the cause of action and any orders made by the court)

True and fair view

CA 298(1A)

Commentary on Corporations Act

If the financial statements for the year include additional information under paragraph 295(3)(c) of the *Corporations Act 2001* to give a true and fair view of financial position and performance (e.g., alternative measures of financial performance), the details of directors' reason for inclusion of additional information and the reference to where that additional information can be found in the financial statement should be included in the directors' report.

Rounding

ASIC CI 2016/191

The amounts contained in the directors' report have been rounded to the nearest $1,000 (where rounding is applicable) where noted ($000) under the option available to the Company as provided in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. The Company is an entity to which this legislative instrument applies.

Directors' report

Rounding *continued*

Commentary on Corporations Act

Quantitative disclosures in the directors' report are rounded to the nearest thousand dollars under the option available to companies as provided in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, except for amounts relating to indemnities given and insurance premiums paid during or since the end of the year for an officer or an auditor [CA 300(1)(g), (8), (9)]. Such quantitative disclosures are required to be rounded to the nearest dollar ($1), provided that the total assets of the entity are not more than $1,000,000,000. Further, the disclosures regarding issue price and amounts paid/unpaid on the exercise of options [CA 300(6)(c), 7(d) and 7(e)] can only be rounded to the nearest cent.

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Directors' report

Auditor independence

The directors received the following declaration from the auditor of Quality Holdings (Australian SDS) Pty Ltd. CA 298(1AA)

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Auditor's Independence Declaration to the Directors of Quality Holdings (Australian SDS) Pty Ltd

As lead auditor for the audit of the financial report of Quality Holdings (Australian SDS) Pty Ltd for the financial year ended 31 December 2025, I declare to the best of my knowledge and belief, there have been:

a. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit

b. no contraventions of any applicable code of professional conduct in relation to the audit, and

c. no non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Quality Holdings (Australian SDS) Pty Ltd and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

D. G. Brown

D. G. Brown,
Partner
6 February 2026

Signed in accordance with a resolution of the directors. CA 298(2)

T Hannah

T. Hannah
Managing Director

6 February 2026

Consolidated financial statements

Commentary on AAS

Alternative titles for the financial statements

AASB 1060.25 suggests titles for the primary financial statements, such as "statement of profit or loss and other comprehensive income (OCI)" 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 AASB 1060. An entity may use titles for the financial statements other than those used in AASB 1060 as long as they are not misleading.

Alternative presentations of statements

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

AASB 1060.26 provides an option to present a single statement of income and retained earnings in place of a statement of comprehensive income and a statement of changes in equity. This choice is available if the only changes to equity during the period for which financial statements are prepared arise from profit or loss, payment of dividends, corrections of prior period errors, and changes in accounting policies. See Appendix 3 for an illustrative statement of income and retained earnings.

Retrospective application or restatement

There is no specific requirement to identify adjustments made retrospectively on the face of the financial statements, except for the effect of a retrospective application or restatement on each component of equity (AASB 1060.61(b)). AASB 1060 requires details to be provided only in the notes. By labelling the comparatives "Restated", the Group illustrates how an entity may supplement the requirements of AASB 1060 so that it is clear to the reader that amounts previously presented in prior period financial statements have been adjusted in the comparative period(s) of these financial statements.

Consolidated statement of profit or loss

for the year ended 31 December 2025

	Note	2025 $000	2024 $000 Restated (Note 2.5)	
				AASB 1060.25(b)(ii), 28, 29, 31(c), 49(b) AASB 1060.31(d), (e) AASB 1060.92
Continuing operations				
Revenue from contracts with customers	4	179,058	159,088	
Rental income from investment properties	16, 18	1,404	1,377	
Revenue		**180,462**	**160,465**	AASB 1060.52(a), 54
Cost of sales	14	(136,569)	(128,386)	AASB 1060.58(b)
Gross profit		**43,893**	**32,079**	
Selling and distribution expenses		(14,001)	(12,964)	AASB 1060.58(b)
Administrative expenses		(18,290)	(12,011)	AASB 1060.58(b)
Other operating income	9.1	2,435	2,548	
Other operating expenses	9.2	(2,554)	(353)	
Operating profit		**11,483**	**9,299**	
Finance costs	9.3	(1,366)	(1,268)	AASB 1060.52(b), 54
Finance income		202	145	AASB 1060.119(b)
Share of profit of an associate and a joint venture	7, 8	671	638	AASB 1060.52(c), 54
Other income	9.4	98	66	
Profit before tax from continuing operations		**11,088**	**8,880**	
Income tax expense	11	(3,092)	(2,233)	AASB 1060.52(d), 54
Profit for the year from continuing operations		**7,996**	**6,647**	
Discontinued operations				
Profit/(loss) after tax for the year from discontinued operations	10	220	(188)	AASB 1060.52(e), 54
Profit for the year		**8,216**	**6,459**	AASB 1060.52(f), 54
Attributable to:				AASB 1060.54
Equity holders of the parent		7,928	6,220	AASB 1060.53(a)(ii)
Non-controlling interests		288	239	AASB 1060.53(a)(i)
		8,216	6,459	

Commentary on AAS

Revenue recognised from contracts with customers

AASB 1060 does not require revenue recognised from contracts with customers to be disclosed separately from other sources of revenue. The Group has elected to present the revenue from contracts with customers as a line item in the statement of profit or loss separate from other sources of revenue. AASB 15 *Revenue from Contracts with Customers* only applies to a subset of total revenue (i.e., revenue from contracts with customers).

AASB 15 defines revenue as "income arising in the course of an entity's ordinary activities", but it excludes some revenue contracts from its scope (e.g., leases). AASB 1060 does not explicitly require an entity to use the term "revenue from contracts with customers". Therefore, entities may use different terminology in their financial statements to describe revenue arising from transactions that are within the scope of AASB 15. However, such terminology should not be misleading and should allow users to distinguish revenue from contracts with customers from other sources of revenue.

Classification of expenses

AASB 1060.58 requires expenses to be analysed either by their nature or by their function within the statement of profit or loss, whichever provides information that is reliable and more relevant. The Group has presented the analysis of expenses by function. In Appendix 2, the statement of profit or loss is presented with an analysis of expenses by nature.

Additional line items

AASB 1060 requires additional line items, headings and subtotals to be presented in the statement of profit or loss when such presentation is relevant to an understanding of the entity's financial performance. However, no items of income and expense should be described as "extraordinary items" in the statement of profit or loss or in the notes. As such, the Group has presented operating profit in the statement of profit or loss although this is not required by AASB 1060. The terms "operating profit" or "operating income" are not defined in AAS, but any amounts disclosed as such should be representative of activities that would normally be considered to be "operating".

Consolidated statement of comprehensive income

for the year ended 31 December 2025

	Note	2025 $000	2024 $000 Restated (Note 2.5)	
				AASB 1060.25(b)(ii), 28, 29, 31(c), 49(b) *AASB 1060.31(d), (e)* *AASB 1060.92*
Profit for the year		**8,216**	**6,459**	*AASB 1060.54*
Other comprehensive income				
Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):				*AASB 1060.52(g)(ii), 54*
Net gain on hedge of a net investment	15.3	195	–	
Exchange differences on translation of foreign operations		(246)	(117)	*AASB 1060.180(b)*
Net gain/(loss) on cash flow hedges	15.3	(618)	24	
Net change in costs of hedging	15.3	(22)	–	
Net loss on debt instruments at fair value through other comprehensive income		(15)	(1)	
Share of other comprehensive loss of an associate		(30)	–	*AASB 1060.52(h), 54*
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods		**(736)**	**(94)**	
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods (net of tax):				*AASB 1060.52(g)(i), 54*
Net gain/(loss) on equity instruments designated at fair value through other comprehensive income		(18)	7	
Remeasurement gain/(loss) on defined benefit plans	22	257	(273)	
Revaluation of office properties	17	592	–	*AASB 1060.136(d)*
Share of other comprehensive income of an associate		30	–	*AASB 1060.52(h), 54*
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods		**861**	**(266)**	
Other comprehensive income/(loss) for the year, net of tax		**125**	**(360)**	
Total comprehensive income for the year, net of tax		**8,341**	**6,099**	*AASB 1060.52(i), 54*
Attributable to:				
Equity holders of the parent		8,053	5,860	*AASB 1060.53(b)(ii)*
Non-controlling interests		288	239	*AASB 1060.53(b)(i)*
		8,341	**6,099**	

Commentary on AAS

Income tax

AASB 1060 does not explicitly require an entity to disclose the amount of income tax relating to each item of OCI, including reclassification adjustments, either in the statement of comprehensive income or in the notes. The Group elected to present each item of OCI net of the related tax effects in the statement above. Another alternative is to present the different items of OCI before the related tax effects with one amount shown for the aggregate amount of income tax relating to those items. An entity electing this alternative must allocate the tax between those items that "may be reclassified to profit or loss" and "will not be reclassified to profit or loss" in subsequent periods. This alternative is illustrated in Appendix 1.

Cash flow hedges

The Group has presented, in OCI the gains and losses arising from cash flow hedges, including those related to foreign currency and copper forward contracts that are hedges of forecast inventory purchases, that may be reclassified to profit or loss in subsequent periods. Under AASB 9.6.5.11(d)(i), if a hedged forecast transaction subsequently results in the recognition of a non-financial asset, the entity must remove the amount from the cash flow hedge reserve and include it directly in the initial cost or other carrying amount of the asset as a basis adjustment. AASB 101.96 states that reclassification adjustments do not arise if a cash flow hedge results in amounts that are removed from the cash flow hedge reserve or a separate component of equity and included directly in the initial cost or other carrying amount of an asset. In subsequent periods, the amount previously recorded in the cash flow hedge reserve may be recognised in profit or loss when the asset (liability) is being recovered (settled). Furthermore, OCI arising from a cash flow hedge of a future transaction of a non-financial item may not always result in a basis adjustment. These amounts might be reclassified to profit or loss in the case of a loss that is expected not to be partially or fully recovered (AASB 9.6.5.11(d)(iii)), or if the future cash flows are no longer expected to occur (AASB 9.6.5.12(b)). The Group concluded that it should present OCI arising from cash flow hedges consistently with the requirements for items of OCI that may be reclassified subsequently to profit or loss when specified conditions are met.

Equity method investees

Under the requirements of AASB 1060.52(h), entities must present the share of the OCI items of equity method investees (i.e., associates and joint ventures). As at 31 December 2025, the Group's associate has financial assets at fair value through OCI (may be reclassified subsequently to profit or loss) and an office building that is accounted for under the revaluation model (will not be reclassified subsequently to profit or loss). Consequently, the Group presents items of OCI related to the associate in two separate line items in the statement of comprehensive income.

Consolidated statement of financial position

as at 31 December 2025

	Note	2025	2024	AASB 1060.25(a), 28, 29, 31(c)
		$000	$000	AASB 1060.31(d), (e)
			Restated	AASB 1060.92
Assets			(Note 2.5)	
Current assets				AASB 1060.37
Cash and short-term deposits	12	17,528	14,916	AASB 1060.35(a)
Trade receivables	4, 13	25,672	22,290	AASB 1060.35(b)
Contract assets	4	4,541	5,180	AASB 1060.44(b), 159
Inventories	14	26,027	23,830	AASB 1060.35(d)
Right of return assets	4	1,124	929	
Prepayments		244	165	
Other current financial assets	15.1	551	153	AASB 1060.35(c)
		75,687	67,463	
Assets held for sale	10	13,554	–	AASB 1060.35(r)
		89,241	67,463	
Non-current assets				AASB 1060.37
Investment in a joint venture	7	2,423	1,835	AASB 1060.35(j), 129(b)
Investment in an associate	8	764	681	AASB 1060.35(i), 125(b)
Investment properties	16	8,893	7,983	AASB 1060.35(f)
Property, plant and equipment	17	32,979	24,329	AASB 1060.35(e)
Right-of-use assets	18	2,908	2,732	
Intangible assets	19	6,019	2,461	AASB 1060.35(g)
Non-current financial assets	15.1	3,761	2,816	AASB 1060.35(c)
Deferred tax assets	11	389	365	AASB 1060.35(n)
		58,136	43,202	
Total assets		**147,377**	**110,665**	
Liabilities				
Current liabilities				AASB 1060.37
Trade and other payables	20	16,969	20,023	AASB 1060.35(k)
Income tax payable	11	3,511	3,563	AASB 1060.35(m)
Contract liabilities	4	2,880	2,486	AASB 1060.44(d), 159
Refund liabilities	4	6,242	5,844	AASB 1060.44(d)
Interest-bearing loans and borrowings	15.2	2,832	3,142	AASB 1060.35(l)
Dividends payable		410	–	AASB 1060.44(d)
Other current financial liabilities	15.2	2,953	254	AASB 1060.35(l)
Provisions	21	922	156	AASB 1060.35(o)
Government grants	23	149	151	AASB 1060.160(a)
		36,868	35,619	
Liabilities directly associated with the assets held for sale	10	13,125	–	AASB 1060.35(s)
		49,993	35,619	
Non-current liabilities				AASB 1060.37
Contract liabilities	4	2,962	888	AASB 1060.44(d), 159
Interest-bearing loans and borrowings	15.2	22,147	23,313	AASB 1060.35(l)
Other non-current financial liabilities	15.2	806	–	AASB 1060.35(l)
Provisions	21	1,898	19	AASB 1060.35(o)
Net employee defined benefit liabilities	22	3,050	2,977	AASB 1060.35(o), 44(e)
Government grants	23	3,300	1,400	AASB 1060.160(a)
Deferred tax liabilities	11	2,454	607	AASB 1060.35(n)
		36,617	29,204	
Total liabilities		**86,610**	**64,823**	
Net assets		**60,767**	**45,842**	
Equity				AASB 1060.44(f)
Ordinary shares	24	26,668	19,468	
Convertible preference share reserve	24	228	228	
Treasury shares	24	(508)	(654)	
Retained earnings		31,622	25,929	
Other components of equity		301	131	
Reserves of a disposal group held for sale	10	46	–	
Equity attributable to equity holders of the parent		**58,357**	**45,102**	AASB 1060.35(q)
Non-controlling interests		2,410	740	AASB 1060.35(p)
Total equity		**60,767**	**45,842**	

Commentary on AAS

Current and non-current presentation

In accordance with AASB 1060.37, the Group has presented current and non-current assets, and current and non-current liabilities, as separate classifications in the statement of financial position. AASB 1060 does not require a specific order of the two classifications. The Group has elected to present current assets and liabilities before non-current assets and liabilities. AASB 1060 requires entities to present assets and liabilities in order of liquidity when this presentation is reliable and more relevant.

Revenue recognised from contracts with customers

The Group presented "contract assets" and "contract liabilities" in the statement of financial position using the terminology from AASB 15. AASB 15.109 allows an entity to use alternative descriptions. However, it must disclose sufficient information so that users of the financial statements can clearly distinguish between unconditional rights to receive consideration (receivables) and conditional rights to receive consideration (contract assets).

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

Leases

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

Consolidated statement of changes in equity

for the year ended 31 December 2025

	Attributable to the equity holders of the parent														
	Ordinary shares (Note 24)	Convertible preference share reserve (Note 24)	Treasury shares (Note 24)	Retained earnings	Share-based payment reserve	Cash flow hedge reserve	Cost of hedging reserve	Fair value reserve of financial assets at FVOCI	Foreign currency translation reserve	Asset revaluation surplus	Reserves of a disposal group held for sale	Total	Non-controlling interest	Total equity	*AASB 1060.25(c), 28, 29, 31(c), 60, 92*
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	*AASB 1060.31(d), (e)*
As at 1 January 2025	**19,468**	**228**	**(654)**	**25,929**	**636**	**(70)**	**–**	**9**	**(444)**	**–**	**–**	**45,102**	**740**	**45,842**	
Profit for the period	–	–	–	7,928	–	–	–	–	–	–	–	7,928	288	8,216	*AASB 1060.61(c)(i)*
Other comprehensive income	–	–	–	257	–	(618)	(22)	(63)	(51)	622	–	125	–	125	*AASB 1060.61 (c)(ii)*
Total comprehensive income	–	–	–	8,185	–	(618)	(22)	(63)	(51)	622	–	8,053	288	8,341	*AASB 1060.61(a)*
Depreciation transfer for office properties	–	–	–	80	–	–	–	–	–	(80)	–	–	–	–	
Discontinued operations (Note 10)	–	–	–	–	–	–	–	(46)	–	–	46	–	–	–	
Issue of share capital (Note 24)	7,203	–	–	–	–	–	–	–	–	–	–	7,203	–	7,203	*AASB 1060.61 (c)(iii)*
Exercise of options (Note 24)	29	–	146	–	–	–	–	–	–	–	–	175	–	175	
Share-based payments (Note 25)	–	–	–	–	307	–	–	–	–	–	–	307	–	307	
Transaction costs related to issue of share capital	(32)	–	–	–	–	–	–	–	–	–	–	(32)	–	(32)	
Dividends	–	–	–	(2,389)	–	–	–	–	–	–	–	(2,389)	(30)	(2,419)	
Transfer of fair value reserve of equity instruments designated at FVOCI	–	–	–	7	–	–	–	(7)	–	–	–	–	–	–	
Transfer of cash flow hedge reserve to inventories	–	–	–	–	–	126	2	–	–	–	–	128	–	128	
Non-controlling interests arising on a business combination (Note 6)	–	–	–	–	–	–	–	–	–	–	–	–	1,547	1,547	
Acquisition of non-controlling interests	–	–	–	(190)	–	–	–	–	–	–	–	(190)	(135)	(325)	*AASB 1060.61 (c)(iii)*
At 31 December 2025	**26,668**	**228**	**(508)**	**31,622**	**943**	**(562)**	**(20)**	**(107)**	**(495)**	**542**	**46**	**58,357**	**2,410**	**60,767**	*AASB 1060.61(c), 136(d)*

Consolidated statement of changes in equity

for the year ended 31 December 2024 (restated)

	Attributable to the equity holders of the parent											AASB 1060.25(c), 28, 29, 60, 92
	Ordinary shares (Note 24)	Convertible preference share reserve (Note 24)	Treasury shares (Note 24)	Retained earnings	Share-based payment reserve	Cash flow hedge reserve	Fair value reserve of financial assets at FVOCI	Foreign currency translation reserve	Total	Non-controlling interest	Total equity	
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	
As at 1 January 2024	**19,388**	**228**	**(774)**	**22,282**	**338**	**(94)**	**3**	**(327))**	**41,044**	**208**	**41,252**	
Adjustment on correction of error (net of tax) (Note 2.5)	–	–	–	(700)	–	–	–	–	(700)	-	(700)	AASB 1060.61(b)
As at 1 January 2024 (restated)	**19,388**	**228**	**(774)**	**21,582**	**338**	**(94)**	**3**	**(327)**	**40,344**	**208**	**40,552**	
Profit for the period	–	–	–	6,220	–	–	–	–	6,220	239	6,459	AASB 1060.61 (c)(i)
Other comprehensive income	–	–	–	(273)	–	24	6	(117)	(360)	–	(360)	AASB 1060.61 (c)(ii)
Total comprehensive income	–	–	–	5,947	–	24	6	(117)	5,860	239	6,099	AASB 1060.61(a)
Exercise of options (Note 24)	80		120	–	–	–	–	–	200	–	200	AASB 1060.61 (c)(iii)
Share-based payments (Note 25)	–	–	–	–	298	–	–	–	298	–	298	
Dividends	–	–	–	(1,600)	–	–	–	–	(1,600)	(49)	(1,649)	
Non-controlling interests arising on a business combination (Note 6)	–	–	–	–	–	–	–	–	–	342	342	
At 31 December 2024 (restated)	**19,468**	**228**	**(654)**	**25,929**	**636**	**(70)**	**9**	**(444)**	**45,102**	**740**	**45,842**	AASB 1060.61(c)

Commentary on AAS

Changes in ownership of subsidiaries

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 AASB 10 *Consolidated Financial Statements*. Any excess or deficit of consideration paid over the carrying amount of the non-controlling interests is recognised in equity of the parent in transactions where the non-controlling interests are acquired or sold without loss of control. The Group has elected to recognise this effect in retained earnings. With respect to the subsidiary to which these non-controlling interests relate, there were no accumulated components recognised in OCI. If there had been such components, those would have been reallocated within equity of the parent (e.g., foreign currency translation reserve or fair value reserve of financial assets at FVOCI).

Defined benefit pension plans

The Group recognises remeasurement gains and losses arising on defined benefit pension plans in OCI in accordance with AASB 119 *Employee Benefits*. As they will never be reclassified into profit or loss, they are immediately recorded in retained earnings. AASB 1060 does not require separate presentation of those components in the statement of changes in equity but an entity may choose to present the remeasurement gains and losses in a separate reserve within the statement of changes in equity.

Equity method investees

The amounts presented as change in the asset revaluation surplus and the fair value reserve of financial assets at FVOCI include a share of OCI of the associate, which relates to the revaluation of an office building and the remeasurement of debt instruments at fair value through OCI.

Transfers

AASB 9.B5.7.1 states that accumulated gains and losses recognised in OCI for equity financial assets must not be subsequently transferred to profit or loss. However, the entity may transfer the cumulative gain or loss within equity. The Group transferred the accumulated gain on its equity financial assets from OCI to retained earnings upon derecognition of the financial asset.

AASB 9.6.5.11(d)(i) requires that if a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or a hedged forecast transaction for a non-financial asset or a non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the entity must remove that amount from the cash flow hedge reserve and include it directly in the initial cost or other carrying amount of the asset or liability. This is not a reclassification adjustment and, as such, it does not affect OCI.

Consolidated statement of cash flows

for the year ended 31 December 2025

AASB 1060.25(d), 28, 29, 31(c), 66

	Note	2025 $000	2024 $000	*AASB 1060.31(d), (e)*
Operating activities				*AASB 1060.67, 70(b), 73*
Receipts from customers		177,529	161,832	
Payments to suppliers		(129,054)	(115,205)	
Payments to employees		(33,749)	(29,151)	
Interest received		250	221	*AASB 1060.82*
Interest paid		(1,067)	(1,173)	*AASB 1060.82*
Income tax paid		(2,935)	(3,999)	*AASB 1060.85*
Net cash flows from operating activities		**10,974**	**12,525**	
Investing activities				*AASB 1060.68, 74*
Proceeds from sale of property, plant and equipment		1,990	2,319	
Purchase of property, plant and equipment	17	(10,167)	(7,581)	
Purchase of investment properties	16	(1,216)	(1,192)	
Purchase of financial instruments		(272)	(225)	
Proceeds from sale of financial instruments		328	145	
Development expenditures	19	(587)	(390)	
Acquisition of a subsidiary, net of cash acquired	6	230	(1,450)	
Receipt of government grants	23	2,951	642	
Net cash flows used in investing activities		**(6,743)**	**(7,732)**	
Financing activities				*AASB 1060.69, 74*
Proceeds from exercise of share options		175	200	
Acquisition of non-controlling interests		(325)	–	
Transaction costs on issue of shares		(32)	–	
Payment of principal portion of lease liabilities		(406)	(341)	
Proceeds from borrowings		5,649	4,871	
Repayment of borrowings		(2,032)	(4,250)	
Dividends paid to equity holders of the parent		(1,979)	(1,600)	*AASB 1060.82*
Dividends paid to non-controlling interests		(30)	(49)	
Net cash flows from/(used in) financing activities		**1,020**	**(1,169)**	
Net increase in cash and cash equivalents		5,251	3,624	
Net foreign exchange difference		339	326	*AASB 1060.81*
Cash and cash equivalents at 1 January		12,266	8,316	
Cash and cash equivalents at 31 December	12	**17,856**	**12,266**	

Commentary on AAS

Alternative presentation

AASB 1060.70 allows entities to report cash flows from operating activities using either the direct method or the indirect method. The Group presents its cash flows using the direct method. A statement of cash flows prepared using the indirect method for operating activities is presented in Appendix 4 for illustrative purposes.

Interest paid and received

AASB 1060.83 permits interest paid to be shown as operating or financing activities and interest received to be shown as operating or investing activities, as deemed relevant for the entity. The Group has elected to classify interest received and interest paid as cash flows from operating activities.

Lessees

In the statement of cash flows, a lessee classifies:

- Cash payments for the principal portion of the lease liability within financing activities.
- Cash payments for the interest portion of the lease liability applying the requirements in AASB 1060 for interest paid.
- Short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability within operating activities.

Non-cash activity (e.g., the initial recognition of the lease at commencement) is required to be disclosed as a supplemental non-cash item in accordance with AASB 1060.86 (see Note 18).

Notes to the consolidated financial statements

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Notes to the consolidated financial statements

1. Corporate information

AASB 1060.25(e)

The consolidated financial statements of Quality Holdings (Australian SDS) Pty Ltd (the Company or parent) and its subsidiaries (collectively, the Group) for the year ended 31 December 2025 were authorised for issue in accordance with a resolution of the directors on 6 February 2026. Quality Holdings (Australian SDS) Pty Ltd is a company limited by shares incorporated in Australia. The registered office is located at Bush Avenue, Mulberry Park, Australia.

AASB 1060.31(a), 31(b), 31(c), 104(a), 186

AASB 1060.32(a)

AASB 1060.32(b)

The Group is principally engaged in the provision of fire prevention and electronics equipment and services and the management of investment property.

The immediate and ultimate holding company of Quality Holdings (Australian SDS) Pty Ltd is S.J. Limited which owns 58.22% (2024: 57.55%) of its ordinary shares.

AASB 1060.192

2. Accounting policies

AASB 1060.91(a), 95(b)

Commentary on AAS

The identification of an entity's material accounting policies is an important aspect of the financial statements. Entities must carefully consider whether "standardised information, or information that only duplicates or summarises the requirements of the AASs" is material information and, if not, whether it should be removed from the accounting policy disclosures to enhance the usefulness of the financial statements.

Determining whether accounting policies are material or not requires use of significant judgement. Accounting policy information is expected to be material if users of an entity's financial statements would need it to understand other material information in the financial statements. For example, an entity is likely to consider accounting policy information material to its financial statements if that information relates to material transactions, other events or conditions and:

- The entity changed its accounting policy during the period and this change resulted in a material change to the information in the financial statements
- The entity chose the accounting policy from one or more options permitted by AASs
- The accounting policy was developed in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* in the absence of an AAS that specifically applies
- The accounting policy relates to an area for which an entity is required to make significant judgements or assumptions in applying an accounting policy, and the entity discloses those judgements or assumptions
- The accounting required for them is complex and users of the entity's financial statements would otherwise not understand those material transactions, other events or conditions. For example, if an entity applies more than one AAS to a class of material transactions.

The material accounting policies disclosed in this note illustrate how the requirements to disclose material accounting information could be applied in practice. It is assumed that users of financial statements are familiar with AAS as other entities in the market are also preparing financial statements in compliance with AAS and have done so for over an extended period. These assumptions are, however, specific to Quality Holdings (Australian SDS) Pty Ltd, and must be assessed by each entity considering their specific facts and circumstances. For further information on the application of the materiality concept when making judgements about accounting policy disclosures, refer to our publication *Applying IFRS: Disclosure of accounting policy information*. For an illustration of more comprehensive accounting policies refer to our *Quality Holdings (Australia) Limited* publication.

PS 2.88F

2.1 Basis of preparation

These general purpose financial statements have been prepared in compliance with the requirements of the *Corporations Act 2001* and *Australian Accounting Standards – Simplified Disclosures*. The Group is a for-profit entity for the purposes of preparing these consolidated financial statements.

AASB 1060.10, 11(a), 11(b)

Commentary on AAS

The Group adopted AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* in a prior period. Where an entity is only adopting SDS in the current year refer to Appendix 9 for illustrative transition disclosures when an entity previously prepared SPFS.

The consolidated financial statements have been prepared on a historical cost basis, except for investment properties, certain office properties (classified as property, plant and equipment), derivative financial instruments, debt and equity financial assets and contingent consideration that have been measured at fair value. The carrying values of recognised assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortised cost are adjusted to recognise changes in the fair values attributable to the risks that are being hedged in effective hedge relationships.

AASB 1060.10, 11(a), 11(b)

AASB 1060.95(a)

Notes to the consolidated financial statements

2. Accounting policies *continued*

2.1 Basis of preparation *continued*

Commentary on macroeconomic and geopolitical uncertainty

Going concern

When making the going concern assessment, management takes into consideration the existing and anticipated effects of the current macroeconomic and geopolitical uncertainties on the entity's activities. These effects may result in material uncertainties that cast doubt on the entity's ability to operate as a going concern. AASB 1060.14 requires management, when preparing financial statements, to assess an entity's ability to continue as a going concern, and whether the going concern assumption is appropriate. In assessing whether the going concern assumption is appropriate, the standard requires an entity to consider all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. When an entity is aware, in making its going concern assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, it must disclose those uncertainties.

Entities will need to disclose the significant judgements made in the assessment of the existence of a material uncertainty. *AASB 1060.15*

As the IASB clarified in the educational material *Going concern - a focus on disclosure* published in May 2025, if management concludes that there are material uncertainties relating to the entity's ability to continue as a going concern, IAS 1.25 (equivalent to AASB 1060.15) requires the entity to disclose those uncertainties. If there are no material uncertainties, but significant judgement was required to arrive at this conclusion, this judgement is required to be disclosed in line with IAS 1.122 (equivalent to AASB 1060.96).

When an entity does not prepare financial statements on a going concern basis, it shall disclose that fact, together with the basis on which it prepared the financial statements and the reason why the entity is not regarded as a going concern. *AASB 1060.15*

Commentary on climate-related matters

Entities should consider the impact of climate-related matters on their going concern assessment. In making their going concern assessments, entities are required by AASB 1060.14 to take into account all available information about the future for at least, but not limited to, twelve months beyond the end of the reporting period. Thus, even though most entities will not be subject to acute physical risk or other climate-related effects that may cause doubts about their ability to continue operating as a going concern, climate-related matters beyond the initial twelve month period may create material uncertainties related to events or conditions that cast significant doubt upon an entity's ability to continue as a going concern. An examples of such events or conditions could be an obstacle to obtaining replacement financing due to an entity operating in a carbon-intensive industry or climate-related legislation or regulations that result in an entity's business model no longer being feasible. In their educational material *Effects of climate-related matters on financial statements*, the IASB clarifies that entities also need to consider any planned mitigating actions in the assessment.

Rounding

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand ($000), except when otherwise indicated under the option available to the Company as provided in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. The Company is an entity to which this legislative instrument applies. *AASB 1060.31(d), 31(e), 181* *ASIC CI 2016/191*

Commentary on Corporations Act

Quantitative disclosures in the financial statements are rounded to the nearest thousand dollars, with some exceptions, under the option available to companies as provided in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. Refer Appendix 7 for further details.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2025.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

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

Notes to the consolidated financial statements

2. Accounting policies *continued*

2.3 Summary of material accounting policies

a. Business combinations and goodwill

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

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Other contingent consideration is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost. 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.

b. Investment in associates and joint ventures

The group holds an interest in a joint venture, Showers Limited, and an interest in an associate, Power Works Limited. *AASB 1060.125(a), 129(a)*

The financial statements of Showers Limited and Power Works Limited are prepared for the same reporting period as the Group. The accounting policies of both companies are aligned with those of the Group. Therefore, no adjustments are made when measuring and recognising the Group's share of the profit or loss of the investees after the date of acquisition.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

Commentary on AAS

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

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

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit.

Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately. Thus, reversals of impairments may effectively include reversal of goodwill impairments. Impairments and reversals are presented within "Share of profit of an associate and a joint venture" in the statement of profit or loss.

c. Fair value measurement

The Group measures certain financial instruments and non-financial assets at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Notes to the consolidated financial statements

2. Accounting policies *continued*

2.3 Summary of accounting policies *continued*

c. Fair value measurement *continued*

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

External valuers are involved for valuation of significant assets, such as investment properties and unquoted financial assets, and significant liabilities, such as contingent consideration.

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

d. Revenue from contracts with customers

The Group is in the business of providing fire prevention and electronics equipment and installation services. The Group has generally concluded that it is the principal in its revenue arrangements, except for the procurement services below, because it typically controls the goods or services before transferring them to the customer.

Sale of fire prevention and electronics equipment

Revenue from the sale of fire prevention and electronics equipment is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment at the customer's location.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price for the sale of fire prevention and electronics equipment, the Group considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the customer (if any).

i. Variable consideration

The Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. Some contracts for the sale of electronics equipment provide customers with a right to return the goods within a specified period. The Group also provides retrospective volume rebates to certain customers once the quantity of electronics equipment purchased during the period exceeds the threshold specified in the contract.

- Rights of return

The Group uses the expected value method to estimate the variable consideration given the large number of contracts that have similar characteristics. The Group then applies the requirements on constraining estimates of variable consideration in order to determine the amount of variable consideration that can be included in the transaction price and recognised as revenue. A refund liability is recognised for the goods that are expected to be returned. A right of return is also recognised for the right to recover the goods from the customer.

- Volume rebates

The Group applies either the most likely amount method or the expected value method to estimate the variable consideration in the contract. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The Group then applies the requirements on constraining estimates of variable consideration in order to determine the amount of variable consideration that can be included in the transaction price and recognised as revenue. A refund liability is recognised for the expected future rebates (i.e., the amount not included in the transaction price).

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

Notes to the consolidated financial statements

2. Accounting policies *continued*

2.3 Summary of accounting policies *continued*

d. Revenue from contracts with customers *continued*

Commentary on AAS

Entities must assess whether volume rebates are to be accounted for as variable consideration or as customer options to acquire additional goods or services at a discount. Generally, if a volume rebate is applied prospectively, the rebate would be accounted for as a customer option. Entities will need to evaluate whether the volume rebate or discount provides the customer with an option to purchase goods or services in the future at a discount that represents a material right (and is, therefore, accounted for as a performance obligation). However, a volume rebate that is applied retrospectively is accounted for as variable consideration, because the final price of each good or service sold depends upon the customer's total purchases that are subject to the rebate program.

Entities need to determine whether a refund liability should be characterised as a contract liability based on the specific facts and circumstances of the arrangement. A refund liability will not typically meet the definition of a contract liability. When an entity concludes that a refund liability is not a contract liability, it would present the refund liability separate from any contract liability (or asset). The Group has determined that its refund liabilities are not contract liabilities.

ii. Significant financing component

The Group receives advance payments from customers for the sale of customised fire prevention equipment with a manufacturing lead time of two years after signing the contract and receipt of payment. There is a significant financing component for these contracts considering the length of time between the customers' payment and the transfer of the equipment, as well as the prevailing interest rate in the market. As such, the transaction price for these contracts is discounted using an interest, using the interest rate implicit in the contract.

iii. Non-cash consideration

The Group receives moulds and other tools from certain customers to be used in manufacturing fire prevention equipment to be sold to them. The fair value of such non-cash consideration received from the customer is included in the transaction price and measured when the Group obtains control of the equipment.

The Group estimates the fair value of the non-cash consideration by reference to its market price. If the fair value cannot be reasonably estimated, the non-cash consideration is measured indirectly by reference to the stand-alone selling price of the fire prevention equipment.

iv. Consideration payable to a customer

Commentary on AAS

The Group did not incur any consideration payable to a customer. Consideration payable to a customer includes cash amounts that an entity pays, or expects to pay, to the customer. The consideration payable to a customer is accounted for as a reduction of the transaction price unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the entity (IFRS 15.70). Entities need to include this in their accounting policy disclosures if material.

Warranty obligations

The Group typically provides warranties for general repairs of unknown defects that existed at the time of sale, as required by law. These assurance-type warranties are accounted for as warranty provisions. Refer to the accounting policy on warranty provisions in section s. Provisions.

The Group also provides a warranty beyond fixing unknown defects that existed at the time of sale. These service-type warranties are sold either separately or bundled together with the sale of fire prevention equipment. Contracts for bundled sales of equipment and service-type warranty comprise two performance obligations because the equipment and service-type warranty are both sold on a stand-alone basis and are distinct within the context of the contract. A portion of the transaction price is allocated to the service-type warranty and recognised as a contract liability. Revenue for service-type warranties is recognised over the period in which the service is provided based on the time elapsed.

Loyalty points program

The Group has a loyalty points program, *Quality Points*, which allows customers to accumulate points that can be redeemed for free products. The loyalty points give rise to a separate performance obligation as they provide a material right to the customer.

A portion of the transaction price is allocated to the loyalty points awarded to customers and recognised as a contract liability until the points are redeemed. Revenue is recognised upon redemption of points by the customer.

2. Accounting policies *continued*

2.3 Summary of material accounting policies *continued*

d. Revenue from contracts with customers *continued*

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

Contracts for bundled sales of equipment and installation services are comprised of two performance obligations. Accordingly, the Group allocates the transaction price to the equipment and installation services.

The Group recognises revenue from installation services over time because the customer simultaneously receives and consumes the benefits provided to them. The Group uses an input method in measuring progress of the installation services because there is a direct relationship between the Group's effort (i.e., based on the labour hours incurred) and the transfer of service to the customer. The Group recognises revenue on the basis of the labour hours expended relative to the total expected labour hours to complete the service. *AASB 1060.158*

Procurement services
The Group has contracts with customers to acquire, on their behalf, special fire prevention equipment produced by foreign suppliers (i.e., coordinating the selection of suitable suppliers and managing the ordering and delivery of the imported equipment). The Group is acting as an agent and recognises revenue at the net amount that is retained for these arrangements. Revenue is recognised at a point in time (i.e., upon receipt of the customer of the equipment) because this is when the customer benefits from the Group's procurement services.

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

Contract assets are subject to impairment assessment. Refer to the accounting policies on impairment of financial assets in section o. Financial instruments - initial recognition and subsequent measurement.

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

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

e. Government grants

AASB 1060.160(d)

Commentary on AAS

AASB 120.24 permits two alternative ways of presenting a government grant relating to assets. The Group has elected to present the grant in the statement of financial position as deferred income, which is recognised in profit or loss on a systematic and rational basis over the useful life of the asset. Alternatively, it may choose to reduce the carrying amount of the asset. The grant is then recognised in profit or loss over the useful life of the depreciable asset by way of a reduced depreciation charge.

The Group has chosen to present grants related to an expense item as other operating income in the statement of profit or loss. Alternatively, AASB 120.29 permits such grants to be deducted in reporting the related expense.

AASB 120.23 permits grant of a non-monetary asset to be accounted for in two alternative ways. The asset and the grant can be accounted for using a nominal amount. Alternatively, the asset and the grant can be accounted for at the fair value of the non-monetary asset. The Group accounts for grants of non-monetary assets at nominal value.

The fact the entity chose their accounting policy for government grants from several options permitted by AASs, may indicate that it is a material accounting policy. However, as the policy relates to not material transactions, no accounting policy has been disclosed. Entities need to include a government grant accounting policy if material.

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Notes to the consolidated financial statements

2. Accounting policies *continued*

2.3 Summary of material accounting policies *continued*

f. Taxes

i. Income tax

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

Current tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss.

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 and does not give rise to equal taxable and deductible temporary differences
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

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:

- When the deferred tax asset 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 and does not give rise to equal taxable and deductible temporary differences
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

In assessing the recoverability of deferred tax assets, the Group relies on the same forecast assumptions used elsewhere in the financial statements and in other management reports, which, amongst other things, reflect the potential impact of climate-related development on the business, such as increased cost of production as a result of measures to reduce carbon emission.

ii. Goods and services tax (GST)
Revenues, expenses and assets are recognised net of the amount of GST, except:

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

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

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

2. Accounting policies *continued*

2.3 Summary of material accounting policies *continued*

g. Foreign currencies

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

i. Transactions and balances

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.

Differences arising on settlement or translation of monetary items are recognised in profit or loss except for monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss.

ii. Group companies

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

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. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

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

Additional disclosures are provided in Note 10. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

i. Property, plant and equipment

Construction in progress is stated at cost, net of accumulated impairment losses, if any. Plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. 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 21) for further information about the recognised decommissioning provision. *AASB 1060.134(a)*

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

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

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Notes to the consolidated financial statements

2. Accounting policies *continued*

2.3 Summary of material accounting policies *continued*

i. Property, plant and equipment *continued*

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

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

Commentary on AAS

Under AASB 116 *Property, Plant and Equipment* an entity has a policy choice for the measurement of property, plant and equipment after initial recognition. An entity may choose either the cost model or the revaluation model for entire classes of property, plant and equipment. The Group has elected to use the revaluation model for office properties, 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.

Such detailed accounting policies may not be considered material, however given the change in accounting policy during the year it was considered a material accounting disclosure.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows: *AASB 1060.134(b), 134(c)*

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

Commentary on climate-related matters

Paragraph 51 of AASB 116 requires entities to review the residual values and useful lives of items of property, plant and equipment at least at each financial year-end. In performing these reviews, entities need to consider whether climate-related matters have an impact. If relevant, entities should include both physical risks, e.g., recurring floods, rising sea levels and wildfires, and transitional risks, such as legal or regulatory restrictions on the future use of assets and the potential obsolescence of assets due to changes in consumer demand.

A growing number of entities have developed highly detailed roadmaps or plans to achieve specific ESG-targets, such as targets for reductions in emissions from their operations. The impact of such plans and potential changes in an entity's business models must also be considered when reviewing useful lives and residual values, as this might change the Group's future use of the related asset, the related depreciation and the amount to be obtained from their disposal. In addition, entities need to consider whether climate-related matters impact the fair value of property, plant and equipment, which is relevant for the application of the revaluation method and for determining fair value less costs of disposal in the context of impairment testing.

j. Leases

Group as a lessee

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

i. Right-of-use assets

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

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

Notes to the consolidated financial statements

2. Accounting policies *continued*

2.3 Summary of material accounting policies *continued*

j. Leases *continued*

The right-of-use assets are also subject to impairment assessment. Refer to the accounting policies in section p. Impairment of non-financial assets.

Commentary on AAS

Refer AASB 16. 24(d) for guidance on estimating the cost of a right-of-use asset. The Group's lease arrangements do not contain an obligation to dismantle and remove the underlying asset, restore the site on which it is located or restore the underlying asset to a specified condition. To the extent such obligations exist, additional disclosures may be required.

ii. Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable.

The Group's lease liabilities are included in interest-bearing loans and borrowings (see Note 15.2).

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease term and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

k. Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. 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. *AASB 1060.134(a)*

Commentary on AAS

The Group has elected to state investment properties at fair value in accordance with AASB 140 *Investment Property*. As an alternative, AASB 140 permits investment properties to be carried at historical cost less accumulated depreciation and impairment.

l. Intangible assets

Intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

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

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level.

Patents and licences

The Group made upfront payments to acquire patents and licences. The patents have been granted for a period of 10 years by the relevant government agency with the option of renewal at the end of this period. Licences for the use of intellectual property are granted for periods ranging between five and 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. *AASB 1060.141*

Notes to the consolidated financial statements

2. Accounting policies *continued*

2.3 Summary of material accounting policies *continued*

l. Intangible assets *continued*

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

	Licences	Patents	Development costs
Useful lives	Indefinite	Finite (10 years)	Finite (10-20 years)
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

AASB 1060.137(a)

AASB 1060.137(b)

m. Financial instruments – initial recognition and subsequent measurement

AASB 1060.112

i. Financial assets

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price as disclosed in section d. Revenue from contracts with customers.

Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows whilst financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Subsequent measurement

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

- Financial assets at amortised cost (debt instruments) - includes cash and short-term deposits, trade receivables, a loan to an associate, and a loan to a director
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments) - includes investments in quoted debt instruments included under other non-current financial assets
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments) - upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under AASB 132 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis. The Group elected to classify irrevocably its non-listed equity investments under this category.
- Financial assets at fair value through profit or loss - includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognised as other income in the statement of profit or loss when the right of payment has been established.

Commentary on AAS

For entities that have more complex financial instruments, the SPPI assessment can be particularly challenging. The application guidance for AASB 9 and EY *International GAAP 2024* provide specific examples of instruments that pass or fail the SPPI test. Such entities should also consider providing more detailed accounting policies in relation to their SPPI and business model assessments. Only equity instruments that meet the definition of equity from the issuer's perspective can be designated at fair value through OCI at initial recognition. AASB 9 also allows entities to elect to designate non-financial contracts such as commodity contracts held for own use as financial assets at fair value through profit or loss under certain circumstances.

Notes to the consolidated financial statements

2. Accounting policies *continued*

2.3 Summary of material accounting policies *continued*

m. Financial instruments – initial recognition and subsequent measurement *continued*

Impairment

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss based on the difference between the discounted contractual and expected cash flows. Expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, a 12 month ECL is applied. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a lifetime ECL covering expected losses over the remaining life of the exposure is required.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group recognises a loss allowance based on lifetime ECLs at each reporting date.

Commentary on AAS

An entity is required to apply the simplified approach for trade receivables or contract assets that do not contain a significant financing component, or when the entity applies the practical expedient for contracts that have a maturity of one year or less. However, an entity has a policy choice to apply either the simplified approach or the general approach for the following:

- All trade receivables or contract assets that contain a significant financing component in accordance with IFRS 15. The policy choice may be applied separately to trade receivables and contract assets.
- All lease receivables that result from transactions that are within the scope of IFRS 16. The policy choice may be applied separately to finance and operating lease receivables.

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group's debt instruments at fair value through OCI comprise solely of quoted bonds that are graded in the top investment category (Very Good and Good) by the *Quality Credit Rating Agency* and, therefore, are considered to be low credit risk investments.

Commentary on AAS

AASB 9 contains an important simplification that, if a financial instrument has a low credit risk, then an entity is allowed to assume at the reporting date that no significant increases in credit risk have occurred. The low credit risk concept was intended to provide entities relief from tracking changes in the credit risk of high-quality financial instruments. This simplification is optional, and the low credit risk simplification can be elected on an instrument-by-instrument basis.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ii. Financial liabilities

Initial recognition, measurement and presentation

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

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

Notes to the consolidated financial statements

2. Accounting policies *continued*

2.3 Summary of material accounting policies *continued*

m. Financial instruments – initial recognition and subsequent measurement *continued*

The Group classifies financial liabilities that arise from supplier finance arrangement within Trade and other payables in the statement of financial position if they have a similar nature and function to trade payables. This is the case if the supplier finance arrangement is part of the working capital used in the Group's normal operating cycle, the level of security provided is similar to trade payables and the terms of the liabilities that are part of the supply chain finance arrangement are not substantially different from the terms of trade payables that are not part of the arrangement. Cash flows related to liabilities arising from supplier finance arrangements that are classified in Trade and other payables in the consolidated statement of financial position are included in operating activities in the consolidated statement of cash flows.

Subsequent measurement

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

- Financial liabilities at fair value through profit or loss - includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss
- Financial liabilities at amortised cost – includes interest-bearing loans and borrowings

n. 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.

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

Fair value hedges

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

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, whilst any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

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 as other expense and the ineffective portion relating to commodity contracts is recognised in other operating income or expenses. Refer to Note 15.3 for more details.

The Group designates only the spot element of forward contracts as a hedging instrument. The forward element is recognised in OCI and accumulated in a separate component of equity under cost of hedging reserve.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

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Notes to the consolidated financial statements

2. Accounting policies *continued*

2.3 Summary of material accounting policies *continued*

n. Derivative financial instruments and hedge accounting *continued*

Hedges of a net investment

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

The Group uses a loan as a hedge of its exposure to foreign exchange risk on its investments in foreign subsidiaries. Refer to Note 15.3 for more details.

o. Inventories

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

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

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

p. 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. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

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

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.

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

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

Commentary on AAS

AASB 136.96 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.

An impairment loss recognised in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. As no reversal was recognised by Quality Holdings (Australian SDS) Pty Ltd no accounting policy regarding reversals has been disclosed. Entities may need to include an impairment reversal accounting policy if material.

Notes to the consolidated financial statements

2. Accounting policies *continued*

2.3 Summary of material accounting policies *continued*

q. Cash and short-term deposits

Commentary on AAS

To the extent an entities policy is not the standardised requirements, entities may need to include a cash and cash equivalents accounting policy if material.

r. Convertible preference shares

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

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

The remainder of the proceeds (net of transaction costs) are allocated to the conversion option that is recognised and included in equity. The carrying amount of the conversion option is not remeasured in subsequent years.

s. 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. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

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

Decommissioning liability

The Group records a provision for decommissioning costs to remediate the environmental damage of a manufacturing facility for the production of fire retardant materials. Decommissioning costs are recognised as part of the cost of the relevant asset. The impact of climate-related matters, such as changes in environmental regulations and other relevant legislation, is considered by the Group in estimating the decommissioning liability on the manufacturing facility. Changes in the estimated future costs, or in the discount rate applied, are added to or deducted from the cost of the asset.

Commentary on AAS

AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* 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.

Entities may need to disclose additional entity specific accounting policies related to provisions if material and not otherwise addressed for example in the provisions note. Other provisions for Quality Holdings (Australian SDS) Pty Ltd that have not been considered material but may in other instances require accounting policy disclosure include:

- Warranty provisions
- Restructuring provisions
- Greenhouse gas emissions
- Onerous contracts
- Wast electrical and electronic equipment
- Contingent liabilities recognised in a business combination

t. Pensions

The Group operates a defined benefit pension plan in Australia, which requires contributions to be made to a separately administered fund. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

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

Notes to the consolidated financial statements

2. Accounting policies *continued*

2.3 Summary of material accounting policies *continued*

t. Pensions *continued*

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

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

Commentary on AAS

Neither AASB 119 nor AASB 1060 specify where in the statement of profit or loss service costs or net interest should be presented. AASB 1060 allows, but does not require, disaggregation of the employee benefits cost components in profit or loss. The net interest cost component is different from the unwinding of interest component and return on asset component in the previous version of AASB 119. Entities must apply the requirement in AASB 108.10 when developing a presentation policy for net interest cost.

u. Share-based payments

Employees of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange 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).

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in Note 25.

That cost is recognised in employee benefits expense, together with a corresponding increase in equity, over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period).

Cash-settled transactions

A liability is recognised for the fair value of cash-settled transactions. The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in fair value recognised in employee benefits expense. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability.

The Group uses either the Black-Scholes or binomial option pricing model depending on the terms and conditions of the grant. *AASB 1060.165*

v. Employee benefits

Short-term employee benefits

Liabilities recognised for salaries and wages, annual leave and any other short term employee benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are measured at the amounts expected to be paid when the liabilities are settled in respect of services provided by employees up to the reporting date.

Long-term employee benefits

Liabilities recognised in respect of long service leave and any other long-term employee benefits that are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are measured at the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to the reporting date. Consideration is given to expected future salary levels, historical employee turnover rates and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Notes to the consolidated financial statements

2. Accounting policies *continued*

2.4 Changes in accounting policies and disclosures

Revaluation of office properties (property, plant and equipment)

AASB 1060.108

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

On 1 January 2025, the Group elected to change the method of accounting for office properties classified as property, plant and equipment, as the Group believes that the revaluation model provides more relevant information to the users of its financial statements as it is more aligned to practices adopted by its competitors. In addition, available valuation techniques provide reliable estimates of the office properties' fair value. The Group applied the revaluation model prospectively.

A net gain from the revaluation of the office properties of $847,000 was recognised in OCI on 1 January 2025, as a result of an upward revaluation adjustment of $1,210,000 to the said properties with a corresponding increase in deferred tax liabilities of $363,000 as a result of the aforementioned change in accounting policy.

After initial recognition, office properties are measured at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. During the year a downward revaluation adjustment of $364,000 has been recognised against the said properties with a corresponding decrease in deferred tax liabilities of $109,000. For details refer to Note 17.

Commentary on AAS

AASB 108.17 and 18 exempt this change in accounting policy from the requirement to retrospectively apply the policy and to provide detailed disclosure as outlined in AASB 1060.106 to 108. Hence, the Group has applied its change in accounting policy for the measurement of office properties to the revaluation model prospectively.

New and amended standards and interpretations

AASB 1060.106

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2025 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

AASB 2023-5 *Amendments to Australian Accounting Standards – Lack of Exchangeability*

For annual reporting periods beginning on or after 1 January 2025, AASB 2023-5 *Amendments to Australian Accounting Standards – Lack of Exchangeability* specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

The amendments did not have a material impact on the Group's financial statements.

Commentary on AAS

For illustrative purposes, the Group has listed all the disclosures of new and amended standards and interpretations that are effective from 1 January 2025, regardless of whether these have any impact on the Group's financial statements. To the extent that an entity is not affected by a particular amendment, standard or interpretation, it is sufficient to disclose that fact together with its title.

2.5 Correction of an error

AASB 1060.110(a)

In July 2023, a subsidiary entered into a sales contract with a new customer to sell fire prevention equipment for a two-year period. As part of the negotiations, a variation was made to the standard terms and conditions to sell the equipment to this customer on a consignment basis, under which the subsidiary does not relinquish control of the consigned product until it is sold to an end customer. However, the subsidiary continued to recognise revenue before the control of the goods was transferred to the end customer. As a consequence, revenue was overstated. In January 2025, the subsidiary conducted a detailed review of the terms and conditions of its sales contracts and discovered the error.

Notes to the consolidated financial statements

2. Accounting policies *continued*

2.5 Correction of an error *continued*

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

AASB 1060.110(b), 110(c)

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

	31 December 2024	1 January 2024
	$000	**$000**
Inventories	1,000	500
Trade receivables	(3,500)	(1,500)
Total assets	**(2,500)**	**(1,000)**
Income tax payable	750	300
Total liabilities	**750**	**300**
Net impact on equity	**(1,750)**	**(700)**

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

	31 December 2024
	$000
Revenue from contracts with customers	(2,000)
Cost of sales	500
Income tax expense	450
Net impact on profit for the year	**(1,050)**
Attributable to:	
Equity holders of the parent	(1,050)
Non-controlling interests	–

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

2.6 Climate-related matters

The Group considers climate-related matters in estimates and assumptions, where appropriate. This assessment includes a wide range of possible impacts on the group due to both physical and transition risks. Even though the Group believes its business model and products will still be viable after the transition to a low-carbon economy, climate-related matters increase the uncertainty in estimates and assumptions underpinning several items in the financial statements. Even though climate-related risks might not currently have a significant impact on measurement, the Group is closely monitoring relevant changes and developments, such as new climate-related legislation. The items and considerations that are most directly impacted by climate-related matters are:

- Useful life of property, plant and equipment: See Note 2.3 i) for further information.
- Impairment of non-financial assets: See Note 19 for further information.
- Decommissioning liability: see Note 2.3 s) for further disclosures.
- Emission rights: See Note 2.3 s) for further information.
- Fair value measurement. For investment properties and revalued office properties, the Group considers the effect of physical and transition risks and whether investors would consider those risks in their valuation. The group believes it is not currently exposed to severe physical risks, but believes that investors, to some extent, would consider impacts of transition risks in their valuation, such as increasing requirements for energy efficiency of buildings due to climate-related legislation and regulations as well as tenants' increasing demands for low-emission buildings.

Commentary on climate-related matters

Entities should ensure that the climate-related assumptions that are incorporated in a fair value measurement are those that market participants would consider when pricing the asset or liability, as required under AASB 13 *Fair Value Measurement*. Entities may need to use significant judgement when considering whether climate-related factors should be adjusted for in their fair value measurements and this may lead to greater estimation uncertainty and a need for more transparent disclosure. For example, the fair value of real estate in certain geographical areas may be exposed to significant physical risk and this should be considered in the fair value determination and disclosures. Importantly, the information available to market participants will be affected by sustainability reporting. While entities cannot ignore information that is reasonably available to market participants, determining the impact of that information on market participant assumptions, inputs and sensitivities, is likely to require significant judgement.

Notes to the consolidated financial statements

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.

Commentary on AAS

AASB 1060 requires an entity to disclose significant judgements applied in preparing the financial statements and significant estimates that involve a high degree of estimation uncertainty. These disclosures represent an important source of information in the financial statements because they highlight the areas in the financial statements that are most prone to change in the foreseeable future. Therefore, any information given should be sufficiently detailed to help readers of the financial statements understand the impact of possible significant changes.

Under AASB 1060, it is only those judgements that have the most significant effect on the amounts recognised in the financial statements and those estimates that have a significant risk of resulting in material adjustments in respect of assets and liabilities within the next financial year that should be addressed in this section. For some items, it will be necessary to provide disclosures both in the context of estimation uncertainty and significant judgements. The significant judgements and estimates disclosed in this note illustrate how the requirements could be applied in practice. These assumptions are, however, specific to Quality Holdings (Australian SDS) Pty Ltd.

Disclosures of judgements and estimation uncertainties that do not have a significant risk of resulting in material adjustments may clutter the financial statements in a way that reduces the users' ability to identify the key judgements and estimation uncertainties.

Commentary on macroeconomic and geopolitical uncertainty

Given the level of uncertainty and the sensitivity of judgements and estimates, clear disclosure of the key assumptions used and judgements made is particularly important in financial statements prepared during the current period of macroeconomic and geopolitical uncertainty. Although assumptions may already have been updated in the previous year, entities should again carefully reconsider their existing judgements and estimates as they may find additional areas in which they will need to make judgements and estimates.

Commentary on climate-related matters

Entities should also consider the impact of climate-related matters if those matters create uncertainties that affect assumptions used to develop estimates. AASB 1060 requires disclosure of information about the assumptions an entity makes about the future and other sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year. This information is intended to allow users to understand the judgements entities make about the future.

Entities also need to consider expectations of their local regulators, as the expected level of disclosures may vary between different jurisdictions. For example, some regulators might expect disclosures of the impact of climate-related matters that go beyond the typical disclosures required by AASB 1060.96 and AASB 1060.97, based on a broad understanding of the requirements in AASB 1060.91(c).

The impact of climate-related matters has been illustrated throughout this publication, but is not on its own determined to be a significant judgement or a major source of estimation uncertainty for the Group. Entities, however, need to make this judgement in light of their specific circumstances, please see our publication, *Connected Financial Reporting: Accounting for Climate Change*. for further guidance.

Judgements

AASB 1060.96

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

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

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

Notes to the consolidated financial statements

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

The Group included the renewal period as part of the lease term for leases of plant and machinery with shorter non-cancellable periods (i.e., three to five years). The Group typically exercises its option to renew for these leases because there will be a significant negative effect on production if a replacement asset is not readily available. The renewal periods for leases of plant and machinery with longer non-cancellable periods (i.e., 10 to 15 years) are not included as part of the lease term as these are not reasonably certain to be exercised. In addition, the renewal options for leases of motor vehicles are not included as part of the lease term because the Group typically leases motor vehicles for not more than five years and, hence, is not exercising any renewal options. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Property lease classification – Group as lessor
The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains substantially all the risks and rewards incidental to ownership of these properties and accounts for the contracts as operating leases.

Assets held for sale
The operations of Hose Limited are classified as a disposal group held for sale. The subsidiary met the criteria to be classified as held for sale commencing 14 November 2025 for the following reasons:

- The Board of Directors approved the plan to sell Hose Limited on 14 November 2025
- Hose Limited was available for immediate sale and could be sold to the buyer in its current condition
- The actions to complete the sale were initiated and expected to be completed within one year from the date of initial classification

See Note 10 for further details.

Consolidation of a structured entity

AASB 1060.104(b), 114

In February 2025, the Group and a third-party partner formed an entity, Fire Equipment Test Lab Limited, to acquire land and construct and operate a fire equipment safety facility. The Group holds 20% of the voting shares in this entity. The third-party partner contributed approximately $2,700,000 in 2025, representing 80% of the voting shares, for the acquisition and construction of the fire safety test facility. The third-party partner is committed to provide approximately $1,000,000 in each of the following two years to complete the project. The construction is expected to be completed in 2027 at a total cost of approximately $4,700,000. The partner is entitled to a 22% return on the outstanding capital upon the commencement of operations. Under the contractual arrangement with the third-party partner, the Group has a majority representation on the entity's board of directors and the Group's approval is required for all major operational decisions. At the end of the fourth annual period, the partner is entitled to a 100% capital return. The EIR is 11% and the interest accumulated on the contributed amount totalled $303,000 at 31 December 2025. The Group is effectively guaranteeing the returns to the third-party partner. On completion of the construction, the operations of Fire Equipment Test Lab Limited will be solely carried out by the Group.

Based on the contractual terms, the Group assessed that the voting rights in Fire Equipment Test Lab Limited are not the dominant factor in deciding who controls the entity. Also, it is assessed that there is insufficient equity financing ($200,000) to allow the entity to finance its activities without the non-equity financial support of the Group. Therefore, the Group concluded Fire Equipment Test Lab Limited is a structured entity under AASB 10 *Consolidated Financial Statements* and that the Group controls it with no non-controlling interests. The voting shares of the third-party partner are accounted for as a financial liability.

Therefore, Fire Equipment Test Lab Limited is consolidated in the Group's consolidated financial statements. The shares of the third-party partner are recorded as a long-term loan and the return on investment is recorded as interest expense.

Notes to the consolidated financial statements

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

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

AASB 1060.104(b)

The Group considers that it controls Electronics Limited even though it owns less than 50% of the voting rights. This is because the Group is the single largest shareholder of Electronics Limited with a 48% equity interest. The remaining 52% of the equity shares in Electronics Limited are widely held by many other shareholders, none of which individually hold more than 1% of the equity shares (as recorded in the company's shareholders' register from 1 October 2017 to 31 December 2025). Since 1 October 2017, which is the date of acquisition of Electronics Limited, there is no history of the other shareholders collaborating to exercise their votes collectively or to outvote the Group.

Estimates and assumptions

AASB 1060.97

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

Revaluation of property, plant and equipment and investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in the statement of profit or loss. For investment properties, a valuation methodology based on a discounted cash flow (DCF) model was used, as there is a lack of comparable market data because of the nature of the properties. In addition, the Group measures the office properties at revalued amounts, with changes in fair value being recognised in OCI. The office properties were valued by reference to transactions involving properties of a similar nature, location and condition. The Group engaged an independent valuation specialist to assess fair values as at 31 December 2025 for the investment properties and at 1 January 2025 and 31 December 2025 for the office properties.

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

Impairment of non-financial assets

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

Commentary on macroeconomic and geopolitical uncertainty

As the current environment remains uncertain, it is important that entities continue to provide detailed disclosure of the assumptions made, including any updates since prior period, the evidence they are based on and the impact of a change in the key assumptions (sensitivity analysis).

Given the inherent level of uncertainty and the sensitivity of judgements and estimates, the key assumptions used, and judgements made in estimating recoverable amounts are important to understand.

It is possible that macroeconomic and geopolitical uncertainty is a triggering event for some entities that requires them to perform an impairment test in accordance with AASB 136. Entities will need to assess the key assumptions used to determine the recoverable amount for the different CGUs. Key inputs to both the value in use and the fair value less cost of disposal models used to undertake the impairment assessment should be reassessed to factor in any impact.

The non-financial assets that may be subject to such impairment triggers include property, plant and equipment, intangible assets (including those with indefinite lives), goodwill, and inventories.

Notes to the consolidated financial statements

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

Share-based payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model, including the value of the underlying shares, expected life of the share option or appreciation right, volatility and dividend yield, and making assumptions about them. The Group initially measures the cost of cash-settled transactions with employees using a binomial model to determine the fair value of the liability incurred. For cash-settled share-based payment transactions, the liability needs to be remeasured at the end of each reporting period up to the date of settlement, with any changes in fair value recognised in profit or loss. This requires a reassessment of the estimates used at the end of each reporting period. For the measurement of the fair value of equity-settled transactions with employees at the grant date, the Group uses a binomial model for Senior Executive Plan (SEP) and Black-Scholes model for General Employee Share Option Plan (GESP). See Note 25 for further details.

Defined benefit plans (pension benefits)

The cost of the defined benefit pension plan 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 and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Further details about pension obligations are provided in Note 22.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair values are measured using an appropriate valuation technique. The inputs used in these fair value measurements are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include consideration of inputs such as the discount rate and long-term growth rate. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

See Note 15.4 for further disclosures.

Contingent consideration classified as a liability, resulting from business combinations, is measured at fair value. 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 contingent consideration is classified as other financial liability.

See Notes 6 and 15.4 for further details.

Provision for decommissioning

The Group has recognised a provision for decommissioning obligations associated with a factory owned by Extinguishers Limited in 2025. In determining the amount of the provision to be recognised, assumptions and estimates are made in relation to discount rates, the expected cost to dismantle and remove the plant from the site in order to remediate the environmental damage caused and the expected timing of those costs. In estimating the expected cost, the Group takes into account changes in environmental legislation and regulations that may impact the process for dismantling and removing the plant. The carrying amount of the provision as at 31 December 2025 was $1,221,000 (2024: Nil). The Group estimates that the costs would be realised in 15 years' time and calculates the provision using the DCF method based on the following assumptions:

- Estimated range of cost per sqm - $10 - $25
- Discount rate – 14%

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

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

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

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

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

Estimates of expected returns and volume rebates are sensitive to changes in circumstances and the Group's past experience regarding returns and rebate entitlements may not be representative of customers' actual returns and rebate entitlements in the future. As at 31 December 2025, the amount recognised as refund liabilities for the expected returns and volume rebates was $6,242,000 (2024: $5,844,000).

4. Revenue from contracts with customers

4.1 Disaggregated revenue information

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

AASB 1060.157(b)

	2025 $000	2024 $000 Restated
Type of goods or service		
Sale of fire prevention equipment	85,438	69,107
Sale of electronics equipment	69,263	66,621
Installation services	17,131	16,537
Other*	7,226	6,823
Total revenue from contracts with customers	**179,058**	**159,088**
Geographical markets		
Australia	126,834	111,207
United States	52,224	47,881
Total revenue from contracts with customers	**179,058**	**159,088**
Timing of revenue recognition		
Goods and services transferred at a point in time	159,404	140,317
Services transferred over time	19,654	18,771
Total revenue from contracts with customers	**179,058**	**159,088**

* Includes revenue from procurement services and service-type warranties.

Commentary on AAS

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

Notes to the consolidated financial statements

4. Revenue from contracts with customers *continued*

4.1 Disaggregated revenue information *continued*

4.2 Performance obligations

Information about the Group's performance obligations is summarised below: *AASB 1060.157(a)*

Fire prevention equipment
The performance obligation is satisfied upon delivery of the equipment and payment is generally due within 30 to 90 days from delivery.

The performance obligation to deliver fire prevention equipment with a manufacturing lead time of two years has two alternative payment options. The customer can pay the transaction price equal to the cash selling price upon delivery of the equipment or pay a lower transaction price upon signing the contract. There is a significant financing component for those contracts where the customer elected to pay in advance.

In some contracts, a one-year warranty beyond fixing the unknown defects that existed at the time of sale is provided to customers. The warranty is accounted for as a separate performance obligation and a portion of the transaction price is allocated. The performance obligation for the warranty service is satisfied over the coverage period based on time elapsed.

Electronics equipment
The performance obligation is satisfied upon delivery of the equipment and payment is generally due within 30 to 90 days from delivery. Some contracts provide customers with a right of return and volume rebates which give rise to variable consideration subject to constraint.

Customers are entitled to loyalty points which results in allocation of a portion of the transaction price to the loyalty points. Revenue is recognised when the points are redeemed.

In addition, the Group updates its estimates of the points that will be redeemed on a quarterly basis and any adjustments to the contract liability balance are charged against revenue.

Installation services
The performance obligation is satisfied over-time and payment is generally due upon completion of installation and acceptance of the customer. In some contracts, short-term advances are required before the installation service is provided.

Procurement services
There are contracts with customers to acquire, on their behalf, special fire prevention equipment produced by foreign suppliers. The Group is acting as agent in these arrangements. The performance obligation is satisfied, and payment is due upon receipt of the equipment by the customer.

Commentary on AAS

AASB 1060.157 requires an entity to include a description of all of the following:

- When the entity typically satisfies its performance obligations (for example, upon shipment, upon delivery, as services are rendered or upon completion of service)
- The significant payment terms (for example, when payment is typically due, whether the contract has a significant financing component, whether the amount of consideration is variable and whether the estimate of variable consideration is typically constrained in accordance with AASB 15.56-58)
- The nature of the goods or services that the entity has promised to transfer, highlighting any performance obligations to arrange for another party to transfer goods or services (i.e., if the entity is acting as an agent)
- Obligations for returns, refunds and other similar obligations
- Types of warranties and related obligations

Notes to the consolidated financial statements

5. Subsidiaries

The consolidated financial statements of the Group include: *AASB 1060.192*

Name	Country of incorporation	% equity interest 2025	2024
Extinguishers Limited	Australia	80	–
Bright Sparks Limited	Australia	95	95
Fire Equipment Test Lab Limited	Australia	100*	–
Wireworks Inc.	United States	98	98
Sprinklers Inc.	United States	100	100
Lightbulbs Limited	Australia	87.4	80
Hose Limited**	Australia	100	100
Electronics Limited	Australia	48***	48

* Quality Holdings (Australian SDS) Pty Ltd holds 20% of the equity in Fire Equipment Test Lab Limited but consolidates this entity. See Note 3 for details on interest held in Fire Equipment Test Lab Limited.

** Pursuant to *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785*, relief has been granted to Hose Limited from the *Corporations Act 2001* requirements for the preparation, audit and lodgement of its financial reports (see Note 31).

*** Quality Holdings (Australian SDS) Pty Ltd consolidates this entity based on de facto control. See Note 3 for more details.

Commentary on AAS

AASB 1060.104(d)

When there are significant restrictions (for example, resulting from borrowing arrangements or regulatory requirements) on the ability of subsidiaries to transfer funds to the parent in the form of cash dividends or to repay loans, AASB 1060 requires disclosure of the nature and extent of significant restrictions. The Group did not have any such restrictions.

6. Business combinations

Acquisitions in 2025

Acquisition of Extinguishers Limited

On 1 May 2025, the Group acquired 80% of the voting shares of Extinguishers Limited, a company based and specialising in the manufacture of fire-retardant fabrics. *AASB 1060.142(a), 142(b), 142(c)*

Assets acquired and liabilities assumed *AASB 1060.142(e)*

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

	Fair value recognised on acquisition
Assets	**$000**
Cash and cash equivalents	230
Trade receivables	1,716
Inventories	3,330
Property, plant and equipment (Note 17)	7,042
Right-of-use assets (Note 18)	248
Patents and licences (Note 19)	1,200
	13,766
Liabilities	
Trade payables	(1,901)
Contract liabilities	(428)
Lease liabilities	(213)
Provision for restructuring (Note 21)	(900)
Provision for decommissioning costs (Note 21)	(1,200)
Contingent liability (Note 21)	(380)
Deferred tax liability (Note 11)	(1,511)
	(6,533)
Total identifiable net assets at fair value	**7,233**
Non-controlling interest measured at fair value	(1,547)
Goodwill arising on acquisition (Note 19)	2,231
Purchase consideration transferred	**7,917**

AASB 1060.142(h)
AASB 1060.142(e)

Notes to the consolidated financial statements

6. Business combinations *continued*

The goodwill of $2,231,000 comprises the value of expected synergies arising from the acquisition and a customer list, which cannot be separately recognised due to the contractual terms imposed on acquisition. *AASB 1060.142(g)*

AASB 1060.142(d)

Purchase consideration	$000
Shares issued (Note 24)	7,203
Contingent consideration liability	714
Total consideration	**7,917**

Contingent consideration

As part of the purchase agreement with the previous owner of Extinguishers Limited, a contingent consideration has been agreed. There will be additional cash payments to the previous owners of Extinguishers Limited of: *AASB 1060.114, 142(d)*

a. $675,000, if the entity generates $800,000 or more of profit before tax in a 12-month period after the acquisition date

   Or

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

The contingent consideration liability is due to be settled on 30 September 2026. The contingent consideration is classified as financial liability (see Note 15.2).

As at 31 December 2025, the key performance indicators of Extinguishers Limited show that it is highly probable that the target will be achieved due to a significant expansion of the business and the synergies realised. The fair value of the contingent consideration determined at 31 December 2025 reflects this development, among other factors and a remeasurement charge of $358,000 has been recognised through profit or loss. The significant assumptions used in the fair value measurement as at 31 December 2025 are provided in Note 15.4. *AASB 1060.115* *AASB 1060.119(a)(ii)*

Commentary on AAS

The classification of contingent consideration depends on individual facts and circumstances, with each classification resulting in different initial recognition and subsequent measurement. It may be classified as:

- Equity or a financial liability in accordance with AASB 132 and AASB 9
- A provision in accordance with AASB 137
- In accordance with other standards.

The Group has determined that it has a contractual obligation to deliver cash to the seller and therefore has assessed it to be a financial liability.

Acquisitions in 2024

On 1 December 2024, the Group acquired 80% of the voting shares of Lightbulbs Limited, a company based in Australia, specialising in the production and distribution of lightbulbs. *AASB 1060.142(a), 142(b), 142(c)*

Assets acquired and liabilities assumed

The fair value of the identifiable assets and liabilities of Lightbulbs Limited as at the date of acquisition were: *AASB 1060.142(e)*

	Fair value recognised on acquisition	
Assets	**$000**	
Cash and cash equivalents	50	
Trade receivables	853	
Inventories	765	
Land and buildings	1,280	
	2,948	
Liabilities		
Trade payables	(807)	
Provision for maintenance warranties	(50)	
Deferred tax liability (Note 11)	(380)	
	(1,237)	
Total identifiable net assets at fair value	**1,711**	
Non-controlling interest (20% of net assets)	(342)	*AASB 1060.142(h)*
Goodwill arising on acquisition (Note 19)	131	*AASB 1060.142(e)*
Purchase consideration transferred (cash)	**1,500**	*AASB 1060.142(d)*

Notes to the consolidated financial statements

6. Business combinations *continued*

The goodwill of $131,000 comprises the fair value of expected synergies arising from acquisition. *AASB 1060.142(g)*

Commentary on AAS

In the 2024 business combination, the Group elected to value the non-controlling interest using its proportionate share of the acquiree's identifiable net assets. In the 2025 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 (AASB 3.19).

7. Investment in a joint venture

The Group owns 50% interest in a joint venture. The Group's share of the profit of the joint venture amounted to $588,000 during the year ended 31 December 2025 (2024: $557,000), including the Group's share of discontinued operations of the joint venture of nil (2024: $25,000). *AASB 1060.130*

The joint venture had trade purchase commitments as at 31 December 2025 of $620,000 (2024: $1,032,000), for which the Group has a corresponding commitment, as disclosed in Note 26. *AASB 1060.129(d)*

Commentary on AAS

Entities will need to consider whether there is any impairment of their investments in joint ventures. Impairment charges relating to investments in joint ventures should be accounted for in accordance with the equity method under AASB 128 *Investments in Associates and Joint Ventures*. The impairment test should be undertaken in accordance with the requirements of AASB 136.

8. Investment in an associate

The Group owns 25% interest in an associate. The Group's share in the profit of the associate amounted to $83,000 during the year ended 31 December 2025 (2024: $81,000). *AASB 1060.127*

Commentary on AAS

Entities will need to consider whether there is any impairment of their investments in associates. Impairment charges relating to investments in associates should be accounted for in accordance with the equity method under AASB 128. The impairment test should be undertaken in accordance with the requirements of AASB 136.

9. Other income and expenses

Commentary on AAS

The Group discloses a breakdown of other operating income, other operating expenses, finance costs and other income due to the dissimilar nature or function of the items in the statement of profit or loss. Such an analysis is not necessary to the extent the amounts are not material, they are not relevant to the understanding of the financial statements or are not otherwise required to be disclosed.

9.1 Other operating income

	2025	2024	
	$000	**$000**	
Government grants (Note 23)	1,053	541	*AASB 1060.160(a)*
Gain on derivative instruments at fair value through profit or loss	850	–	*AASB 1060.119(a)(i), 119(a)(ii)*
Net gain on disposal of property, plant and equipment	532	2,007	
Total other operating income	**2,435**	**2,548**	

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

Notes to the consolidated financial statements

9. Other income and expenses *continued*

9.2 Other operating expenses

	2025	2024	
	$000	$000	
Patent defence costs	579	31	
Cost of WEEE (Note 21)	102	22	
Change in fair value of investment properties (Note 16)	306	300	
Loss on derivative instruments at fair value through profit or loss	1,502	–	*AASB 1060.119(a)(i), 119(a)(ii)*
Ineffectiveness on forward commodity contracts designated as cash flow hedges (Note 15.3)	65	–	*AASB 1060.122(e)*
Total other operating expenses	**2,554**	**353**	

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

Commentary on AAS

AASB 1060 does not require an entity to present the results of operating activities as a line item in the income statement. If an entity elects to do so, it must ensure that the amount presented is representative of activities that would normally be regarded as "operating" (IAS 1.BC56). As AASB 101 does not provide any further guidance on operating profits, an entity needs to apply judgement in developing its own accounting policy under AASB 108.10.

The Group has taken the view that presenting the gains and losses on foreign exchange forward contracts and embedded derivatives in operating income and expenses reflects the economic substance of those transactions as they are entered into to hedge forecast sales and purchases and are, therefore, clearly associated with transactions which are part of the operating income and expenses (AASB 108.10(b)(ii)). Other entities may take alternative views and, hence, there is diversity in practice.

9.3 Finance costs

	2025	2024	
	$000	$000	
Interest on debt and borrowings	1,214	1,205	*AASB 1060.119(b)*
Interest on other liabilities	152	63	
Total finance costs	**1,366**	**1,268**	

9.4 Other income

	2025	2024	
	$000	$000	
Foreign exchange gains on interest-bearing loans and borrowings	57	67	*AASB 1060.180(a)*
Fair value gain on equity instruments at fair value through profit or loss	37	9	*AASB 1060.119(a)(i)*
Gain (loss) on sale of debt instruments at fair value through OCI	8	(4)	*AASB 1060.119(a)(vi)*
Dividend income from equity instruments at fair value through OCI	3	–	*AASB 1060.119(a)(v)*
Impairment loss on debt instruments at fair value through OCI	(7)	(6)	*AASB 1060.119(c)*
Total other income	**98**	**66**	

Commentary on AAS

Income is defined in the conceptual framework as "increases in assets, or decreases in liabilities, that result in increases in equity, other than those relating to contributions from holders of equity claims" (chapter 4.68). In this note, the Group has presented a net measure of income with impairment losses on debt instruments at fair value through OCI offsetting other income items. AASB 1060.24 does not permit the offsetting of income and expenses unless required or permitted by an Australian Accounting Standard. In this case, the Group does not consider this to be offsetting as it is for presentation purposes only and the balances are not material enough to warrant separate presentation.

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9. Other income and expenses *continued*

9.5 Research and development costs

The Group's electronics business research and development concentrates on the development of internet-enabled safety equipment. Research and development costs that are not eligible for capitalisation have been expensed in the period incurred (in 2025, this was $2,235,000 (2024: $1,034,000)), and they are recognised in administrative expenses. *AASB 1060.139*

10. Discontinued operations

AASB 1060.47(b)

On 14 November 2025, the Board of Directors of the Company approved the plan to sell Hose Limited, a wholly owned subsidiary, as a result of a strategic review which identified manufacturing of rubber equipment as no longer aligned with the Group's business objectives. The sale of Hose Limited is expected to be completed within a year from the date the directors approved the plan to sell. At 31 December 2025, Hose Limited was classified as a disposal group held for sale and as a discontinued operation.

The major classes of assets and liabilities of Hose Limited classified as held for sale as at 31 December 2025 are, as follows: *AASB 1060.47(a)*

	2025
	$000
Assets	
Cash and short-term deposits (Note 12)	1,294
Trade receivables	7,180
Equity investments - non-listed	308
Property, plant and equipment (Note 17)	4,637
Intangible assets (Note 19)	135
Assets held for sale	13,554
Liabilities	
Trade and other payables	(7,241)
Interest-bearing loans and borrowings	(5,809)
Deferred tax liability	(75)
Liabilities directly associated with assets held for sale	(13,125)
Net assets directly associated with disposal group	**429**

Write-down of property, plant and equipment

Immediately before the classification of Hose Limited as discontinued operations, the recoverable amount was estimated for certain items of property, plant and equipment and no impairment loss was identified. Following the classification, a write-down of $110,000 (net of tax $77,000) was recognised on 14 November 2025 to reduce the carrying amount of the assets in the disposal group to their fair value less costs to sell. This was recognised in discontinued operations in the statement of profit or loss. *AASB 1060.169(a)*

11. Income tax

AASB 1060.176

AASB 1060.9(a)

Commentary on AAS

As the Group's consolidated revenues are less than EUR 750 million, it is not in the scope of the Pillar Two model rules. Therefore, neither the mandatory recognition and disclosure exception in AASB 112.4A nor the disclosure requirements in AASB 1060.178A-178B apply to the Group. Appendix 5 illustrates the disclosures the Group would have made, if its annual revenues had exceeded EUR 750 million and Pillar Two model rules were (substantively) enacted in some or all of the jurisdictions it operates. *AASB 1060.178A-178B*

Notes to the consolidated financial statements

11. Income tax *continued*

The major components of income tax expense for the years ended 31 December 2025 and 2024 are:

Consolidated profit or loss	**2025**	**2024**	
	$000	**$000**	
Current tax:		**Restated**	
Current income tax charge	2,883	2,770	*AASB 1060.177(a)*
Adjustments in respect of current income tax of previous year	(18)	(44)	*AASB 1060.177(b)*
Deferred tax:			
Relating to origination and reversal of temporary differences	227	(493)	*AASB 1060.177(c)*
Income tax expense reported in the statement of profit or loss	**3,092**	**2,233**	
Deferred tax benefit (expense) recognised in OCI during the year	**(158)**	**104**	*AASB 1060.178(a)*

Reconciliation of tax expense and the accounting profit multiplied by Australia's domestic tax rate for 2025 and 2024: *AASB 1060.178(c)(i)*

	2025	**2024**	
	$000	**$000**	
		Restated	
Accounting profit before tax from continuing operations	11,088	8,880	
Profit/(loss) before tax from a discontinued operation	213	(193)	
Accounting profit before income tax	**11,301**	**8,687**	
At Australia's statutory income tax rate of 30% (2024: 30%)	3,390	2,606	
Adjustments in respect of current income tax of previous years	(18)	(44)	
Government grants exempted from tax	(316)	(162)	
Utilisation of previously unrecognised tax losses	(231)	(89)	*AASB 1060.177(e)*
Share of results of an associate and joint venture	(201)	(191)	
Non-deductible expenses for tax purposes:			
Impairment of goodwill	60	–	
Contingent consideration remeasurement (Note 6)	107	–	
Other non-deductible expenses	10	–	
Effect of higher tax rates in the United States	284	108	
	3,085	**2,228**	
Income tax expense reported in the statement of profit or loss	3,092	2,233	
Income tax benefit attributable to a discontinued operation	(7)	(5)	
	3,085	**2,228**	

Commentary on macroeconomic and geopolitical uncertainty

Changes in interest rates, slowing or negative economic growth, the introduction of trade restrictions and tariffs, geopolitical risks, rising inflation and other factors may lead to an entity recognising asset impairments or forecasting future losses. These circumstances may involve uncertainties that an entity must consider in its analysis of the recoverability of deferred tax assets. Entities should update their projections of income for recent events. Tax losses that were otherwise expected to be utilised in the near term should be reviewed to determine if they might expire unutilised and how this would impact management's judgement on the amount of deferred tax asset to be recognised.

Such judgements may include whether the tax laws were substantively enacted as of the reporting date, and the determination of the accounting for income tax credits. Similarly, the impact of expected or already enacted curtailments of previously introduced measures must be considered.

Notes to the consolidated financial statements

11. Income tax *continued*

AASB 1060.178(e)

	1 January 2025 (Restated)	Additions due to business combination (Note 6)	Discontinue operations (Note 10)	Deferred tax expense recognised in profit or loss	Deferred tax expense recognised in OCI	31 December 2025
	$000	**$000**	**$000**	**$000**	**$000**	**$000**
Accelerated depreciation for tax purposes	(188)	(477)	–	(348)	–	(1,013)
Fair value adjustment on property, plant and equipment and intangible assets acquired in business combinations	(411)	(1,034)	–	(375)	–	(1,820)
Revaluations of investment properties to fair value	(1,422)	–	–	92	–	(1,330)
Revaluations of office properties to fair value	–	–	–	–	(254)	(254)
Revaluations of equity instruments to fair value through profit or loss	(5)	–	–	(11)	–	(16)
Revaluations of financial assets at fair value through OCI	(4)	–	(2)	–	14	8
Revaluation of forward contracts and embedded derivatives	–	–	–	196	–	196
Revaluation of a hedged loan to fair value	–	–	–	(11)	–	(11)
Net gain on hedge of a net investment	–	–	–	–	(83)	(83)
Share-based payments	100	–	–	(49)	–	51
Pension	893	–	–	132	(110)	915
Revaluations of an interest rate swap (fair value hedge) to fair value	–	–	–	11	–	11
Revaluations of cash flow hedges	30	–	–	(35)	275	270
Expected credit losses of debt financial assets	70	–	–	40	–	110
Contract liabilities for customer loyalty points	203	–	–	67	–	270
Right-of-use assets	(267)	-	-	(13)-	-	(280)
Leases liabilities	339	–	–	17	–	356
Convertible preference shares	55	–	–	36	–	91
Losses available for offsetting against future taxable income	365	–	–	24	–	389
	(242)	**(1,511)**	**(2)**	**(227)**	**(158)**	**(2,140)**
Reflected in the statement of financial position as follows:						
Deferred tax assets	365					389
Deferred tax liabilities:						
Continuing operations	(607)					(2,454)
Included in liabilities directly associated with the assets held for sale	–					(75)
Deferred tax liabilities, net	**(242)**					**(2,104)**

11. Income tax *continued*

	1 January 2024	Additions due to business combination (Note 6)	Deferred tax benefit recognised in profit or loss	Deferred tax benefit recognised in OCI	31 December 2024
	$000	$000	$000	$000	$000
Accelerated depreciation for tax purposes	(261)	(104)	177	–	(188)
Fair value adjustment on property, plant and equipment and intangible assets acquired in business combinations	(256)	(276)	121	–	(411)
Revaluations of investment properties to fair value	(1,512)	–	90	–	(1,422)
Revaluations of equity instruments to fair value through profit or loss	(2)	–	(3)	–	(5)
Revaluations of financial assets at fair value through OCI	(1)	–	–	(3)	(4)
Share-based payments	100	–	–	–	100
Pension	798	–	(22)	117	893
Revaluations of cash flow hedges	40	–	–	(10)	30
Expected credit losses of debt financial assets	73	–	(3)	–	70
Contract liabilities for customer loyalty points	165	–	38	–	203
Leases	52	–	20	–	72
Convertible preference shares	24	–	31	–	55
Losses available for offsetting against future taxable income	321	–	44	–	365
	(459)	**(380)**	**493**	**104**	**(242)**
Reflected in the statement of financial position as follows:					
Deferred tax assets	321				365
Deferred tax liabilities	(780)				(607)
Deferred tax liabilities, net	**(459)**				**(242)**

Commentary on AAS

The Group's lease payments are deductible upon payment for tax purposes. In accounting for the deferred tax relating to the lease, the Group considers both the lease asset and liability separately. The Group separately accounts for the deferred taxation on the taxable temporary difference and the deductible temporary difference, which upon initial recognition are equal and offset to zero. Deferred tax is recognised on subsequent changes to the taxable and temporary differences.

The Group has not recognised deferred tax assets in respect of tax losses that arose in Australia of $427,000 (2024: $1,198,000) that are available indefinitely for offsetting against future taxable profits. *AASB 1060.178(f)*

There are no income tax consequences attached to the payment of dividends in either 2025 or 2024 by the Group to its shareholders. *AASB 1060.178(a)*

Franking credits

The Group has franking credits of $10,157,000 (2024: $8,890,000) available for use in the subsequent reporting periods. *AASB 1060.101*

Commentary on AAS

For the purposes of determining the amount of imputation credits (or “franking credits” in Australia) available for use in the subsequent reporting periods, AASB 1060.102 clarifies that entities may have:

a. Imputation credits that will arise from the payment of the amount of the provision for income tax

b. Imputation debits that will arise from the payment of dividends recognised as a liability at the reporting date, and

c. Imputation credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

Where there are different classes of investors with different entitlements to imputation credits, AASB 1060.103 requires that disclosures be made about the nature of those entitlements for each class where this is relevant to an understanding of them.

The above disclosures, should be made separately in respect of any New Zealand imputation credits and any Australian imputation credits.

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11. Income tax *continued*

Commentary on climate-related matters

Entities should assess the impact of climate-related matters on future taxable profits and whether they are sufficient to recover the deferred tax assets. The assumptions used in these estimations should be consistent with those used elsewhere in the financial statements. Entities should also consider whether there are enacted or substantively enacted climate-related changes to tax legislation that might have a significant impact on the income taxes that the entity expects to pay.

12. Cash and short-term deposits

AASB 1060.88

	2025	2024
	$000	$000
Cash at banks and on hand	11,732	11,125
Short-term deposits	5,796	3,791
	17,528	**14,916**

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. *AASB 1060.114*

As at 31 December 2025, the Group has pledged short-term deposits of $5,000,000 (2024: $2,000,000) as collateral for obligations arising under derivative contracts. Such deposits will not be used to settle the derivative contracts unless a default event occurs. *AASB 1060.117*

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 31 December: *AASB 1060.88*

	2025	2024
	$000	$000
Cash at banks and on hand	11,732	11,125
Short-term deposits	5,796	3,791
Cash at banks and short-term deposits attributable to discontinued operations (Note 10)	1,294	–
	18,822	14,916
Bank overdrafts	(966)	(2,650)
Cash and cash equivalents	**17,856**	**12,266**

Commentary on AAS

The Group included its bank overdrafts as part of cash and cash equivalents. This is because these bank overdrafts are repayable on demand and form an integral part of the Group's cash management (AASB 107.8).

An entity would need to assess whether its banking arrangement is an integral part of its cash management. Cash management includes managing cash and cash equivalents for the purpose of meeting short-term commitments rather than for investment or other purposes. The IFRS Interpretations Committee concluded in June 2018 that if the balance of a banking arrangement does not often fluctuate from being negative to positive, then this indicates that the arrangement does not form an integral part of the entity's cash management and, instead represents a form of financing.

13. Trade receivables

AASB 1060.44(b)

	2025	2024
	$000	$000
		Restated
Receivables from third-party customers	24,501	21,158
Receivables from related parties (Note 27)	1,171	1,132
	25,672	**22,290**

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days. For terms and conditions relating to related party receivables, refer to Note 27. *AASB 1060.114, 198(b)(i)*

Expected credit losses of trade receivables recognised amounted to $185,000 during the year ended 31 December 2025 (2024: $76,000). *AASB 1060.119(c)*

Notes to the consolidated financial statements

13. Trade receivables *continued*

Commentary on macroeconomic and geopolitical uncertainty

Large-scale business disruptions may give rise to liquidity issues for some entities and consumers. Changes in credit quality of loan portfolios and trade receivables (amongst other items) as a result of changes in interest rates, slowing or negative economic growth, the introduction of trade restrictions and tariffs, geopolitical risks, rising inflation and other factors may have a significant influence on an entity's expected credit loss (ECL) measurement. Therefore, entities should consider the following in updating their ECL calculations:

- The use of reasonable and supportable information. Given the unprecedented circumstances, it is critical that entities provide transparent disclosure of the critical assumptions and judgements used to measure the ECL
- Re-segmentation of loan portfolios or groups or receivables
- Individual and collective assessment of loans, receivables and contract assets. In order to accelerate the detection of such changes in credit quality not yet detected at an individual level, it may be appropriate to adjust ratings and the probabilities of default on a collective basis, considering risk characteristics such as the industry or geographical location of the borrowers
- Changes in payment terms. If payment terms are extended or reduced in light of the current economic circumstances, the terms and conditions of the extension or reduction will have to be assessed to determine their impacts on the ECL estimate

The ECL calculation and the measurement of significant changes in credit risk both incorporate forward-looking information using a range of macroeconomic scenarios and, as such, entities need to reassess the inputs to their provision matrix used to calculate ECLs.

14. Inventories

AASB 1060.44(c), 123(b)

	2025	2024
	$000	$000 Restated
Raw materials (at cost)	6,240	7,136
Work in progress (at cost)	13,357	9,722
Finished goods (at lower of cost and net realisable value)	6,430	6,972
Total inventories at the lower of cost and net realisable value	**26,027**	**23,830**

Cost of inventories sold to customers amounting to $130,249,000 was recognised as an expense during the year (2024: $120,000,000). *AASB 1060.123(c)*

During 2025, $286,000 (2024: $242,000) was recognised as an expense for inventories carried at net realisable value. *AASB 1060.123(d)*

Commentary on climate-related matters

Inventories might be impacted by climate-related matters in multiple ways. Due to the short-term nature of inventories, they would typically be more exposed to physical risks than transition risks.

15. Financial assets and financial liabilities

15.1 Financial assets

AASB 1060.44

	2025 $000	2024 $000	
Derivatives not designated as hedging instruments			
Foreign exchange forward contracts	640	–	
Embedded derivatives	210	–	
Equity investments at fair value through profit or loss	337	300	
Financial assets measured at fair value through profit or loss	**1,187**	**300**	AASB 1060.113(a)
Equity investments designated at fair value through OCI	1,038	898	AASB 1060.113(e)(ii)
Debt instruments at fair value through OCI	1,622	1,610	AASB 1060.113(e)(i)
Financial assets measured at fair value through OCI	**2,660**	**2,508**	
Derivatives designated as hedging instruments			
Foreign exchange forward contracts (Note 15.3)	252	153	AASB 1060.120(b)
Financial assets measured at fair value	**4,099**	**2,961**	
Cash and short-term deposits (Note 12)	18,822	14,916	
Trade receivables (Note 13)	25,672	22,290	
Loans to related parties (Note 27)	213	8	
Financial assets measured at amortised cost	**44,707**	**37,214**	AASB 1060.113(b)

The aggregate balance of financial assets measured at fair value and loans to related parties is reflected in the statement of financial position as follows:

Current	**551**	**153**
Non-current	**3,761**	**2,816**

Derivatives not designated as hedging instruments include: AASB 1060.114

i. 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.

ii. Embedded foreign exchange derivatives bifurcated from long-term sale contracts.

In 2025, the Group entered into long-term sale contracts with a customer in Canada. The functional currency of the customer is USD. The selling price in the contracts is fixed and set in Canadian dollars (CAD). The contracts require physical delivery and will be held for the purpose of the delivery of the commodity in accordance with the buyer's expected sales requirements. The contracts have embedded foreign exchange derivatives that are required to be separated.

Equity investments at fair value through profit or loss include investments in listed equity shares.

Equity investments designated at fair value through OCI include investments in equity shares of non-listed companies. The Group holds non-controlling interests (between 2% and 9%) in these companies. The Group recognised $26,000 fair value remeasurement loss (2024: $10,000 gain) on these equity investments in OCI during the year. AASB 1060.119(a)(v)

Debt instruments at fair value through OCI include investments in quoted government and corporate bonds. The Group recognised $13,000 fair value remeasurement loss (2024: $5,000 loss) on these debt instruments in OCI and reclassified a $8,000 gain (2024: $4,000 loss) upon derecognition from accumulated OCI to profit and loss during the year. AASB 1060. 119(a)(vi)

Notes to the consolidated financial statements

15. Financial assets and financial liabilities *continued*

15.2 Financial liabilities

AASB 1060.44

	2025	2024	
	$000	$000	
Derivatives not designated as hedging instruments			
Foreign exchange forward contracts	720	–	
Embedded derivatives	782	–	
Contingent consideration (Note 6)	1,072	–	
Financial liabilities measured at fair value through profit or loss	**2,574**	**–**	*AASB 1060.113(c)*
Derivatives designated as hedging instruments (Note 15.3)			*AASB 1060.120(b)*
Foreign exchange forward contracts	170	254	
Copper forward contracts	980	–	
Interest rate swaps	35	–	
Financial liabilities measured at fair value	**3,759**	**254**	
Trade and other payables (Note 20)	16,969	20,023	
Interest-bearing loans and borrowings (refer below)	24,979	26,455	
Financial liabilities measured at amortised cost	**41,948**	**46,478**	*AASB 1060.113(d)*

The aggregate balance of financial liabilities measured at fair value is reflected in the statement of financial position as follows:

Current	**2,953**	**254**
Non-current	**806**	**–**

Derivatives not designated as hedging instruments include: *AASB 1060.114*

i. 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.

ii. Embedded commodity derivatives bifurcated from certain purchase contracts.

In 2025, the Group also entered into various purchase contracts for brass and chrome (for which there is an active market) with a number of suppliers in South Africa and Russia. The prices in these purchase contracts are linked to the price of electricity. The contracts have embedded commodity swaps that are required to be separated.

Notes to the consolidated financial statements

15. Financial assets and financial liabilities *continued*

15.2 Financial liabilities *continued*

Interest-bearing loans and borrowings consist of: *AASB 1060.114*

	Interest rate	Maturity	2025	2024
	%		$000	$000
Current interest-bearing loans and borrowings				
Lease liabilities (Note 18)	4.5-7.8	2026	455	418
Bank overdrafts	BBSW+1.0	On demand	966	2,650
$3,700,000 unsecured bank loan (2024: $3,600,000)	BBSW+0.5	Nov 2026 (2024: Mar 2025)	1,411	74
Total current interest-bearing loans and borrowings			**2,832**	**3,142**
Non-current interest-bearing loans and borrowings				
Lease liabilities (Note 18)	4.5-7.8	2027-2038	2,706	2,553
8.25% secured loan of USD3,600,000 (Note 15.3)	*SOFR+0.2	31 May 2030	2,246	–
Secured bank loan	BBSW+1.1	31 Jul 2030	9,339	8,872
$3,700,000 unsecured bank loan (2024: $3,600,000)	BBSW+0.5	Mar 2028 (2024: Nov 2026)	2,078	3,435
$5,809,000 bank loan	7.5	1 Jan 2029	–	5,809
Loan from a third-party investor in Fire Equipment Test Lab Limited (Note 3)	11.0	2027	3,000	–
Convertible preference shares	11.6	2030	2,778	2,644
Total non-current interest-bearing loans and borrowings			**22,147**	**23,313**
Total interest-bearing loans and borrowings			**24,979**	**26,455**

* Includes the effects of related interest rate swaps.

Bank overdrafts
The bank overdrafts are secured by the Group's cash at banks amounting to $966,000 as at 31 December 2025 (2024: $2,650,000). *AASB 1060.117*

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 (2024: 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 2030. The total amount repayable on maturity is $9,500,000. The facility is secured by a first charge over certain of the Group's land and buildings and machinery, with an aggregate carrying value of $9,500,000 as at 31 December 2025 (2024: $8,900,000).

The secured bank loan is subject to the following covenants:

- Interest cover ratio greater than 5. The interest cover ratio in the secured bank loan is calculated as operating profit divided by interests on debt and borrowings (see Note 9.3). The interest cover ratio was 11.1 as at 31 December 2025 (2024: 9.1)
- Gearing ratio below 45%. See Note 6 for the definition and calculation of the Group's gearing ratio. The gearing ratio was 26% as at 31 December 2025 (2024: 38%)

Both covenants are tested half-yearly, at 30 June and 31 December. The Group has no indication that it will have difficulty complying with these covenants.

$5,809,000 bank loan
This loan has been transferred to the net balance of the liabilities held for sale (see Note 10).

Notes to the consolidated financial statements

15. Financial assets and financial liabilities *continued*

15.2 Financial liabilities *continued*

Commentary on AAS

The right to defer settlement of liabilities might be subject to the entity complying with covenants within twelve months after the reporting date. In such cases, AASB 1060.47A requires entities with liabilities classified as non-current to disclose information to enable users to understand the risk of liabilities becoming repayable within twelve months after the reporting period. Entities must disclose information about the covenants, as illustrated above. In addition, if facts and circumstances indicate that the entity may have difficulty complying with the covenants, they must be disclosed. To meet this requirement, factors entities must consider include whether it has acted to avoid or mitigate a potential breach, either during or after the reporting period, and whether it would have complied with future covenants, had they been tested at the end of the reporting period. When assessing the materiality of information about covenants, the guidance provided by the AASB in paragraphs 81-83 of AASB Practice Statement 2 *Making Materiality Judgements* is relevant.

Convertible preference shares

At 31 December 2025 and 2024, 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 2027 on the basis of one ordinary share for every three preference shares held. *AASB 1060.45(a)(iii)*

Any preference shares not converted will be redeemed on 31 December 2030 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 amounted to $228,000 as at 31 December 2025 and 2024. *AASB 1060.45(a)(v)*

Commentary on AAS

AASB 1060.114 requires an entity to disclose information that enables users of its financial statements to evaluate the significance of financial instruments for its financial position and performance. For example, for long-term debt such information would normally include the terms and conditions of the debt instrument (such as interest rate, maturity, repayment schedule, and restrictions that the debt instrument imposes on the entity).

Commentary on climate-related matters

Entities that issue financial liabilities with ESG-features will need to carefully assess the accounting treatment of such contracts, particularly as financial liabilities with ESG features that impact the cash flows of the liability may contain embedded derivatives.

Firstly, it will need to be determined if the liability will be carried at amortised cost, or fair value through profit and loss. If the liability is carried at fair value through profit and loss, then separation of an embedded derivative will not be required.

If the liability is carried at amortised cost, then the embedded derivative will need to be accounted for separately from the host liability if the economic characteristics and risk of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

This assessment will depend on the specific facts and circumstances. If the ESG features include metrics that are specific to the entity, for example, by setting specific targets for the entity's reduction in greenhouse gas emissions, the economic characteristics and risk of the embedded derivative will generally be closely related to those of the host contract, and the embedded derivative would not need to be accounted for separately. On the other hand, if the ESG features refer to broader metrics that are not specific to the issuer of the instruments, such as a broader ESG index or national reductions in greenhouse gas emissions, the economic characteristics and risk of the embedded derivative would generally not be closely related to those of the host contract, and the embedded derivative would need to be accounted for separately.

This assessment may be further complicated if an entity's financial instruments with ESG features refer to an ESG metric of the parent or of an entire group, rather than a metric specifically related to the stand-alone group entity that has issued the instruments.

If a liability is carried at amortised cost, and it is determined that the embedded derivative is not separated, the entity will estimate the cash flows as part of determination of the effective interest rate. If in the future these estimates change, say due to a change in the ESG metric effecting the cash flows, then this is treated as an adjustment to profit and loss.

Notes to the consolidated financial statements

15. Financial assets and financial liabilities *continued*

15.2 Financial liabilities *continued*

Commentary on macroeconomic and geopolitical uncertainty

Entities may have obtained additional financing, amended the terms of existing debt agreements or obtained waivers if they no longer satisfied debt covenants. In such cases, they will need to consider the guidance provided in AASB 9 to determine whether changes to existing contractual arrangements represent a substantial modification or, potentially, a contract extinguishment, which would have accounting implications in each case. Furthermore, entities may need to determine whether a breach of covenants will require non-current liabilities to be reclassified as current liabilities in their financial statements. *AASB 1060.118*

The macroeconomic and geopolitical uncertainty may also result in changes to an entity's expected purchase, sale or usage requirements for non-financial items, such as raw materials used in an entity's production. Entities that have applied the own-use scope exemption in AASB 9 may need to reassess whether it continues to meet these requirements. If they are no longer met, the entity would be required to recognise related contracts as financial instruments under AASB 9.

15.3 Hedging activities and derivatives

Derivatives designated as hedging instruments

Cash flow hedges

Foreign currency risk

It is the Group's policy to hedge 25% of the Group's total expected sales in US dollars and 65% of its total expected purchases in GBP over a 12 month period. The Group uses foreign exchange forward contracts as hedging instruments in cash flow hedges of forecast sales in US dollars and forecast purchases in GBP. Key terms of these forward contracts are as follows: *AASB 1060.120(a), 120(c)*

For highly probable forecast sales: *AASB 1060.114, 120(b)*

i. Aggregate notional amount in Australian dollars: $15,800,000 (2024: $14,600,000)

ii. Average AUD/USD forward rate: 1.172 (2024: 1.206)

iii. Settlement date: Various dates within the next 12 months

For highly probable purchases:

i. Aggregate notional amount in Australian dollars: $7,960,000 (2024: $6,950,000)

ii. Average AUD/GBP forward rate: 0.878 (2024: 0.883)

iii. Settlement date: Various dates within the next 12 months

The forecasted transactions are highly probable and expected to occur at various dates within the next 12 months. *AASB 1060.122(a)*

During the year ended 31 December 2025, the Group recognised $287,000 hedging gain (2024: $106,000) on the foreign exchange forward contracts in OCI and reclassified $286,000 hedging gain (2024: $72,000) from OCI to profit or loss. There is no ineffectiveness recognised in profit or loss. *AASB 1060.122(c), 122(d), 122(e)*

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 prices over the past 12 months has led to the decision to enter into copper forward contracts. *AASB 1060.120(a), 120(c)*

15. Financial assets and financial liabilities *continued*

15.3 Hedging activities and derivatives *continued*

These contracts, which commenced on 1 July 2025, are expected to reduce the volatility of net profit attributable to copper price fluctuations. Key terms of these forward contracts are as follows: *AASB 1060.114, 120(b)*

i. Aggregate notional amount in tonnes: 980,000

ii. Aggregate notional amount in Australian dollars: $5,600,000

iii. Average hedged rate in thousands of AUD per tonne: 5.75

iv. Settlement date: Various dates within the next 9 months

Hedging the price volatility of forecast copper purchases is in accordance with the risk management strategy outlined by the Board of Directors. The hedging relationships are for a period between 3 and 9 months, based on existing purchase agreements. *AASB 1060.122(a)*

The Group recognised $915,000 hedging loss on the copper forward contracts in OCI during the year ended 31 December 2025. Hedge ineffectiveness amounting to $65,000 was recognised in profit or loss during the same period. *AASB 1060.122(c), 122(e)*

Fair value hedges
Interest rate risk
At 31 December 2025, the Group had an interest rate swap agreement in place with a notional amount of USD3,600,000 ($2,246,000) (2024: Nil) whereby the Group receives a fixed rate of interest of 8.25% and pays interest at a variable rate equal to LIBOR+0.2% on the notional amount. The swap is being used to hedge the exposure to changes in the fair value of its fixed rate 8.25% secured loan attributable to movements in interest rates. *AASB 1060.114, 120(a), 120(b), 120(c)*

The decrease in fair value of the interest rate swap of $35,000 (2024: Nil) has been recognised in finance costs and offset with a similar gain on the loan. *AASB 1060.121(a), 121(b)*

Hedge of net investments in foreign operations
Foreign currency risk
Included in interest-bearing loans at 31 December 2025 was a borrowing of USD3,600,000 ($2,246,000) which has been designated as a hedge of the net investments in the two subsidiaries in the United States, Wireworks Inc. and Sprinklers Inc., beginning 2025. This borrowing is being used to hedge the Group's exposure to the USD foreign exchange translation risk on these investments. Gains of $278,000 on the retranslation of this borrowing were transferred to OCI to offset any gains or losses on translation of the net investments in the subsidiaries. *AASB 1060.120(a), 120(b), 120(c)* *AASB 1060.122(c)*

There is no ineffectiveness recognised in profit or loss. *AASB 1060. 122(e)*

Commentary on macroeconomic and geopolitical uncertainty

Hedging

An entity's transactions may be postponed or cancelled, or occur in significantly lower volumes than initially forecast as a result of the macroeconomic and geopolitical uncertainty, including factors such as lower economic growth and rising inflation rates. If the entity designated such transactions as a hedged forecast transaction in a cash flow hedge, it would need to consider whether the transaction was still a "highly probable forecast transaction".

That is, if the macroeconomic and geopolitical uncertainty affects the probability of hedged forecast transactions occurring and/or the time period designated at the inception of a hedge, an entity would need to determine whether it can continue to apply hedge accounting to the forecast transaction or a proportion of it, and for continuing hedges whether any additional ineffectiveness has arisen.

- If an entity determines that a forecast transaction is no longer highly probable, but still expected to occur, the entity must discontinue hedge accounting prospectively.
- If an entity determines that the timing of a forecast transaction has changed, and the cash flows are now expected to occur at a different time than initially forecast, the outcome would depend on the nature of the hedged item and how the hedge relationship was documented, and judgement will be needed in considering the appropriate accounting treatment.
- If an entity determines that a forecast transaction is no longer expected to occur, in addition to discontinuing hedge accounting prospectively, it must immediately reclassify to profit or loss any accumulated gain or loss on the hedging instrument that has been recognised in OCI.

15. Financial assets and financial liabilities *continued*

15.4 Fair values

The fair values of the quoted debt instruments and listed equity investments are based on price quotations at the reporting date.

AASB 1060.115

The following methods and assumptions were used to estimate the fair value of financial assets and financial liabilities measured at fair value using a valuation technique:

	Valuation technique	Significant assumptions	Range (weighted average)
Derivative assets not designated as hedging instruments			
Foreign exchange forward contracts (USD)	DCF method	Discount rate	2025: 6% 2024: –
		AUD/USD forward foreign exchange rates at various tenors	2025: 1.215 - 1.337 (1.291) 2024: –
Embedded derivative assets	DCF method	Discount rate	2025: 5% 2024: –
		AUD/CAD forward foreign exchange rates at various tenors	2025: 2.333 - 2.545 (2.418) 2024: –
Equity investments designated at fair value through OCI	DCF method	Long-term growth rate for cash flows for subsequent years	2025: 3.1% - 5.2% (4.2%) 2024: 3.1% - 5.1% (4%)
		Long-term operating margin	2025: 5.0% - 12.1% (8.3%) 2024: 5.2% - 12.3% (8.5%)
		WACC	2025: 11.2% - 14.3% (12.6%) 2024: 11.5% - 14.1% (12.3%)
		Discount for lack of marketability	2025: 5.1% - 15.6% (12.1%) 2024: 5.4% - 15.7% (12.3%)
Derivative assets designated as hedging instruments			
Foreign exchange forward contracts (USD)	DCF method	Discount rate	2025: 6% 2024: 5%
		AUD/USD forward foreign exchange rates at various tenors	2025: 1.164 - 1.190 (1.181) 2024: 1.031 - 1.157 (1.112)
Derivative liabilities not designated as hedging instruments			
Foreign exchange forward contracts (USD)	DCF method	Discount rate	2025: 7% 2024: –
		AUD/USD forward foreign exchange rates at various tenors	2025: 1.214 - 1.381 (1.286) 2024: –
Embedded derivative liabilities	DCF method	Discount rate	2025: 8% 2024: –
		Copper forward rates at various tenors	2025: $5,789 - $8,912 per tonne ($7,221 per tonne) 2024: –
		Electricity forward rates at various tenors	2025: $55 - $72 per megawatt hour ($65 per megawatt hour) 2024: –

15. Financial assets and financial liabilities *continued*

15.4 Fair values *continued*

	Valuation technique	Significant assumptions	Range (weighted average)
Contingent consideration liability	DCF method	Assumed probability-adjusted profit before tax of Extinguishers Limited	2025: $1,514,000 2024: –
		Discount rate	2025: 14% 2024: –
Derivative liabilities designated as hedging instruments			
Foreign exchange forward contracts (GBP)	DCF method	Discount rate	2025: 6% 2024: 5%
		AUD/GBP forward foreign exchange rates at various tenors	2025: 0.765 - 0.921 (0.834) 2024: 0.675 - 0.892 (0.759)
Copper forward contracts	DCF method	Discount rate	2025: 7% 2024: –
		Copper forward rates at various tenors	2025: $32,090 - $37,800 per tonne ($35,662 per tonne) 2024: –

Commentary on macroeconomic and geopolitical uncertainty

There may be an impact on fair value measurement of certain assets arising from the current macroeconomic conditions. When valuations are subject to significant measurement uncertainty due to the current environment, and there is a wider range of estimates of fair value, the entity is required to apply judgement to determine the point within that range that is most representative of fair value in the circumstances. While market volatility may suggest that the prices are aberrations and do not reflect fair value, it would not be appropriate for an entity to disregard market prices at the measurement date, unless those prices are from transactions that are not orderly. A significant decrease in volume or activity in a market can also influence the valuation techniques used in the fair value measurement. Entities will need to assess how those techniques are applied and whether inputs are observable at the measurement date and provide additional disclosures if material.

Factors such as changes in interest rates and volatile commodity prices may have a significant impact on fair values. Entities should consider whether the credit risk of counterparties to the derivate contracts has changed, which may also impact the fair value. The increased uncertainty may require more extensive disclosure about valuation levels, fair valuation techniques and inputs.

16. Investment properties

	$000	
At 1 January 2025	7,983	*AASB 1060.132(e)*
Additions (subsequent expenditure)	1,216	*AASB 1060.132(e)(i)*
Net loss from fair value remeasurement	(306)	*AASB 1060.132(e)(ii)*
At 31 December 2025	**8,893**	

As at 31 December 2025 and 2024, the fair values of the properties are based on valuations performed by an accredited independent valuer. *AASB 1060.132(b)*

Description of valuation technique and significant assumptions applied in the fair value measurement of investment properties is as follows: *AASB 1060.132(a)*

Valuation technique	Significant valuation inputs	Range (weighted average) 2025	2024
DCF method	Estimated rental value per sqm per month	$10 - $25 ($20)	$9 - $23 ($16)
	Rent growth p.a.	1.75%	1.76%
	Long-term vacancy rate	3% - 10% (5%)	3% - 9% (4%)
	Discount rate	6.5%	6.3%

Notes to the consolidated financial statements

16. Investment properties *continued*

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

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

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements. *AASB 1060.132(c), 132(d)*

Commentary on AAS

The Group has elected to value investment properties at fair value in accordance with AASB 140.

AASB 140 permits investment properties to be carried at historical cost less accumulated depreciation and any accumulated impairment losses. If the Group accounted for investment properties at cost, information about the cost basis and depreciation rates (similar to the requirement for property, plant and equipment) would be required.

Commentary on macroeconomic and geopolitical uncertainty

The impact on fair value measurement arising from the current macroeconomic and geopolitical uncertainty and market disruptions varies across countries, markets and industries. When valuations are subject to significant measurement uncertainty due to the current environment and there is a wider range of possible estimates for fair value measurement, the entity is required to apply judgement to determine the point within that range that is most representative of fair value measurement in the circumstances.

While market volatility may suggest that the prices are aberrations and do not reflect fair value, it would not be appropriate for an entity to disregard market prices at the measurement date, unless those prices are from transactions that are not orderly.

A significant increase or decrease in volume or activity in a market can also influence the valuation techniques used in the fair value measurement. Entities will need to assess how those techniques are applied and whether inputs are observable at the measurement date.

Notes to the consolidated financial statements

17. Property, plant and equipment

AASB 1060.44(a)

	Freehold land and buildings	Office properties	Construction in progress	Plant and machinery	Other equipment	Total	
	$000	$000	$000	$000	$000	$000	AASB 1060.134(e)
Cost or valuation							
At 1 January 2025	**10,261**	**1,122**	**–**	**23,682**	**5,650**	**40,715**	AASB 1060.134(d)
Change in accounting policy (Note 2.4)	–	1,210	–	–	–	1,210	AASB 1060.134(e)(viii)
Additions	1,612	–	4,500	4,403	190	10,705	AASB 1060.134(e)(i)
Acquisition of a subsidiary (Note 6)	2,897	–	–	4,145	–	7,042	AASB 1060.134(e)(iii)
Disposals	–	–	–	(4,908)	–	(4,908)	AASB 1060.134(e)(viii)
Assets held for sale (Note 10)	(4,144)	–	–	(3,980)	–	(8,124)	AASB 1060.134(e)(ii)
Revaluation adjustment	–	(364)	–	–	–	(364)	AASB 1060.134(e)(iv)
Transfer*	–	(219)	–	–	–	(219)	AASB 1060.134(e)(viii)
Exchange differences	30	–	–	79	–	109	AASB 1060.134(e)(viii)
At 31 December 2025	**10,656**	**1,749**	**4,500**	**23,421**	**5,840**	**46,166**	AASB 1060.134(d)
Depreciation and impairment							
At 1 January 2025	**1,348**	**102**	**–**	**13,586**	**1,350**	**16,386**	AASB 1060.134(d)
Depreciation charge for the year	383	117	–	2,827	470	3,797	AASB 1060.134(e)(vii)
Disposals	–	–	–	(3,450)	–	(3,450)	AASB 1060.134(e)(viii)
Assets held for sale (Note 10)	(1,283)	–	–	(2,094)	–	(3,377)	AASB 1060.134(e)(ii)
Transfer*	–	(219)	–	–	–	(219)	AASB 1060.134(e)(viii)
Exchange differences	20	–	–	30	–	50	AASB 1060.134(e)(viii)
At 31 December 2025	**468**	**–**	**–**	**10,899**	**1,820**	**13,187**	AASB 1060.134(d)
Net book value							
At 31 December 2024	8,913	1,020	–	10,096	4,300	24,329	
At 31 December 2025	10,188	1,729	4,500	12,522	4,020	32,979	

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

Commentary on AAS

If a lessee does not present right-of-use assets separately in the statement of financial position, AASB 16.47 requires the right-of-use assets to be included within the same line item that the corresponding underlying assets would be presented in if they were owned. If the Group had included its right-of-use assets within property, plant and equipment, a column for the right-of-use assets would be included in the above table with a cross-reference to the details in Note 18.

Capitalised borrowing costs

In February 2025, the Group started the construction of a new fire safety facility which is financed by a third party in a common arrangement.

The amount of borrowing costs capitalised during the year ended 31 December 2025 was $303,000 (2024: Nil). AASB 1060.162

Land and buildings and machinery

Land and buildings and machinery with an aggregate carrying amount of $11,900,000 (2024: $8,900,000) are subject to a first charge to secure two of the Group's bank loans (see Note 15.2). AASB 1060.135(a)

Revaluation of office properties *

Fair value of the properties as at 31 December 2025 was determined using the market comparable method which uses prices based on proprietary databases of transactions involving identical or comparable assets and adjusted to reflect differences in size, location and other conditions. This has resulted in an assumed price per square meter ranging from $325 to $350. Such valuations have been performed by an accredited independent valuer. AASB 1060.136(a), 136(b), 136(c)

* The Group changed the accounting policy with respect to the measurement of office properties as at 1 January 2025 on a prospective basis (see Note 2.4).

Notes to the consolidated financial statements

17. Property, plant and equipment *continued*

Commentary on AAS

The Group has changed its accounting policy to measure the office properties at the revalued amount in accordance with AASB 116. Under AASB 116.36, if an item of property, plant and equipment is revalued, the entire class of property, plant and equipment to which that asset belongs should be revalued. AASB 116.37 defines a class of property, plant and equipment as a grouping of assets of similar nature and use in an entity's operations. The Group determined that office properties constitute separate class of property, plant and equipment, based on their nature, characteristics and risks.

Under AASB 116.31, the revalued amount of an item of property, plant and equipment is its fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of reporting period.

Commentary on climate-related matters

Entities should consider the impact of climate-related matters on the useful life and residual value of property, plant and equipment. The introduction of legislation or other regulations may result in a reduction of the useful life of assets, compared to original forecasts. Entities may also need to assess deprecation rates to increase the rate of deprecation of these assets. Furthermore, new legislation may introduce new or stricter obligations to decommission assets and, as a result, may give rise to new or remeasured provisions for decommissioning.

For further commentary, see Note 2.3 i) and Note 2.6 above.

18. Leases

Group as a lessee

AASB 1060.144(c)

The Group has lease contracts for various items of plant, machinery, vehicles and other equipment used in its operations. Leases of plant and machinery generally have lease terms between 3 and 15 years, while motor vehicles and other equipment generally have lease terms between 3 and 5 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets and some contracts require the Group to maintain certain financial ratios.

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

Some lease contracts for machinery that contains variable payments based on the number of units to be manufactured. These terms are negotiated by management for certain machinery that is used to manufacture products without steady customer demand. Management's objective is to align the lease expense with the units manufactured and revenue earned.

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

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

AASB 1060.44

	Plant and machinery	Motor vehicles	Other equipment	Total
	$000	**$000**	**$000**	**$000**
As at 1 January 2025	**1,518**	**626**	**588**	**2,732**
Additions (Note 6)	424	108	78	610
Depreciation expense	(173)	(136)	(125)	(434)
As at 31 December 2025	**1,769**	**598**	**541**	**2,908**

AASB 1060.134(e)(i), 145
AASB 1060.134(e)(vii), 145
AASB 1060.144(a)

Presented below is a maturity analysis of future lease payments:

AASB 1060.144(b)

	2025	2024
	$000	**$000**
Not later than 1 year	485	438
Later than 1 year and not later than 5 years	2,424	1,132
Later than 5 years	573	300
	3,482	**1,870**

Notes to the consolidated financial statements

18. Leases *continued*

The amount of expense relating to short-term leases and leases of low-value assets recognised in profit or loss during the year ended 31 December 2025 was $40,000 (2024: $38,000). *AASB 1060.146(b)*

Group as a lessor

The Group has entered into operating leases on its investment property portfolio consisting of certain office and manufacturing buildings (see Note 16). These leases have terms of between five and 20 years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. The lessee is also required to provide a residual value guarantee on the properties. *AASB 1060.133, 148(c)*

Future undiscounted lease payments to be received under non-cancellable operating leases as at 31 December are as follows: *AASB 1060.148(a)*

	2025 $000	2024 $000
Not later than 1 year	1,418	1,390
Later than 1 year but not later than 5 years	5,630	5,520
Later than 5 years	5,901	5,864
	12,949	**12,774**

19. Intangible assets

AASB 1060.44

	Development costs $000	Patents and licences with definite useful life $000	Licences with indefinite useful life $000	Goodwill $000	Total $000	
Cost						*AASB 1060.143*
At 1 January 2025	**1,975**	**395**	**240**	**250**	**2,860**	*AASB 1060.137(c)*
Additions – internally developed	587	–	–	–	587	*AASB 1060.137(e)(i)*
Acquisition of a subsidiary (Note 6)	–	30	1,170	2,231	3,431	*AASB 1060.137(e)(iii), 143(a)*
Assets held for sale (Note 10)	–	(138)	–	–	(138)	*AASB 1060.137(e)(ii)*
At 31 December 2025	**2,562**	**287**	**1,410**	**2,481**	**6,740**	*AASB 1060.137(c)*
Amortisation and impairment						
At 1 January 2025	**289**	**110**	**–**	**–**	**399**	*AASB 1060.137(c)*
Amortisation*	95	30	–	–	125	*AASB 1060.137(e)(v)*
Impairment	–	–	–	200	200	*AASB 1060.143(b)*
Assets held for sale (Note 10)	–	(3)	–	–	(3)	*AASB 1060.137(e)(ii)*
At 31 December 2025	**384**	**137**	**–**	**200**	**721**	*AASB 1060.137(c)*
Net book value						
At 31 December 2024	1,686	285	240	250	2.461	*AASB 1060.141*
At 31 December 2025	2,178	150	1,410	2,281	6,019	

*The amortisation expense relating to intangible assets is included in cost of sales. *AASB 1060.137(d)*

Licenses with indefinite useful life

Licences include intangible assets acquired through business combinations. The 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. *AASB 1060.141*

Impairment

Management has recognised an impairment charge of $200,000 in the current year against goodwill (2024: Nil). The impairment charge is recorded within administrative expenses in the statement of profit or loss. *AASB 1060.169(a)*

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19. Intangible assets *continued*

Climate-related matters – The Group constantly monitors climate-related risks, including physical risks and transition risks, when measuring the recoverable amount. While the Group does not believe its operations are currently significantly exposed to physical risk, the value-in-use may be impacted in several different ways by transition risk, such as climate-related legislation, climate-related regulations and changes in demand for the Group's products. Even though the Group has concluded that no single climate-related assumption is a key assumption for the 2025 test of goodwill, the Group has incorporated its expectations for the following:

- Increased costs of emissions under the emission trading scheme it is subject to
- Expectations for increased demand for goods sold by the fire prevention equipment CGU
- Expected cost increases due to stricter recycling requirements in the cash-flow forecasts in assessing value-in-use amounts.

Commentary on AAS

Other disclosures (AASB 1060.138) not relevant to the Group that should be considered:

a. To the extent that there is an individually material intangible asset, an entity shall disclose its description, carrying amount and remaining amortisation period

b. For intangible assets acquired by way of a government grant and initially recognised at fair value:

   i. The fair value initially recognised for these assets

   ii. Their carrying amounts

c. The existence and carrying amounts of intangible assets to which the entity has restricted title or that are pledged as security for liabilities

d. The amount of contractual commitments for the acquisition of intangible assets

Commentary on climate-related matters

When measuring the value-in-use, AASB 136.33(a) requires an entity to "base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset". Entities must consider whether climate-related risks, including physical risks and transition risks, will have an impact on the viability of their business going forward, and whether and how such risks will impact the legal, technological and market environment in which they operate.

For example, the business models of some entities may no longer be viable in the jurisdiction in which they operate as a result of the transition to a climate-neutral future, and existing business models might be replaced or become obsolete. Other entities may be impacted by changing trends in consumer behaviour or rising costs due to stricter demands regarding emissions and recycling.

To the extent that an asset or CGU's recoverable amount is sensitive to climate-related assumptions, entities must consider whether those assumptions must be disclosed separately as key assumptions potentially together with, for example, sensitivity disclosures. See Note 2.6 for further discussion of the impact of climate-related matters on fair value measurement.

20. Trade and other payables

AASB 1060.44(d)

	2025	2024
	$000	$000
Trade payables	15,421	18,551
Other payables	1,508	1,181
Related parties	40	22
	16,969	**20,023**

Terms and conditions of the above financial liabilities:

AASB 1060.114

AASB 1060.119B(b)(iii)

- Trade payables are non-interest bearing and are normally settled by the Group on 60-day terms, including those trade payables that are included in the Group's supplier finance arrangement.
- Other payables are non-interest bearing and have an average term of six months.
- Interest payable is normally settled quarterly throughout the financial year.
- For terms and conditions with related parties, refer to Note 27.

20. Trade and other payables *continued*

The Group has established a supplier finance arrangement that is offered to some of the Group's key suppliers. Participation in the arrangement is at the suppliers' own discretion. Suppliers that participate in the supplier finance arrangement will receive early payment on invoices sent to the Group from the Group's external finance provider. If suppliers choose to receive early payment, they pay a fee to the finance provider, to which the Group is not party. In order for the finance provider to pay the invoices, the goods must have been received or supplied and the invoices approved by the Group. Payments to suppliers ahead of the invoice due date are processed by the finance provider and, in all cases, the Group settles the original invoice by paying the finance provider in line with the original invoice maturity date described above. Payment terms with suppliers have not been renegotiated in conjunction with the arrangement. The Group provides no security to the finance provider. *AASB 1060.119A, 119B(a)*

All trade payables subject to the supplier finance arrangement are included in trade and other payables in the consolidated statement of financial position and within trade payables in the table above. *AASB 1060.119B(b)(i)*

	31 December 2025 $000	31 December 2024 $000	1 January 2024 $000	
Carrying amount of trade payables that are part of a supplier finance arrangement	8,278	7,437	6,238	*AASB 1060.119B(b)(i)*
Of which suppliers have received payment	4,697	4,140	3,389	*AASB 1060.119B(b)(ii) AASB 1060.119B(c)*

There were no significant non-cash changes in the carrying amount of the trade payables included in the Group's supplier finance arrangement.

Commentary on AAS

AASB 1060.119B requires entities to disclose information about supplier finance arrangements, which are also described with other terms, such as supply chain finance, payables finance and reverse factoring. While AASB 1060.119A describes the characteristics of such arrangements, the standard does not provide a clear definition of an arrangement in the scope of the disclosure requirements, which can make their application more challenging and increase the amount of judgement that entities need to apply. If an entity has several supplier finance arrangements, the terms and conditions need to be disclosed separately for the dissimilar arrangements.

The IFRS Interpretations Committee, in December 2020, addressed relevant aspects related to supplier finance arrangements that need to be considered when determining whether to derecognise, and how to classify, the liability and related cash flows, which may impact the disclosures provided.

Comparative information for any reporting periods presented before the beginning of the annual reporting period in which the entity first applies these requirement and disclosure of the information required by AASB 119B(b)(ii)-(iii) as at the beginning of the annual reporting period in which the entity first applies these requirements is not required to be disclosed. *AASB 1060.119C*

21. Provisions

	Assurance-type warranties	Restructuring	Decommissioning	Social security contributions on share options	Waste electrical and electronic equipment	Contingent liability (Note 26)	Onerous contracts	Total	*AASB 1060.44(e)*
	$000	$000	$000	$000	$000	$000	$000	$000	
At 1 January 2025	**118**	**–**	**–**	**4**	**53**	**–**	**–**	**175**	*AASB 1060.153(a)(i)*
Acquisition of a subsidiary (Note 6)	–	900	1,200	–	–	380	–	2,480	*AASB 1060.153(a)(ii)*
Arising during the year	112	–	–	26	102	20	20	280	*AASB 1060.153(a)(ii)*
Utilised	(60)	(59)	–	(19)	(8)	–	–	(146)	*AASB 1060.153(a)(iii)*
Unused amounts reversed	(6)	(6)	–	–	–	–	–	(12)	*AASB 1060.153 (a)(iv)*
Unwinding of discount and changes in the discount rate	2	17	21	1	2	–	–	43	*AASB 1060.153(a)(ii)*
At 31 December 2025	**166**	**852**	**1,221**	**12**	**149**	**400**	**20**	**2,820**	*AASB 1060.153(a)(i)*
Current	166	305	–	3	28	400	20	922	
Non-current	–	547	1,221	9	121	–	–	1,898	

21. Provisions *continued*

Assurance-type warranties *AASB 1060.153(b)*

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

Restructuring

Extinguishers Limited recorded a restructuring provision prior to being acquired by the Group. The provision relates principally to the elimination of certain of its product lines. The restructuring plan was drawn up and announced to the employees of Extinguishers Limited in 2025 when the provision was recognised in its financial statements. The restructuring is expected to be completed by 2027.

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.

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 fair value of the shares at the reporting date which is the best estimate of the fair value at the date of exercise. It is expected that the costs will be incurred during the exercise period of 1 January 2026 to 31 December 2027.

Waste electrical and electronic equipment

The provision for waste electrical and electronic equipment is calculated based on sales after 13 August 2008 (new waste) and expected disposals of historical waste (sales up to 13 August 2008).

Onerous contracts

A provision is recognised for certain contracts with suppliers for which the unavoidable costs of meeting the obligations exceed the economic benefits expected to be received. It is anticipated that these costs will be incurred in the next financial year.

22. Net employee defined benefit liabilities

The Group's defined benefit pension plan in Australia is a final salary plan for the Australian employees, which requires contributions to be made to a separately administered fund. *AASB 1060.173(a)*

This plan is governed by the employment laws of Australia, which require final salary payments to be adjusted for the consumer price index upon payment during retirement. The level of benefits provided depends on the member's length of service and salary at retirement age.

Each year, the Board of Trustees reviews the level of funding in the Australia pension plan as required by Australia's employment legislation. The Board of Trustees decides its contribution based on the results of this annual review. Australia's employment legislation requires the Group to clear any plan deficit (based on a valuation performed in accordance with the regulations in Australia) over a period of no more than five years after the period in which the deficit arises. The Board of Trustees aim to keep annual contributions relatively stable at a level such that no plan deficits (based on valuation performed in accordance with the regulations in Australia) will arise.

The following tables show the net benefit expense recognised in the statement of profit or loss and the breakdown of the amounts recognised in the statement of financial position:

	2025	2024	
	$000	$000	
Net benefit expense recognised in profit or loss	1,561	1,379	*AASB 1060.173(d)*

	$000	
Defined benefit obligation at 1 January 2025	**5,807**	*AASB 1060.173(b)*
Interest cost	267	
Current service cost	1,419	
Benefits paid	(889)	
Remeasurement gain	(111)	
Defined benefit obligation at 31 December 2025	**6,493**	

Notes to the consolidated financial statements

22. Net employee defined benefit liabilities *continued*

	$000	
Plan assets at 1 January 2025	**2,830**	*AASB 1060.173(c)*
Interest income	125	
Contributions by employer	1,100	
Benefits paid	(868)	
Remeasurement gain	256	
Plan assets at 31 December 2025	**3,443**	

The actual return on plan assets amounted to $381,000 for the year ended 31 December 2025 (2024: $128,000 loss). *AASB 1060.173(g)*

The fair values of each major class of plan assets are as follows: *AASB 1060.173(e)*

	2025 $000	2024 $000
Investments quoted in active markets		
Listed equity investments	875	688
Bonds issued by Australian Government	1,670	1,615
Cash and cash equivalents	**400**	**250**
Unquoted investments		
Debt instruments issued by Quality Bank International Limited	428	222
Property	70	55
Total	**3,443**	**2,830**

The plan assets include a property occupied by the Group with a fair value of $50,000 (2024: $50,000). *AASB 1060.173(f)(ii)*

Commentary on AAS

The Group has separated the plan assets within different classes. The Group has a class - "property", which has not been further classified into categories. The amount is not determined to be material to the consolidated financial statements.

The principal assumptions used in determining the Group's post-employment obligation are shown below:

	2025 %	2024 %	
Discount rate	4.9	5.5	*AASB 1060.173(h)(i)*
Future salary increases	3.5	4.0	*AASB 1060.173(h)(iii)*
Life expectancy for pensioners at the age of 65:	**Years**	**Years**	*AASB 1060.173(h)(v)*
Male	20.0	20.0	
Female	23.0	23.0	

Commentary on AAS

AASB 1060.172

If an entity has a defined contribution plan, the entity shall disclose any material accounting policy information and the amount recognised in the profit and loss as an expense for defined contribution plans.

If an entity treats a defined benefit multi-employer plan as a defined contribution plan, in accordance with AASB 119.34 because sufficient information is not available to use defined benefit accounting, it shall disclose the fact that it is a defined benefit plan and the reason why it is being accounted for as a defined contribution plan, along with any available information about the plan's surplus or deficit and the implications, if any, for the entity.

Commentary on macroeconomic and geopolitical uncertainty

Changes in interest rates, slowing or negative economic growth, the introduction of trade restrictions and tariffs, geopolitical risks, rising inflation and a reduction in asset values may trigger the need for a re-measurement of the defined benefit obligation and pension plan assets. The current environment is likely to continue to affect the values of the plan assets and obligations resulting in potential volatility in the amount of the net defined benefit pension plan surplus/deficit recognised.

The impact of the current macroeconomic and geopolitical environment will vary by entity, with some entities recognising increases in net pension assets, whilst others having to recognise decreases. Entities should ensure that sufficient disclosures are made such that users are able to understand the impacts on pension plans.

Notes to the consolidated financial statements

23. Government grants

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.

AASB 1060.160(a), 160(b)

24. Equity

AASB 1060.45(a)(iv)

	Ordinary shares issued and fully paid	Treasury shares	Ordinary shares outstanding
	'000	**'000**	**'000**
At 1 January 2025	**19,388**	**270**	**19,118**
Issued on 1 May 2024 for acquisition of Extinguishers Limited (Note 6)	2,500	–	2,500
Issued for cash on exercise of share options	–	(75)	75
At 31 December 2025	**21,888**	**195**	**21,693**

AASB 1060.45(a)(ii), 45(a)(vi)

The ordinary shares have no par value and there is no limit on authorised capital.

AASB 1060.45(a)(i), 45(a)(iii)
AASB 1060.45(a)(vii)

Share option schemes
The Group has two share option schemes under which options to subscribe for the Group's shares have been granted to certain senior executives and certain other employees. Refer to Note 25 for further details.

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

Nature and purpose of reserves

AASB 1060.45(b)

Share-based payments reserve
The share-based payments reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration.

Convertible preference share reserve
The convertible preference share reserve covers the equity component of the issued convertible preference shares. The liability component is included in Interest-bearing loans and borrowings (see Note 15.2).

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

25. Share-based payments

Senior Executive Plan

AASB 1060.164(a)

Under the Senior Executive Plan (SEP), share options of the parent are granted to senior executives of the parent, including members of key management personnel with more than 12 months' service. The share options vest if and when the Group's net income (non-market condition) increases by 20% within three years from the date of grant and the senior executive remains employed on such date. The share options granted will not vest if the performance condition is not met.

AASB 1060.165

The fair value of the share options is estimated at the grant date using a binomial option pricing model, taking into account the terms and conditions on which the share options were granted. However, the above performance condition is only considered in determining the number of instruments that will ultimately vest.

The share options can be exercised up to two years after the three-year vesting period and therefore, the contractual term of each option granted is five years. There are no cash settlement alternatives.

General Employee Share Option Plan

AASB 1060.164(a)

Under the General Employee Share Option Plan (GESP), the Group, at its discretion, may grant share options of the parent to managerial employees other than senior executives, once the employee has completed two years of service. Employees must remain in service for a period of three years from the date of grant in order for the share options to vest.

25. Share-based payments *continued*

The fair value of share options granted is estimated at the date of grant using a Black-Scholes option pricing model, taking into account the terms and conditions on which the share options were granted. *AASB 1060.165*

The contractual term of the share options is five years and there are no cash settlement alternatives for the employees.

Share Appreciation Rights
The Group's business development employees are granted Share Appreciation Rights (SARs), settled in cash. *AASB 1060.164(a)*

The SARs vest when a specified target number of new sales contracts (non-market vesting condition) are closed within three years from the date of grant and the employee continues to be employed by the Group at the vesting date. The SARs can be exercised up to three years after the three-year vesting period and therefore, the contractual term of the SARs is six years. The liability for the Share Appreciation Rights is measured, initially and at the end of each reporting period until settled, at the fair value of the Share Appreciation Rights, by applying the binomial option pricing model, taking into account the terms and conditions on which the Share Appreciation Rights were granted, and the extent to which the employees have rendered services to date. *AASB 1060.166*

The carrying amount of the liability relating to the SARs at 31 December 2025 was $299,000 (2024: $194,000). No SARs had vested, granted or forfeited at 31 December 2025 and 2024, respectively. *AASB 1060.168(b)*

The total expense arising from share-based payment transactions during the year is $412,000 (2024: $492,000). *AASB 1060.168(a)*

There were no cancellations or modifications to the awards in 2025 or 2024. *AASB 1060.167*

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):

	2025 Number	2025 WAEP	2024 Number	2024 WAEP	
Outstanding at 1 January	575,000	$2.85	525,000	$2.75	*AASB 1060.164(b)(i)*
Granted during the year	250,000	$3.85	155,000	$3.13	*AASB 1060.164(b)(ii)*
Forfeited during the year	–	–	(25,000)	$2.33	*AASB 1060.164(b)(iii)*
Exercised during the year	(75,000)	$2.33	(65,000)	$3.08	*AASB 1060.164(b)(iv)*
Expired during the year	(25,000)	$3.02	(15,000)	$2.13	*AASB 1060.164(b)(v)*
Outstanding at 31 December	**725,000**	$3.24	**575,000**	$2.85	*AASB 1060.164(b)(vi)*
Exercisable at 31 December	110,000	$2.98	100,000	$2.51	*AASB 1060.164(b)(vii)*

26. Commitments and contingencies

Commitments
At 31 December 2025, the Group had commitments of $2,310,000 (2024: $4,500,000) including $2,000,000 (2024: Nil) relating to the completion of the fire equipment safety facility and $310,000, (2024: $516,000) relating to trade purchase commitments by the Group's joint venture. *AASB 1060.135(b), 129(d)*

Legal claim contingency
An overseas customer has commenced an action against the Group in respect of equipment claimed to be defective. The estimated payout is $850,000 should the action be successful. A trial date has not yet been set. Therefore, it is not practicable to state the timing of the payment, if any. *AASB 1060.154*

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.

Notes to the consolidated financial statements

26. Commitments and contingencies *continued*

Guarantees

The Group has provided the following guarantees at 31 December 2025:

- Guarantee to an unrelated party for the performance in a contract by the joint venture. No liability is expected to arise *AASB 1060.201(h)*
- Guarantee of its share of $20,000 (2024: $13,000) of the associate's contingent liabilities which have been incurred jointly with other investors *AASB 1060.154*

Contingent liabilities

AASB 1060.153

The Group recognised a contingent liability of $380,000 in the course of the acquisition of Extinguishers Limited. The liability resulted 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 early 2026. As at the reporting date, the contingent liability was re-assessed and is determined to be $400,000, based on the expected probable outcome (see Note 21). The charge to profit or loss has been recognised.

27. Related party disclosures

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

AASB 1060.198(a), 198(b), 199, 201

		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	2025	7,115,213	–	620,140	–
	2024	5,975,416	–	550,357	–
Associate	2025	2,900,390	–	551,195	–
	2024	2,100,211	–	582,004	–
Joint venture in which the parent is a venturer	2025	–	590,122	–	30,117
	2024	–	430,076	–	12,437
Key management personnel of the Group	2025	225,213	510,457	–	10,091
	2024	135,421	490,186	–	10,320

* The amounts are classified as trade receivables and trade payables, respectively (see Notes 13 and 20).

AASB 1060.198(a), 198(b), 199, 201

		Interest received	Amounts owed by related parties
Loans to related parties		$	$
Associate	2025	20,055	200,321
	2024	–	–
Key management personnel of the Group	2025	1,020	13,010
	2024	–	8,070

Loan to an associate

The loan granted to the associate is intended to finance acquisition of new machines for the manufacturing of fire prevention equipment. The loan is fully secured and repayable in full on 1 June 2026. Interest is charged at 10%.

Loans to key management personnel

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 based on BBSW plus 0.8%.

Any loans granted are included in financial instruments on the face of the statement of financial position.

Notes to the consolidated financial statements

27. Related party disclosures *continued*

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 2025, the Group recognised a provision for expected credit losses of $3,000 relating to amounts owed by related parties (2024: $1,000). As at 31 December 2025, the allowance for expected credit losses relating to amounts owed by related parties amounted to $8,500 (2024: $5,500).

AASB 1060.198(b)(i), 198(b)(ii)

AASB 1060.198(d)

AASB 1060.198(c)

Commentary on AAS

The disclosure that transactions with related parties are made on terms equivalent to an arm's length transaction is only appropriate if an entity can substantiate such terms. Although AASB 1060.202 does not require such a disclosure, the Group was able to substantiate the terms and therefore has made this statement.

Commitments with related parties

AASB 1060.198, 199, 201

On 1 July 2025, Bright Sparks Limited entered into a two-year agreement ending 30 June 2027 with the associate 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 2026 and $250,000 in the first 6 months of 2027. The purchase price is based on the associate's actual cost plus a 5% margin and will be settled in cash within 30 days of receiving the inventories.

Compensation of key management personnel of the Group

Compensation expense of key management personnel amounted to $603,000 during the year ended 31 December 2025 (2024: $516,000).

AASB 1060.194

Commentary on AAS

AASB 1060.196 requires disclosure of amounts incurred by the Group in relation to the key management personnel services obtained from a separate management entity.

28. Auditor's remuneration

The auditor of Quality Holdings (Australian SDS) Pty Ltd is Ernst & Young, Australia.

	2025	2024	
	$	$	
Fees to Ernst & Young, Australia			
▪ For auditing the statutory financial report of the parent covering the group and auditing the statutory financial reports of any controlled entities	1,050,000	986,000	*AASB 1060.98(a)*
▪ For sustainability assurance services	-	-	*AASB 1060.98(b), 99*
▪ For tax compliance services	37,000	44,000	
	1,087,000	1,030,000	
Fees to other overseas member firms of Ernst & Young, Australia			
▪ For auditing the financial report of any controlled entities	387,000	283,000	*AASB 1060.98(a)*
▪ For tax compliance services	57,000	55,000	*AASB 1060.98(b), 99*
	444,000	338,000	
Total auditor's remuneration	**1,531,000**	**1,368,000**	

29. Events after the reporting period

On 14 January 2026, 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.

AASB 1060.187

On 22 January 2026, the directors of Quality Holdings (Australian SDS) Pty Ltd declared a final dividend on ordinary shares in respect of the 2025 financial year. The total amount of the dividend is $1,087,345 which represents a fully franked dividend of 5.01 cents per share. The dividend has not been provided for in the 31 December 2025 financial statements.

Notes to the consolidated financial statements

30. Information relating to Quality Holdings (Australian SDS) Pty Ltd (the Parent)

The accounting policies of the Parent are the same as those disclosed in Note 2 other than:

Tax consolidation
Quality Holdings (Australian SDS) Pty Ltd and its wholly owned Australian controlled entities are members of a tax-consolidated group under Australian tax law. The Company is the head entity of the tax consolidated group and accounts for its own current and deferred tax amounts. The Group has applied the Group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

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

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned controlled entities.

Investments in subsidiaries, associates and joint ventures
Investments in subsidiaries, associates and joint ventures are accounted for at cost.

	2025 $000	2024 $000	*Reg 2M.3.01(1)(k)*
Current assets	44,183	39,413	*Reg 2M.3.01(1)(a)*
Current liabilities	17,444	20,233	*Reg 2M.3.01(1)(c)*
Total assets	82,946	72,419	*Reg 2M.3.01(1)(b)*
Total liabilities	22,980	25,223	*Reg 2M.3.01(1)(d)*
Ordinary shares	26,668	19,468	*Reg 2M.3.01(1)(e)*
Convertible preference share reserve	228	228	*Reg 2M.3.01(1)(e)*
Treasury shares	(508)	(654)	*Reg 2M.3.01(1)(e)*
Retained earnings	33,357	27,975	*Reg 2M.3.01(1)(e)*
Other components of equity	221	179	*Reg 2M.3.01(1)(e)*
	59,966	**47,196**	*Reg 2M.3.01(1)(e)*
Profit or loss of the Parent	7,771	5,228	*Reg 2M.3.01(1)(f)*
Total comprehensive income of the Parent	8,021	4,971	*Reg 2M.3.01(1)(g)*

Guarantees *Reg 2M.3.01(1)(h)*

Pursuant to *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785*, Quality Holdings (Australian SDS) Pty Ltd and Hose Limited have entered into a deed of cross guarantee on 12 March 2009. Refer to Note 31 for further details.

Contingent liabilities *Reg 2M.3.01(1)(i)*

The Parent has a contingent liability whereby an overseas customer has commenced an action against the Group in respect of equipment claimed to be defective. It has been estimated that the liability, should the action be successful, is $850,000.

Contractual commitments *Reg 2M.3.01(1)(j)*

The Parent has no contractual obligation to purchase any property, plant and equipment at year end (2024: Nil).

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Notes to the consolidated financial statements

31. Closed group disclosures

ASIC CI 2016/785

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

As a condition of the Corporations Instrument, Quality Holdings (Australian SDS) Pty Ltd and Hose Limited (representing the closed group), entered into a deed of cross guarantee on 12 March 2009. The effect of the deed is that Quality Holdings (Australian SDS) Pty Ltd has guaranteed to pay any deficiency in the event of winding up of Hose Limited or if it does not meet its obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee. Hose Limited has also given a similar guarantee in the event that Quality Holdings (Australian SDS) Pty Ltd is wound up or if it does not meet its obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee.

The consolidated statement of profit or loss, consolidated statement of comprehensive income, summary of movements in consolidated retained earnings and consolidated statement of financial position of the entities that are members of the Closed Group are as follows:

	2025 $000	2024 $000
Closed group consolidated statement of profit or loss		
Revenue	85,017	78,583
Cost of sales	(62,506)	(60,443)
Gross profit	**22,511**	**18,140**
Selling and distribution expenses	(5,636)	(6,049)
Administrative expenses	(7,326)	(5,575)
Other operating income	1,793	1,474
Other operating expenses	(1,127)	(237)
Operating profit	**10,215**	**7,753**
Finance costs	(210)	(187)
Finance income	175	112
Share of profit of an associate and a joint venture	671	638
Profit before tax from continuing operations	**10,851**	**8,316**
Income tax expense	(3,253)	(2,292)
Profit for the year from continuing operations	7,598	6,024
Profit/(loss) after tax for the year from discontinued operations	220	(188)
Profit for the year	**7,818**	**5,836**
Closed group consolidated statement of comprehensive income		
Profit for the year	7,818	5,836
Other comprehensive income		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):		
Net loss on cash flow hedges	(27)	(12)
Share of other comprehensive loss of an associate	(30)	–
Other comprehensive income not to be reclassified to profit or loss (net of tax):		
Revaluation of office properties	124	–
Share of other comprehensive income of an associate	30	–
Other comprehensive income, net of tax	**97**	**(12)**
Total comprehensive income for the year, net of tax	**7,915**	**5,824**
Retained earnings at the beginning of the year	25,945	21,709
Profit for the year	7,818	5,836
Cash dividends	(2,389)	(1,600)
Depreciation transfer for office properties	12	–
Retained earnings at the end of the year	**31,386**	**25,945**

Notes to the consolidated financial statements

31. Closed group disclosures *continued*

	2025 $000	2024 $000
Closed group consolidated statement of financial position		
Assets		
Current assets		
Cash and short-term deposits	12,819	5,697
Trade receivables	13,809	18,224
Inventories	8,072	6,993
Prepayments	90	79
	34,790	30,993
Assets classified as held for sale	13,554	–
	48,344	**30,993**
Non-current assets		
Investment in an associate and a joint venture	3,187	2,516
Investment properties	8,893	7,983
Property, plant and equipment	14,443	12,359
Intangible assets	–	58
Non-current financial assets	17,036	8,314
	43,559	**31,230**
Total assets	**91,903**	**62,223**
Liabilities		
Current liabilities		
Trade and other payables	5,783	4,086
Interest-bearing loans and borrowings	516	690
Income tax payable	3,113	2,500
	9,412	7,276
Liabilities directly associated with assets classified as held for sale	13,125	–
	22,537	**7,276**
Non-current liabilities		
Interest-bearing loans and borrowings	8,472	8,360
Deferred tax liabilities	2,312	1,189
	10,784	**9,549**
Total liabilities	**33,321**	**16,825**
Net assets	**58,582**	**45,398**
Equity		
Ordinary shares	26,668	19,468
Convertible preference share reserve	228	228
Treasury shares	(508)	(654)
Retained earnings	31,386	25,945
Other components of equity	762	411
Reserves of a disposal group held for sale	46	–
Total equity	**58,582**	**45,398**

Directors' declaration

for the year ended 31 December 2025

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

In the opinion of the Directors:

a. the financial statements and notes of the Company and its subsidiaries (collectively the Group) are in accordance with the *Corporations Act 2001*, including: *CA 295(4)(d)(i), 295(4)(d)(ii)*

   i. giving a true and fair view of the Group's financial position as at 31 December 2024 and of its performance for the year then ended on that date; and

   ii. complying with *Australian Accounting Standards – Simplified Disclosures* and the *Corporations Regulations 2001*;

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

c. as at the date of this declaration, there are reasonable grounds to believe that the Company and the subsidiary identified in Note 31 to the financial statements, will be able to meet any obligations or liabilities to which they are or may become subject to, by virtue of the Deed of Cross Guarantee between the Company and the subsidiary. *ASIC CI 2016/785*

On behalf of the Board

T Hannah *CA 295(5)(c)*

T. Hannah
Director
Sydney

6 February 2026 *CA 295(5)(b)*

Appendix 1 – Consolidated statement of profit or loss and other comprehensive income (example of a single statement)

for the year ended 31 December 2025

Commentary on AAS

The Group presents the statement of profit or loss and statement of comprehensive income in two separate statements. For illustrative purposes, the statement of profit or loss and OCI is presented as a single statement in this Appendix.

AASB 1060.25(b)(i), 28, 29, 49(a), 51

	Note	2025 $000	2024 $000 Restated (Note 2.5)	
				AASB 1060.92
Continuing operations				
Revenue from contracts with customers	4	179,058	159,088	
Rental income from investment properties	16, 18	1,404	1,377	
Revenue		**180,462**	**160,465**	*AASB 1060.52(a)*
Cost of sales	14	(136,569)	(128,386)	*AASB 1060.58(b)*
Gross profit		**43,893**	**32,079**	
Selling and distribution expenses		(14,001)	(12,964)	*AASB 1060.58(b)*
Administrative expenses		(18,290)	(12,011)	*AASB 1060.58(b)*
Other operating income	9.1	2,435	2,548	
Other operating expenses	9.2	(2,554)	(353)	
Operating profit		**11,483**	**9,299**	
Finance costs	9.3	(1,366)	(1,268)	*AASB 1060.52(b)*
Finance income		202	145	*AASB 1060.119(b)*
Share of profit of an associate and a joint venture	7, 8	671	638	*AASB 1060.52(c)*
Other income	9.4	98	66	
Profit before tax from continuing operations		**11,088**	**8,880**	
Income tax expense	11	(3,092)	(2,233)	*AASB 1060.52(d)*
Profit for the year from continuing operations		**7,996**	**6,647**	
Discontinued operations				
Profit/(loss) after tax for the year from discontinued operations	10	220	(188)	*AASB 1060.52(e)*
Profit for the year		**8,216**	**6,459**	*AASB 1060.52(f)*
Other comprehensive income				
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:				
Net gain on hedge of net investment	15.3	278	–	*AASB 1060.52(g)(ii)*
Exchange differences on translation of foreign operations		(246)	(117)	*AASB 1060.180(b)*
Net gain/(loss) on cash flow hedges	15.3	(883)	34	
Net change in costs of hedging	15.3	(32)	–	
Net loss on debt instruments at fair value through other comprehensive income		(21)	(1)	
Share of other comprehensive loss of an associate		(30)	–	*AASB 1060.52(h)*
Income tax effect relating to the components of other comprehensive income	11	198	(10)	
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods		**(736)**	**(94)**	

Appendix 1 – Consolidated statement of profit or loss and other comprehensive income (example of a single statement) *continued*

	Note	2025 $000	2024 $000 Restated (Note 2.5)	
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:				*AASB 1060.52(g)(i)*
Net gain/(loss) on equity instruments designated at fair value through other comprehensive income		(26)	10	*AASB 1060.119(a)(v)*
Remeasurement gain/(loss) on defined benefit plans	22	367	(390)	
Revaluation of office properties	17	846	–	
Share of other comprehensive income of an associate		30	–	*AASB 1060.52(h)*
Income tax effect relating to the components of other comprehensive income	11	(356)	114	
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods		**861**	**(266)**	
Other comprehensive income/(loss) for the year, net of tax		**125**	**(360)**	
Total comprehensive income for the year, net of tax		**8,355**	**6,099**	*AASB 1060.52(i)*
Profit attributable to:				
Equity holders of the parent		7,942	6,220	*AASB 1060.53(a)(ii)*
Non-controlling interests		288	239	*AASB 1060.53(a)(i)*
		8,230	**6,459**	
Total comprehensive income attributable to:				
Equity holders of the parent		8,067	5,860	*AASB 1060.53(b)(ii)*
Non-controlling interests		288	239	*AASB 1060.53(b)(i)*
		8,341	**6,099**	

Appendix 2 – Consolidated statement of profit or loss (example of expenses disclosed by nature)

for the year ended 31 December 2025

Commentary on AAS

The Group presents the statement of profit or loss disclosing expenses by function. For illustrative purposes, the statement of profit or loss disclosing expenses by nature is presented in this Appendix.

	Note	2025 $000	2024 $000 Restated (Note 2.5)	*AASB 1060.25(b)(ii), 28, 29, 49(b)*
Continuing operations				
Revenue from contracts with customers	4	179,058	159,088	
Rental income	16, 18	1,404	1,377	
Revenue		**180,462**	**160,465**	*AASB 1060.52(a), 54*
Changes in inventories of finished goods and work in progress		(1,133)	(3,342)	*AASB 1060.58(a)*
Raw materials and consumables used		(129,422)	(116,900)	
Employee benefits expense		(33,749)	(29,151)	
Depreciation and amortisation	17, 18, 19	(4,356)	(3,667)	
Impairment of non-current assets	19	(200)	(301)	
Other operating income	9.1	2,435	2,548	
Other operating expenses	9.2	(2,554)	(353)	
Finance costs	9.3	(1,366)	(1,268)	*AASB 1060.52(b), 54*
Finance income		202	145	*AASB 1060.119(b)*
Share of profit of an associate and a joint venture	7, 8	671	638	*AASB 1060.52(c), 54*
Other income	9.4	98	66	
Profit before tax from continuing operations		**11,088**	**8,880**	
Income tax expense	11	(3,092)	(2,233)	*AASB 1060.52(d), 54*
Profit for the year from continuing operations		**7,996**	**6,647**	
Discontinued operations				
Profit/(loss) after tax for the year from discontinued operations	10	220	(188)	*AASB 1060.52(e), 54*
Profit for the year		**8,216**	**6,459**	*AASB 1060.52(f), 54*

Appendix 3 – Statement of income and retained earnings

for the year ended 31 December 2024

Commentary on AAS

The Group presents separately a statement of comprehensive income and a statement of changes in equity. For illustrative purposes, a single statement of income and retained earnings is presented in this Appendix. If the only changes to equity during the periods for which financial statements are presented arise from profit or loss, payment of dividends, corrections of prior period errors, and changes in accounting policy, the entity may present a single statement of income and retained earnings in place of the statement of comprehensive income and statement of changes in equity as permitted by AASB 1060.26.

	2025	**2024**	
	$000	**$000 Restated**	*AASB 1060.26, 28, 29 62*
Continuing operations			
Revenue from contracts with customers	XXX	XXX	
Rental income	XXX	XXX	
Revenue	**XXX**	**XXX**	*AASB 1060.52(a)*
Cost of sales	XXX	XXX	*AASB 1060.58(b)*
Gross profit			
Selling and distribution expenses	XXX	XXX	*AASB 1060.58(b)*
Administrative expenses	XXX	XXX	*AASB 1060.58(b)*
Other operating income	XXX	XXX	
Other operating expenses	XXX	XXX	
Operating profit	**XXX**	**XXX**	
Finance costs	XXX	XXX	*AASB 1060.52(b)*
Finance income	XXX	XXX	*AASB 1060.119(b)*
Share of profit of an associate and a joint venture	XXX	XXX	*AASB 1060.52(c)*
Other income	XXX	XXX	
Profit before tax	**XXX**	**XXX**	
Income tax expense	XXX	XXX	*AASB 1060.52(d)*
Profit for the year from continuing operations			
Discontinued operations			
Profit/(loss) after tax for the year from discontinued operations	XXX	XXX	*AASB 1060.52(e)*
Profit for the year	**XXX**	**XXX**	*AASB 1060.27, 52(i)*
Retained earnings at start of year	XXX	XXX	*AASB 1060.63(a)*
Adjustment on correction of error (net of tax)	XXX	XXX	*AASB 1060.63(c)*
Dividends	XXX	XXX	*AASB 1060.63(b)*
Retained earnings at end of year	**XXX**	**XXX**	*AASB 1060.61(c), 63(e)*

Appendix 4 – Consolidated statement of cash flows (example of the indirect method)

for the year ended 31 December 2025

Commentary on AAS

AASB 1060.70 allows entities to report cash flows from operating activities using either the direct or indirect methods. The Group presents cash flows using the direct method. For illustrative purposes, the statement of cash flows prepared using the indirect method for operating activities is presented in this Appendix.

AASB 1060.25(d), 28, 29, 66

	Note	2025 $000	2024 $000 Restated (Note 2.5)	
Operating activities				*AASB 1060.70(a), 92*
Profit before tax from continuing operations		11,088	8,880	
Profit/(loss) before tax from discontinued operations	10	213	(193)	
Profit before tax		11,301	8,687	
Adjustments to reconcile profit before tax to net cash flows:				*AASB 1060.71(b)*
Depreciation and impairment of property, plant and equipment and right-of-use assets	17, 18	4,341	3,794	
Amortisation and impairment of intangible assets	19	325	174	
Equipment received from customers		(190)	(150)	
Share-based payment expense	25	412	492	
Decrease in fair value of investment properties	16	306	300	
Net foreign exchange differences		(365)	(240)	*AASB 1060.81*
Gain on disposal of property, plant and equipment		(532)	(2,007)	*AASB 1060.71(c)*
Fair value adjustment of a contingent consideration	6	358	–	
Finance income		(202)	(145)	
Finance costs	9.3	1,366	1,268	
Other income	9.4	(98)	(66)	
Net loss on derivative instruments at fair value through profit or loss	9.1, 9.2	652	–	
Share of profit of an associate and a joint venture	7, 8	(671)	(638)	
Movements in provisions, pensions and government grants		(815)	(65)	*AASB 1060.71(c)*
Working capital changes:				*AASB 1060.71(a)*
Decrease/(increase) in trade receivables, contract assets and prepayments		(7,102)	2,431	
Decrease in inventories and right of return assets		1,129	1,111	
Increase in trade and other payables, contract liabilities and refund liabilities		4,511	2,530	
		14,726	17,476	
Interest received		250	221	*AASB 1060.82*
Interest paid		(1,067)	(1,173)	*AASB 1060.82*
Income tax paid		(2,935)	(3,999)	*AASB 1060.85*
Net cash flows from operating activities		**10,974**	**12,525**	
Investing activities				*AASB 1060.68, 74*
Proceeds from sale of property, plant and equipment		1,990	2,319	
Purchase of property, plant and equipment	17	(10,167)	(7,581)	
Purchase of investment properties	16	(1,216)	(1,192)	
Purchase of financial instruments		(272)	(225)	
Proceeds from sale of financial instruments		328	145	
Development expenditures	19	(587)	(390)	
Acquisition of a subsidiary, net of cash acquired	6	230	(1,450)	
Receipt of government grants	23	2,951	642	
Net cash flows used in investing activities		**(6,743)**	**(7,732)**	

Appendix 4 – Consolidated statement of cash flows (example of the indirect method) *continued*

	Note	2025 $000	2024 $000	
Financing activities				*AASB 1060.69, 74*
Proceeds from exercise of share options		175	200	
Acquisition of non-controlling interests		(325)	–	
Transaction costs on issue of shares		(32)	–	
Payment of principal portion of lease liabilities		(406)	(341)	
Proceeds from borrowings		5,649	4,871	
Repayment of borrowings		(2,032)	(4,250)	
Dividends paid to equity holders of the parent		(1,979)	(1,600)	*AASB 1060.82*
Dividends paid to non-controlling interests		(30)	(49)	
Net cash flows from/(used in) financing activities		**1,020**	**(1,169)**	
Net increase in cash and cash equivalents		5,2511	3,624	
Net foreign exchange difference		339	326	*AASB 1060.81*
Cash and cash equivalents at 1 January		12,266	8,316	
Cash and cash equivalents at 31 December	12	**17,856**	**12,266**	

Commentary on AAS

The Group has reconciled profit before tax to net cash flows from operating activities. However, reconciliation from profit after tax is also acceptable.

AASB 1060.83 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.

Certain working capital adjustments and other adjustments included in the statement of cash flows, reflect the change in balances between 2025 and 2024, including the 2025 balances of the discontinued operations grouped in line-items "assets classified as held for sale" and "liabilities directly associated with the assets classified as held for sale".

Appendix 5 – Illustrative disclosure about Pillar Two taxes

Commentary on AAS

As the Group's consolidated revenues are less than EUR 750 million, it is not in the scope of the Pillar Two model rules. Therefore, neither the mandatory recognition and disclosure exception nor the disclosure requirements in AASB 1060.178A-178B apply to the Group. If the Group had annual revenues in excess of EUR 750 million and Pillar Two model rules were (substantively) enacted in some or all of the jurisdictions it operates, additional disclosures related to Pillar Two income taxes would be required in Note 11.

Due to the complexity of the Pillar Two rules, there may be multiple variations of appropriate disclosures available. This appendix illustrates two alternative scenarios, depending on whether there is a current period tax expense.

Scenario 1: Impact to current tax

AASB 1060.9(a)
AASB 1060.176
AASB 1060.178A
AASB 1060.178B

The Organisation for Economic Co-operation and Development (OECD)/G20 Inclusive Framework on Base Erosion and Profit Shifting previously published the Pillar Two model rules designed to address the tax challenges arising from the digitalisation of the global economy, including the implementation of a global minimum tax.

The Group has a presence in jurisdictions that have enacted, or substantively enacted, legislation in relation to the OECD/G20 BEPS Pillar Two model rules. The enacted, or substantively enacted, rules apply to fiscal years commencing on or after 1 January 2025. Income tax expense recognised in the consolidated statement of profit or loss in 2025 includes $XXX related to Pillar Two current income taxes.

The temporary exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes has been applied.

Scenario 2: No impact to current tax

The Group has a presence in jurisdictions that have enacted [or substantively enacted] legislation in relation to the OECD/G20 BEPS Pillar Two model rules. The enacted [or substantively enacted] rules apply to fiscal years commencing on or after 1 January 2025. There is no current tax impact for the fiscal year ended 31 December 2025.

The temporary exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes has been applied.

Appendix 6 – Consolidated entity disclosure statement

Commentary on Corporations Act

All public companies are required to prepare a consolidated entity disclosure statement to the extent they are required to prepare a financial report under Part 2M.3 of the *Corporations Act 2001*. A public company is any company that is not a proprietary company or a corporate collective investment vehicle (CCIV). As such includes public companies limited by shares, limited by guarantee, unlimited by shares and no liability companies.

This appendix illustrates the disclosures required for a public company, both when consolidated or stand-alone financial statements are prepared. Where a consolidated entity disclosure statement is prepared, the Directors' Declaration also includes an additional opinion on whether the consolidated entity disclosure statement is true and correct.

Where consolidated financial statements are prepared

as at 31 December 2025

CA 295(3A)(a)(i)
CA 295(3A)(a)(ii)
CA 295(3A)(a)(iv)
CA 295(3A)(a)(v)
CA 295(3A)(a)(vi)
CA 295(3A)(a)(vii)

Entity name	Entity type	Body corporate country of incorporation	Body corporate % of share capital held	Countries of tax residence
Quality Holdings (Australian SDS) Pty Ltd	Body corporate	Australia		Australia
Extinguishers Limited	Body corporate	Australia	80	Australia
Bright Sparks Limited	Body corporate	Australia	95	Australia
Fire Equipment Test Lab Limited	Body corporate	Australia	100	Australia
Wireworks Inc.	Body corporate	United States	98	United States
Sprinklers Inc.	Body corporate	United States	100	United States
Lightbulbs Limited	Body corporate	Australia	87.4	Australia
Hose Limited (i)	Body corporate	Australia	100	Australia, United States
Electronics Limited	Body corporate	Australia	48	Australia

- (i) Trustee of a trust in the consolidated entity.

CA 295(3A)(a)(iii)

Where consolidated financial statements are not prepared

Disclosure of subsidiaries and their country of tax residency, as required by the *Corporations Act 2001*, does not apply to the company as the company is not required by accounting standards to prepare consolidated financial statements. *CA 295(3A)(b)*

Directors' declaration (additional wording)

In accordance with a resolution of the directors of Quality Holdings (Australia) Limited (the Company), I state that:

1. In the opinion of the directors:

   a. ..

   c. the consolidated entity disclosure statement required by section 295(3A) of the *Corporations Act 2001* is true and correct; and *CA 295(4)(da)*

Appendix 7 – Australian reporting requirements

Preparation of financial reports

The table below provides a summary of reporting requirements for different types of entities. Note however, there are separate requirements for:

- Country-by-country reporting entities that are otherwise not required to lodge financial statements with ASIC. Tax legislation requires general purpose financial statements (GPFS) to be provided to the ATO. For more information on the requirements, see our publication *Significant Global Entity (April 2022)*.
- Entities being wound up or under external administration. Such entities may be able to obtain exemptions from or deferral of financial reporting obligations, refer *ASIC Corporations (Externally-Administered Bodies) Instrument 2025/584*.
- Not-for-profit body corporates registered under the ACNC Act, unless a borrower in relation to debentures at the end of the year.

Type of entity	Financial reporting+	Complying with reporting requirements		
		Chapter 2M of Corporations Act 2001 s292(1)	ASX listing rules	Other
Disclosing entities*				
Listed company	✓	✓	✓	
Listed registered scheme	✓	✓	✓	✓ Investment and Financial Services Association (IFSA) standards may be applicable
Listed retail corporate collective investment vehicle (CCIV)$	✓	✓	✓	
Unlisted disclosing entity	✓	✓		
Non-disclosing entities				
Public company:				
• Small company limited by guarantee (under member/ASIC direction)#	✓	Subject to member/ASIC direction		
• Small company limited by guarantee (no direction)#	×			
• Other public companies	✓^	✓		
Unlisted registered scheme	✓	✓		✓ IFSA standards may be applicable
CCIV				
• Unlisted retail CCIV$	✓	✓		
• Wholesale corporate CCIV	×			
Proprietary company				
• Large proprietary company	✓^	✓		
• Foreign controlled (for all or part of the year) small proprietary company (not consolidated in financial statements lodged with ASIC)	✓^~	✓		
• Small proprietary (under member/ASIC direction)	✓	Subject to member/ASIC direction		
• Small proprietary company with crowd sourced funding (CSF) shareholders	✓	✓		
• Other small proprietary companies	×			

\+ For-profit private sector entities that are required by legislation to prepare financial statements that comply with either AAS or accounting standards must prepare GPFS. Refer Appendix 8 for the differential reporting framework that exists in Australia for GPFS and for further information regarding entities with non-legislative requirements to prepare financial statements.

$ A CCIV is a type of company limited by shares that is used for funds management. The reporting requirements do not apply to the CCIV itself but to each of its sub-funds.

* A disclosing entity incorporated or formed outside Australia does not need to comply with Chapter 2M of the *Corporations Act 2001* unless it is a registered scheme.

\# Small companies limited by guarantee have revenue less than $250,000 and are not deductible gift recipients for the financial year.

^ Certain public, large and small proprietary companies may be eligible for relief from preparing a financial report in limited circumstances. Refer *ASIC Corporations (Wholly-owned Entities) Instrument 2016/785*.

~ Foreign controlled small proprietary companies that are not consolidated for the period of foreign control in financial statements lodged with ASIC may be eligible for relief from preparing a financial report in limited circumstances. Refer *ASIC Corporations (Foreign-Controlled Company Reports) Instrument 2017/204*.

Appendix 7 – Australian reporting requirements *continued*

Reporting deadlines – AGMs, issuance and lodgement of reports

Where an entity is required to prepare a financial report as per the table on the previous page, the following deadlines apply with respect to holding annual general meetings (AGMs), issuing the annual report to members and lodging reporting requirements with the ASX or ASIC.

Please note that where reporting deadlines fall on a weekend (and some public holidays), where the deadlines arise under the:

- *Corporations Act 2001*, the deadline is moved to the next day that is not a weekend (or a specified public holiday)
- ASX Listing Rules, the deadline is moved to the preceding business day (as declared by the ASX)

Disclosing entities

<table>
<tr><th>Type of entity</th><th>Date of AGM
CA 250N</th><th>Notice of AGM
CA 249H, 249HA</th><th>Issue annual report to members
CA 315</th><th>Lodge reports with ASX
ASX 4.2A, 4.2B, 4.2C, 4.3A, 4.3B, 4.3C, 4.5</th><th>Lodge reports with ASIC
CA 319, 320</th></tr>
<tr><td>Listed company</td><td>Within 5 months after the end of the financial year</td><td>At least 28 days before the AGM*</td><td>Earlier of 21 days before the AGM, or 4 months after the end of the financial year</td><td rowspan="3">Lodge Annual report when it is lodged with ASIC. In any event within 3 months after the end of the financial year
Lodge Appendix 4E immediately when it becomes available and no later than when the annual report is lodged with ASIC. In any event within 2 months after the end of the financial year#
Lodge Half-year report and Appendix 4D immediately when they become available and no later than when the half-year report is lodged with ASIC. In any event within 2 months after the end of the half-year+</td><td rowspan="3">Note, lodgement with ASX represents lodgement with ASIC
Annual report within 3 months after the end of the financial year
Half-year report within 75 days after the end of the half-year</td></tr>
<tr><td>Listed registered scheme</td><td rowspan="2">-</td><td rowspan="2">-</td><td rowspan="2">Within 3 months after the end of the financial year</td></tr>
<tr><td>Listed retail CCIV</td></tr>
<tr><td>Unlisted public company</td><td>Within 5 months after the end of the financial year</td><td>At least 21 days before the AGM*</td><td>Earlier of 21 days before the AGM, or 4 months after the end of the financial year</td><td rowspan="4">-</td><td rowspan="4">Annual report within 3 months after the end of the financial year
Half-year report within 75 days after the end of the half-year</td></tr>
<tr><td>Unlisted registered scheme</td><td rowspan="3">-</td><td rowspan="3">-</td><td rowspan="3">Within 3 months after the end of the financial year</td></tr>
<tr><td>Unlisted retail CCIV</td></tr>
<tr><td>Unlisted proprietary company</td></tr>
</table>

* If a company has a constitution, it may specify a longer minimum period of notice. An unlisted company may also call an AGM upon shorter notice, provided all members entitled to attend agree in advance, and no resolution will be moved to remove a director under CA 203D, appoint a director as a replacement of another under that same section, or remove an auditor under CA 329. For a listed company 28 days' notice is required for all members' meetings unless a longer period is specified in the Company's constitution.

\# The requirements to prepare and lodge an Appendix 4E do not apply to mining exploration entities or oil and gas exploration entities.

\+ Mining and exploration entities and oil and gas exploration entities are not required to prepare and lodge an Appendix 4D, but the half year report must be lodged within 75 days.

Appendix 7 – Australian reporting requirements *continued*

Non-disclosing entities

Type of entity	Date of AGM CA 250N	Notice of AGM CA 249H, 249HA	Issue annual report to members CA 315, 294, 316A	Lodge reports with ASIC CA 319, 320
Public company				
▪ Small company limited by guarantee (under member direction)§	Within 5 months after the end of the financial year	At least 21 days before the AGM*	If a member direction is given after the end of the financial year the Company must send copies of the report to each member who has elected to receive the report by the later of 2 months after the date of the direction and 4 months after the end of the financial year	-
▪ Small company limited by guarantee (under ASIC direction)§			In accordance with the terms of the direction	In accordance with the terms of the direction
▪ Other public companies§			Earlier of 21 days before the AGM, or 4 months after the end of the financial year	Within 4 months after the end of the financial year
Unlisted registered scheme	-	-	Within 3 months after the end of the financial year	Within 3 months after the end of the financial year
Unlisted retail CCIV				
Proprietary company				
▪ Large proprietary company	-	-	Within 4 months after the end of the financial year	Within 4 months after the end of the financial year
▪ Foreign controlled small proprietary company				
▪ Small proprietary company (under ASIC direction)			In accordance with the terms of the direction	In accordance with the terms of the direction
▪ Small proprietary company (under member direction)			If member direction is given after the end of the financial year the Company must report to the members by the later of 2 months after the date of the direction and 4 months after the end of the financial year	-
▪ Small proprietary company with CSF shareholders			Within 4 months after the end of the financial year#	Within 4 months after the end of the financial year

§ A public company that has only one member is not required to hold an AGM. Also, for certain eligible public companies making crowd-sourced funding offers temporary concessions exist from the AGM, audit and reporting requirements of the *Corporations Act 2001*. Refer ASIC RG 261 *Crowd-sourced funding: Guide for companies*.

* If a company has a constitution, it may specify a longer minimum period of notice. An unlisted company may also call an AGM upon shorter notice, provided all members entitled to attend agree in advance, and no resolution will be moved to remove a director under CA 203D, appoint a director as a replacement of another under that same section, or remove an auditor under CA 329.

\# A small proprietary company that CSF shareholders, only needs to make a copy of its annual reports readily accessible on its website and does not need to notify shareholders of alternative ways to receive the reports.

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Appendix 7 – Australian reporting requirements *continued*

Rounding off of amounts

The table below outlines the rounding factors specified in the *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* based on the total assets of an entity. These rounding factors determine the extent to which amounts can be rounded off in eligible reports, subject to certain exceptions.

Rounding	Total assets in its (consolidated) balance sheet at the end of the relevant period
$1	Less than $10,000,000
$1,000	More than $10,000,000 and not more than $1,000,000,000
$100,000	More than $1,000,000,000 and not more than $10,000,000,000
$1,000,000	More than $10,000,000,000

Exceptions

The following quantitative disclosures are required to be rounded to the nearest dollar ($1), where the total assets of the entity are not more than $1,000,000,000, or nearest thousand dollars ($1,000), where the total assets are more than $1,000,000,000:

- Indemnities given and insurance premiums paid during or since the end of the year for an officer or an auditor [CA 300(1)(g), (8), (9)]
- Fees for non-audit services [CA 300(11B), (11C)]*
- For a registered scheme, the fees paid to the responsible entity and its associates out of scheme property during the financial year [CA 300(13)(a)]
- Remuneration for key management personnel [CA 300A(1)(c), 1(e)]*
- Expenses relating to share-based payment arrangements and liabilities arising from such arrangements [AASB 1060.168]
- Auditor's remuneration [AASB 1060.98]
- Compensation of key management personnel [AASB 1060.194 and 196]
- Transactions and outstanding balances with related parties [AASB 1060.198 and 199]

Further, the following quantitative disclosures are required to be rounded to the nearest:

- 1 cent:
  - Issue price and amounts paid/unpaid on the exercise of options [CA 300(6)(c), 7(d) and 7(e)]
  - Weighted average exercise price of share options outstanding at the beginning of the period, forfeited, exercised or expired during the period, outstanding at the end of the period, and exercisable at the end of the period [AASB 1060.164]
- 1/10th of 1 cent:
  - Earnings per shares disclosed in accordance with paragraphs 66 to 69 of AASB 133 *Earnings per Share**

* Such disclosures are not relevant for Quality Holdings (Australia SDS) Pty Ltd.

Appendix 8 – Differential reporting framework

Tiers of AAS

AASB 1053 *Application of Tiers of Australian Accounting Standards* creates two tiers of reporting requirements for preparing general purpose financial statements (GPFS). Entities are classified, for financial reporting purposes, as either:

- Tier 1: on the basis that they are "publicly accountable" or are a government entity

Or

- Tier 2: on the basis that they are not "publicly accountable"

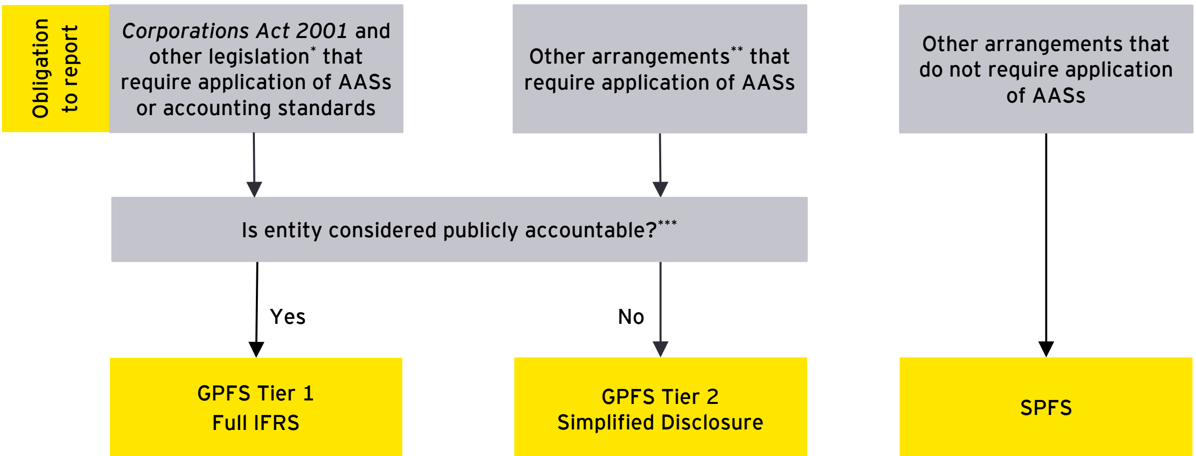
Tier 1 entities must prepare general purpose financial statements that comply with AAS that are equivalent to IFRSs issued by the IASB and include requirements that are specific to Australian entities. For-profit entities will be able to make an unreserved statement of compliance with IFRS.

Tier 2 comprises the recognition and measurement requirements of Tier 1 but substantially reduced disclosure requirements. The presentation requirements for the financial statements under SDS are the same as in Tier 1, except for two matters. SDS does not require a third statement of financial position in circumstances required by Tier 1. Further, SDS gives a choice of presenting a single statement of income and retained earnings in place of the statement of comprehensive income and statement of changes in equity if the only changes to equity arise from profit or loss, payment of dividends, corrections of prior period errors, and changes in accounting policies. Where reduced disclosures have been adopted, the financial statements will not be IFRS Accounting Standard compliant and cannot be described as complying with IFRS Accounting Standards as issued by the IASB.

Refer to our *Quality Holdings (Australia) Limited* publication, an illustrative financial report for companies preparing Tier 1 general purpose financial statements.

For-profit private sector entities

Below is a diagram that shows the application of the tiers of financial reporting for for-profit private sector entities under the revised AASs:



* *Includes Commonwealth, State and Territory legislation*

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

*** *An entity that is not publicly accountable has the option to use either Tier 1 or Tier 2 reporting requirements in preparing general purpose financial statements*

For-profit public sector entities and not for-profit entities

Public sector entities are generally required to prepare GPFS and in accordance with AASB 1053 these may be Tier 1 or Tier 2 GPFS depending on the entity.

Not-for-profit entity reporting requirements depend on the type of entity and its constitution, whether it is an Australian registered charity, the entity's size, amongst other factors.

Where an entity elects or is required to prepare GPFS (Tier 2) these will also comply with AASB 1060. An entity may apply GPFS (Tier 1), but not-for-profit and public sector entities may not be able to make a statement of compliance with IFRS Accounting Standards. Careful consideration of all reporting requirements should be considered before preparing financial statements.

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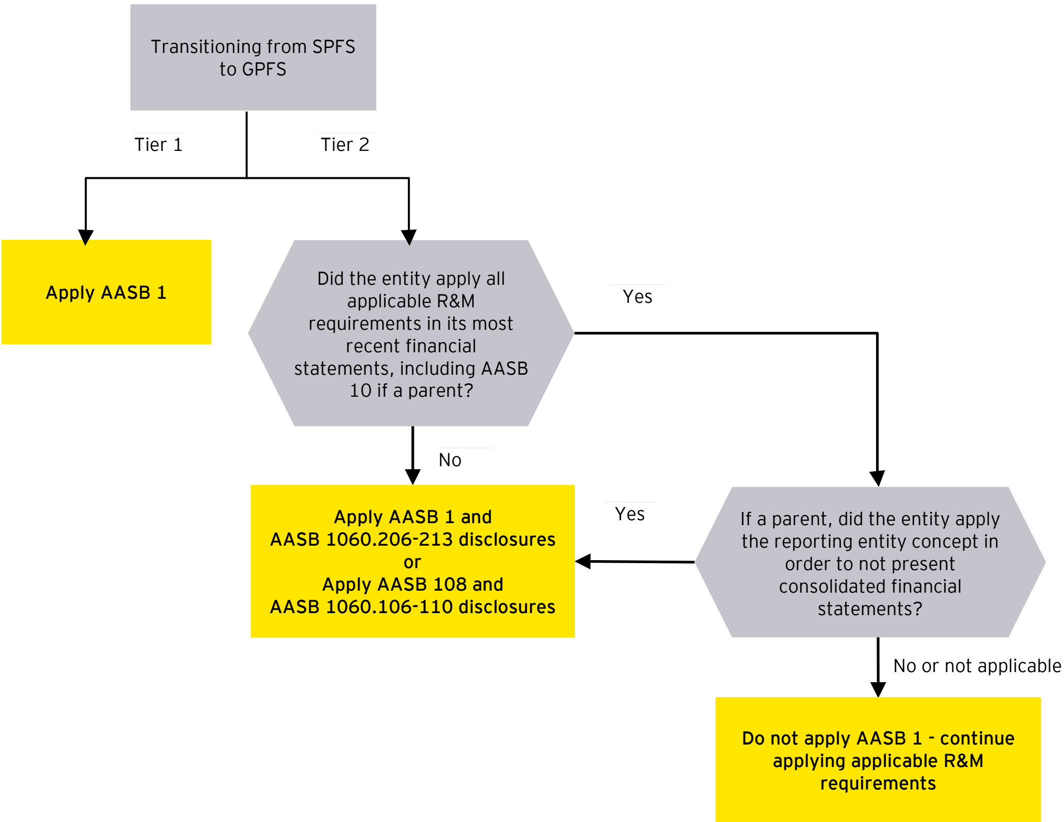
Appendix 8 – Differential reporting framework *continued*

Transitioning from SPFS to GPFS (Tier 2) reporting requirements

For entities that have been preparing SPFS (for example, because they were grandfathered from the new requirements when introduced in 2021 or they were not required to comply with AASs in previous periods), an assessment of the extent of the entity's compliance with all recognition and measurement requirements (including consolidation) of AASs will need to be made before any transition to GPFS is made[1].

For-profit entities transitioning from SPFS to GPFS (Tier 2) reporting requirements for the first-time (for a period beginning on or after 1 July 2022) should refer to the following decision tree to determine the basis on which any changes to accounting policies should be recognised and other relief that may be available:



[1] Refer to our publication *For-profit entities moving from SPFS to GPFS* for the choices available for for-profit entities transitioning from SPFS to GPFS.

Appendix 8 – Differential reporting framework *continued*

As noted above, when preparing a GPFS (Tier 2) report that applies SDS for the first time, an entity that has not previously complied with the recognition and measurement requirements of AASs (including consolidation) in full may adopt SDS through application of either AASB 1 *First-time Adoption of Australian Accounting Standards* or AASB 108. Below is a comparison of the two approaches:

AASB 1	AASB 108
Overview	
The fundamental principle of AASB 1 is to require full retrospective application of the standards in force at the end of an entity's first full AAS reporting period, but with limited exceptions for the opening restated statement of financial position. AASB 1 requires a first-time adopter to use the same accounting policies in its opening restated statement of financial position and for all periods presented in its first full AAS financial statements. Retrospective application has its challenges and as a consequence when AASB 1 was developed a number of mandatory and voluntary exemptions were introduced to assist in the adoption of full AAS. The requirement to apply the same accounting policies to all periods also prohibits a first-time adopter from applying previous versions of standards that were effective at earlier dates. Unless the exceptions apply, in preparing its opening restated statement of financial position, an entity should: a. Recognise all assets and liabilities if recognition is required by full AAS b. Not recognise assets or liabilities if full AAS do not permit it c. Reclassify items recognised under previous GAAP as one type of asset, liability or component of equity, but are a different type of asset, liability or component of equity in accordance with full AAS d. Measure all recognised assets and liabilities by applying full AAS	If an entity chooses not to apply AASB 1, it must retrospectively restate its financial statements in accordance with AASB 108 as if it always applied the recognition and measurement requirements of AAS. AASB 108 generally requires a change in accounting policy to be applied retrospectively, that is applied to transactions, other events and conditions as if it had always been applied, unless the change in accounting policy arises from the initial application of a Standard that contains specific transitional provisions or retrospective application is impracticable. Similarly, errors should be retrospectively corrected unless impracticable.

Commentary on AAS

The retrospective application requirements of AASB 108 may be challenging (and hence not an option) where an entity has not maintained compliance with the recognition and measurement requirements of AAS and retrospective application of Standards requires information potentially not obtained at the time the transaction occurred. In addition, if an entity adopted AASB 1 back in 2005 when Australia first transitioned to IFRS and applied exemptions from retrospective application, it may be difficult to retrospectively apply today. However, where an entity has been complying with the recognition and measurement requirements of all AAS, then transitions may simply require an increase in disclosures.

Relief available when preparing a GPFS (Tier 2) report that applies SDS for the first-time*

* *Optional relief was available for for-profit private sector entities and not-for-profit entities, however such relief was only available, in certain circumstances, when SDS was applied for reporting periods beginning before 1 July 2022. Refer Quality Holdings (Australian SDS) Pty Ltd financial report for 30 December 2022 for further information.*

Appendix 9 – Illustrative transition disclosures when moving from SPFS to SDS in the current year

Commentary on AAS

For the Group this is not the first-year of adoption SDS. For illustrative purposes, this Appendix presents illustrative transition disclosures where recognition and measurements adjustments were required based on the following scenarios.

The entity previously prepared SPFS and adopts SDS through application of:

- Scenario 1: AASB 1
- Scenario 2: AASB 108.

Scenario 1: The entity previously prepared SPFS and adopts SDS through application of AASB 1

xx. Explanation of transition to SDS

Commentary on AAS

This note to the financial statements illustrates one way in which an entity might choose to set out an explanation of its transition to AAS. This example is not intended to, and does not, illustrate every potential first-time adoption adjustment that entities may have to disclose.

On transition to SDS, an entity is required to provide certain reconciliations from its previously reported financial information to that recognised on transition. To the extent an entity becomes aware of errors made in its most recent SPFS, such reconciliations shall, to the extent practicable, distinguish those adjustments arising from the correct of errors from any adjustments arising from changes in accounting policies. This scenario assumes no errors have been identified on transition.

These general purpose financial statements for the year ended 31 December 2025, are the first the Group has prepared complying with *Australian Accounting Standards – Simplified Disclosures*. The Group has been preparing special purpose financial statements for periods up to and including the year ended 31 December 2024.

The Group changed its accounting policies on 1 January 2025 to comply with SDS. The transition is accounted for in accordance with AASB 1 *First-time Adoption of Australian Accounting Standards*, with 1 January 2024 as the date of transition. An explanation of how the transition from previous SPFS to a GPFS (Tier 2) report complying with SDS has affected its reported financial position, financial performance and cash flows of the Group is set out in this note. *AASB 1060.208*

Consolidation *AASB 1060.210(a)*

Historically, the Group has prepared separate special purpose financial statements on the basis that the Group was not considered a reporting entity and therefore did not consolidate its subsidiaries. To determine the consolidated opening balances as at 1 January 2024, the Group has applied the relief in AASB 1 and has elected to not retrospectively apply AASB 3 *Business Combinations* on business combinations that occurred prior to 1 January 2024. Instead the Group has recognised the subsidiaries' assets and liabilities in the consolidated financial statements at the amounts recognised in the subsidiaries' financial statements and the deemed cost of goodwill has been recognised as the difference between:

i. The parent's interest in those carrying amounts; and

ii. The cost in the parent's separate financial statements of its investment in the subsidiaries.

To the extent a subsidiary's net assets exceeds the carrying amount of the investment, an adjustment has been recognised in retained earnings.

Annual leave

Historically, annual leave was recognised at the amounts expected to be paid to settle the obligation including associated on-costs. Under AAS, where this amount is not expected to be settled within one year it has been discounted to its present value using a high-quality corporate bond rate.

Leases

Historically, the Group did not adopt AASB 16 *Leases* but continued to apply AASB 117 *Leases* and as a consequence many operating leases remained off balance sheet. Under AASB 16, the Group must apply a single recognition and measurement approach for all leases for which it is the lessee, except for short-term leases and leases of low-value assets. The Group therefore has recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Appendix 9 – Illustrative transition disclosures when moving from SPFS to SDS in the current year *continued*

xx. Explanation of transition to SDS *continued*

The following adjustments were recognised in equity as a result of the transition from special purpose financial statements to general purpose financial statements:

AASB 1060.210(b)(i)(ii)

	2024	2023
	$000	$000
Equity as reported in the SPFS as at 31 December	XXX	XXX
Consolidation	XXX	XXX
Annual leave	XXX	XXX
Leases	XXX	XXX
Deferred tax	XXX	XXX
Consolidated equity as at 1 January	**XXX**	**XXX**

Reconciliation of profit and loss

AASB 1060.210(c)

The following adjustments were recognised in profit or loss as a result of the transition from special purpose financial statements to general purpose financial statements:

	$000
Profit or loss reported in the SPFS for the year-ended 31 December 2024	XXX
Consolidation	XXX
Annual leave	XXX
Leases	XXX
Deferred tax	XXX
Consolidated profit or loss for the year-ended 31 December 2024	**XXX**

Scenario 2: The entity previously prepared SPFS and adopts SDS through application of AASB 108

xx. Explanation of transition to SDS

These general purpose financial statements for the year ended 31 December 2025, are the first the Group has prepared complying with *Australian Accounting Standards – Simplified Disclosures*. The Group has been preparing special purpose financial statements for periods up to and including the year ended 31 December 2024.

The Group changed its accounting policy for inventories when complying with SDS due to the requirements of AASB 102 *Inventories*. Specifically, the Group now includes in the cost of inventories a portion of allocated fixed production overhead such as depreciation of factory buildings, equipment and right-of-use assets used in the production. Such policy change was applied retrospectively. The effect of the change in accounting policy is presented below:

AASB 1060.106(a)

Impact on the statement of financial position (increase/(decrease)):

AASB 1060.106(b), 106(c)

	31 December 2025	1 January 2025
	$000	$000
Assets		
Inventories	XXX	XXX
Equity		
Retained earnings	XXX	XXX
Non-controlling interests	XXX	XXX
Liabilities		
Income tax payable	XXX	XXX

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

	2025
	$000
Cost of sales	XXX
Income tax expense	XXX
Profit for the period	**XXX**
Attributable to:	
Equity holders of the parent	XXX
Non-controlling interests	XXX

Appendix 10 – Agriculture disclosures

Commentary on AAS

Quality Holdings (Australian SDS) Pty Ltd and its subsidiaries are not involved in agricultural activities and, therefore, do not have biological assets. This Appendix was created to illustrate disclosures for biological assets, including bearer plants, as required by AASB 1060. This illustration considers the management of vineyards, to grow grapes that are to be used in the production of wine.

This appendix does not illustrate changes that may be needed to the statement of profit or loss and comprehensive income or to the statement of changes in equity. While an entity may elect to present additional line items in profit or loss, the additional line items have been presented by the Group in the notes to the financial statements. No additional line items were needed in the statement of changes in equity.

Consolidated statement of financial position (extract) as at 31 December 2025

AASB 1060.25(ai), 28, 29

	Notes	2025 $000	2024 $000	
				AASB 1060.92
Assets				
Non-current assets				
Property, plant and equipment	17	74,799	61,499	*AASB 1060.35(e)*
…				
Current assets				
Biological assets – grapes growing on the vine	32	8,770	7,240	*AASB 1060.35(h)*
…				

Commentary on AAS

…

Disaggregation

AASB 1060.35 requires biological assets (which includes produce growing on a bearer plant) and property, plant and equipment (which includes bearer plants) to be presented separately on the face of an entity's statement of financial position. Agricultural produce after the point of harvest is typically accounted for under AASB 102 but is not required to be disclosed separately on the face of the statement of financial position.

Current and non-current presentation

AASB 1060 does not require a specific order of the two classifications. The Group has elected to present current assets and liabilities before non-current assets and liabilities. AASB 1060 requires entities to present assets and liabilities in order of liquidity when this presentation is reliable and more relevant.

In accordance with AASB 1060.37, the Group has presented current and non-current assets, and current and non-current liabilities, as separate classifications in the statement of financial position. The group has classified its grapes growing on the vine as a current asset and bearer plants (included within property, plant and equipment) as non-current.

The classification of agricultural produce is usually consistent with an entity's assessment for its inventories, i.e., typically classified as a current asset because it will be sold, consumed or realised as part of the normal operating cycle. The classification of biological assets (including produce growing on a bearer plant) typically varies based on the nature of the biological asset and the time it takes to mature. For consumable biological assets that only have one harvest, classification will depend on when the asset will be harvested and sold. For example, livestock held for slaughter would likely be realised within 12 months after the end of the reporting period or as part of the normal operating cycle, and, therefore, would be classified as a current asset. In contrast, pine trees in a forest usually take more than 20 years to mature and are, therefore, usually classified as non-current.

Appendix 10 – Agriculture disclosures *continued*

Consolidated statement of cash flows (extract)
for the year ended 31 December 2024

AASB 1060.25(d), 28, 29, 66

	Notes	2025 $000	2024 $000
Investing activities			
…			
Development of new vineyards	17	5,500	500
Additions to vineyard improvements	17	1,000	-

AASB 1060.68, 74

Commentary on AAS

…

Subsequent expenditure

A number of costs, such as fertilising, pruning and thinning are incurred after maturity and can improve the quality of the produce or extend the productive life of a bearer plant. Entities need to use judgement to determine whether these costs are maintenance costs or are considered to be improvements. In addition, after maturity, many costs are incurred to benefit both the bearer plant and the produce growing on the bearer plant. Entities need to carefully consider the basis on which to allocate costs between a bearer plant and the produce growing on a bearer plant when the costs are incurred in relation to both assets (e.g., fertilising costs).

An entity's policy in respect of such costs will impact the presentation of the statement of cash flows, as cash flows relating to maintenance costs will ordinarily be presented within operating activities and cash flows in respect of costs capitalised as part of bearer plants will ordinarily be presented within investing activities.

Where a statement of cash flows has presented cash flows from operating activities using the indirect method as illustrated in Appendix 4 the adjustments to reconcile profit before tax to net cash flows may include:

- Depreciation vineyard improvements
- Depreciation mature grape vines
- (Increase)/decrease in fair value of grapes growing on the vine

Appendix 10 – Agriculture disclosures *continued*

2. Accounting policies (extract)

2.3 Summary of accounting policies (extract) AASB 1060.25(e)

i. Property, plant and equipment (extract)

… AASB 1060.134(a)

Grape vines are stated at cost, net of accumulated depreciation and accumulated impairment losses. Immature vines are stated at accumulated cost. Capitalisation of costs ceases when the vines reach maturity, which is when the grapes can be commercially harvested. Refer to significant accounting judgements, estimates and assumptions for further information (Note 3 (extract)).

Vineyard improvements are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the vineyard improvements and borrowing costs for long-term construction projects if the recognition criteria are met.

…

Commentary on AAS

Under AASB 116, an entity has a policy choice in respect of 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 apply the cost model for all classes of property, plant and equipment, including bearer plants.

If an entity elects the revaluation model to its bearer plants, refer to Note 17 and 21 for illustrative disclosures for revaluations and for decommissioning liabilities that may be related to property, plant and equipment.

AASB 116.16(b) requires an entity to cease capitalising costs as part of the initial cost of a bearer plant when it reaches maturity (i.e., when it is in the "location and condition necessary for it to be capable of operating in the manner intended by management"). The Group has determined that its vines are mature when the growing grapes can be commercially harvested.

Depreciation commences when the grape vines are considered mature, which is when they produce their first commercially viable crop.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows: AASB 1060.134(b), 134(c)

…

- Mature grape vines 20 to 25 years
- Vineyard improvements 15 to 20 years

…

aa. Biological assets

Grapes growing on vines are accounted for as biological assets until the point of harvest. Biological assets are measured on initial recognition and at the end of each reporting period at fair value less costs to sell. Changes in fair value of growing grapes are recognised in profit or loss as part of cost of sales. Costs related to growing the grapes and harvesting the grapes are expensed as incurred.

Harvesting of the grape crop is ordinarily performed in late March or early April. Costs incurred in growing the grapes, including any applicable harvest costs, are recognised as part of cost of sales. At the time of harvest, grapes are measured at fair value less costs to sell and transferred to inventories.

Methods used to measure fair value less costs to sell are provided in Note 3 (extract). Key assumptions used to determine the fair value of biological assets are provided in Note 32 (extract). AASB 1060.204(b)

Commentary on AAS

The processing of agricultural produce *after* the point of harvest is not within the scope of AASB 141 *Agriculture*. For example, the processing of grapes into wine is not included within the definition of agricultural activity in the standard. Instead, AASB 102 (or another applicable standard) is applied. If AASB 102 applies to the agricultural produce after the point of harvest, the agricultural produce is initially recognised as inventory at its fair value less costs to sell (measured in accordance with AASB 141), which becomes its cost for AASB 102 purposes.

This appendix does not illustrate disclosures that may be relevant for agricultural produce after the point of harvest. Refer to Note 14 for disclosures of inventories.

The Group does not hold any biological assets for which fair value could not be reliably measured.

Appendix 10 – Agriculture disclosures *continued*

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

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 together with 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: *AASB 1060.96*

…

Distinction between immature and mature vines

The Group has determined that its vines are mature when the growing grapes can be commercially harvested, which is when the vineyards have produced approximately 50-60% of expected yield at full production. This normally takes approximately three years after planting the vines. This represents the point at which the Group ceases capitalisation of costs and the vines are reclassified as mature vines. *AASB 1060.204(b)*

Allocation of cost between immature vines and grapes growing on them

Costs incurred in growing the grapes and maintaining the vines may benefit both the vines and the grapes. While the vines are immature, costs of pruning and approximately 70-80% of other viticulture costs (e.g., fertiliser) are capitalised as part of the cost of the vines. Such costs are expensed as incurred after the vines reach maturity. Any costs allocable to the grapes growing on the vines are expensed as incurred. *AASB 1060.204(b)*

Commentary on AAS

…

AASB 116.16(b) requires an entity to determine when a bearer plant reaches maturity, that is, when it is in the "location and condition necessary for it to be capable of operating in the manner intended by management". This determination is important because it is when an entity must cease capitalising costs as part of the initial cost of the asset and begin depreciating the bearer plant.

The life cycles of plants can vary widely. Therefore, determining at what stage during biological transformation a bearer plant could be considered mature may require judgement. Alternatives could include, but are not limited to:

- When the bearer plant is capable of producing its first crop
- When the produce is expected to be of sufficient quality to be sold
- When the growth phase of biological transformation is complete for the bearer plant (and is thereafter expected to degenerate or for its productive capacity to decline).

While AASB 116.31-42 provides guidance that entities need to consider for bearer plants, there are differences between traditional plant and equipment and biological assets. As such, entities need to apply judgement in determining which costs can be capitalised. For example, as a plant is growing, an entity will incur costs related to water, fertiliser, greenhouses, etc. An entity needs to assess whether these costs are directly attributable to the bearer plant reaching maturity.

Costs incurred after maturity may benefit both the bearer plant and the produce growing on the bearer plant. The basis for allocation of costs between the bearer plant and the produce needs to be carefully considered by an entity.

Under AASB 141, there is a presumption that the fair value of all biological assets (including produce growing on a bearer plant) can be measured reliably. This presumption can only be rebutted on initial recognition for a biological asset (not agricultural produce). Rebutting the presumption that fair value can be reliably measured is a judgement that may require significant judgement. To do so, AASB 141.30 requires an entity to demonstrate both of the following:

- Quoted market prices for the biological asset (including produce growing on a bearer plant) are not available
- Alternative fair value measurements for the biological asset are determined to be clearly unreliable

AASB 141 presumes that the fair value of a non-current biological asset that meets the criteria to be classified as held for sale (or is included in a disposal group that is classified as held for sale) in accordance with AASB 5 Non-current Assets Held for Sale and Discontinued Operations can always be measured reliably.

If an entity rebuts the presumption and demonstrates that the fair value cannot be measured reliably, it applies the cost model to the biological asset until fair value becomes reliably measurable (AASB 141.3). If an entity applies the cost model, the biological asset is measured at cost less any accumulated depreciation and any accumulated impairment losses.

The Group does not hold any biological assets for which fair value could not be reliably measured.

Appendix 10 – Agriculture disclosures *continued*

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

Estimates and assumptions

AASB 1060.97

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

…

Fair value of biological assets

The Group carries its biological assets (grapes growing on vines) and grapes at the time of harvest (recorded in inventories immediately after harvest) at fair value less costs to sell.

The fair value of grapes growing on the vines is determined by reference to market prices for grapes for that local area for each variety of grape grown, adjusted for expected costs to reach maturity, which is typically three to four months after the end of the reporting period. Significant estimates include the expected grape yields and quality, costs to incur until harvest and the expected market price for the harvested grapes.

The key assumptions used to determine the fair value of biological assets are provided in Note 32 (extract).

The fair value of grapes at the point of harvest is determined by reference to the market prices for each variety of grape grown in the local area and the market price paid to independent grape growers. Any gains or losses on remeasuring fair value are included within in profit or loss as part of cost of sales.

Commentary on AAS

…

This appendix does not illustrate disclosures of judgements and estimates that may be relevant for bearer plants for which an entity applies the revaluation model under AASB 116 or impairment under AASB 136. Refer to Note 10 and 19 for disclosures on impairment.

If an entity elects to apply the revaluation model to bearer plants, it would also need to consider which cash inflows are attributable to the bearer plant, rather than any produce currently growing on the bearer plant. Since AASB 13 requires an entity to measure fair value consistent with its unit of account, an entity could not measure fair value for the bearer plant and produce growing on the bearer plant on a combined basis. Significant judgement and estimation may, therefore, be needed to measure the fair value of bearer plants.

Appendix 10 – Agriculture disclosures *continued*

17. Property, plant and equipment (extract)

AASB 1060.44(a), 134(e)

		Immature grape vines	Mature grape vines	Vineyard improvements	Total	
		$000	$000	$000	$000	
Cost						
At 1 January 2025	...	**4,500**	**29,000**	**14,000**	**88,215**	*AASB 1060.134(d)*
Additions	...	5,500	-	1,000	17,205	*AASB 1060.134(e)(i)*
Acquisition of a subsidiary (Note 6)	...	-	-	-	7,042	*AASB 1060.134(e)(iii)*
Disposals	...	-	-	-	(4,908)	*AASB 1060.134(e)(viii)*
Assets held for sale (Note 10)	...	-	-	-	(8,124)	*AASB 1060.134(e)(ii)*
Revaluation adjustments	...	-	-	-	846	*AASB 1060.134(e)(iv)*
Transfer	...	(5,000)	5,000	-	(219)	*AASB 1060.134(e)(viii)*
Exchange differences	...	-	-	-	109	*AASB 1060.134(e)(viii)*
At 31 December 2025	...	**5,000**	**34,000**	**15,000**	**100,166**	*AASB 1060.134(d)*
Depreciation and impairment	...					
At 1 January 2025	...	**-**	**1,630**	**8,700**	**26,716**	*AASB 1060.134(d)*
Depreciation charge for the year	...	-	1,100	750	5,647	*AASB 1060.134(e)(vii)*
Disposals	...	-	-	-	(3,450)	*AASB 1060.134(e)(viii)*
Assets held for sale (Note 10)	...	-	-	-	(3,377)	*AASB 1060.134(e)(ii)*
Transfer	...	-	-	-	(219)	*AASB 1060.134(e)(viii)*
Exchange differences	...	-	-	-	50	*AASB 1060.134(e)(viii)*
At 31 December 2025	...	**-**	**2,730**	**9,450**	**25,367**	*AASB 1060.134(d)*
Net book value						
At 31 December 2024	...	4,500	27,370	5,300	61,459	
At 31 December 2025	...	5,000	31,270	5,550	74,799	

...

Commentary on AAS

This appendix does not illustrate all disclosures relevant to property, plant and equipment nor disclosures related to impairment of non-financial assets, such as bearer plants. Refer to Note 17 for disclosures related to impairment.

Appendix 10 – Agriculture disclosures *continued*

32. Biological assets

The Group's biological assets consist of growing grapes. *AASB 1060.204(a)*

AASB 1060.204(c)

	$000
Carrying amount at 1 January 2025	7,240
Gain/(loss) from changes in fair value less costs to sell	10,050
Transfer of harvested grapes to inventories	(8,520)
Carrying amount at 31 December 2025	**8,770**

Commentary on AAS

AASB 1060.204(c) requires an entity to disclose a reconciliation of changes in the carrying amount of biological assets between the beginning and the end of the current period, which includes:

- The gain or loss arising from changes in fair value less costs to sell
- Increases resulting from purchases
- Decreases resulting from harvest
- Increases resulting from business combinations
- Net exchange differences arising on the translation of financial statements into a different presentation currency, and on the translation of a foreign operation into the presentation currency of the reporting entity
- Other changes

AASB 1060.205 requires all of the following information to be disclosed if the cost model is applied:

- A description of the biological assets
- An explanation of why fair value cannot be measured reliably
- The depreciation method used
- The useful lives or the depreciation rates used
- The gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period

Valuation of biological assets

AASB 1060.204(b)

The fair value less costs to sell of growing grapes is determined based on estimates of yield, costs to incur until harvest, expected grape market prices at harvest and grape quality.

In 2025, grape market prices ranged from $530 to $600 per tonne (2024: $595 to $650 per tonne), depending on the variety sold, current vintage and grade quality of grapes in each region. Significant assumptions applied in the fair value measurements of grapes are the following:

	2025	2024
Average annual yield per hectare of mature vineyards	6 tonnes	6 tonnes
Average viticulture and harvest costs per hectare of mature vines	$5,300	$5,400

For the 2026 harvest, it was assumed that yields, grape prices, grape quality, viticulture and harvest costs will remain at current levels. The effect of discounting future cash flows is not material as the grapes will be harvested within 10 months of the reporting date.

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