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Quality In Everything We Do

Good Group (International) Limited

International GAAP®
Illustrative Financial Statements

Based on International Financial Reporting Standards in issue at 31 August 2007

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ABBREVIATIONS AND KEY

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

IAS 33.41	International Accounting Standard No. 33, paragraph 41
IAS 1.BC.13	International Accounting Standard No. 1, Basis for Conclusions, paragraph 13
IFRS 2.44	International Financial Reporting Standard No. 2, paragraph 44
SIC 29.6	Standing Interpretations Committee Interpretation No. 29, paragraph 6
IFRIC 4.6	International Financial Reporting Interpretations Committee Interpretation No. 4, paragraph 6
IAS 39.IG.G.2	IAS 39 ‘Financial Instruments: Recognition and Measurement’— Guidance on Implementing IAS 39 Section G: Other, paragraph G.2
IAS 39.AG.71	IAS 39 ‘Financial Instruments: Recognition and Measurement’— Appendix A— Application Guidance, paragraph AG71
ISA 700.25	International Standard on Auditing No. 700, paragraph 25
Commentary	The commentary explains how the requirements of IFRS have been implemented in arriving at the illustrative disclosure.
GAAP	Generally Accepted Accounting Practice
IASB	International Accounting Standards Board

INTRODUCTION

This publication contains the consolidated financial statements of a fictitious company, Good Group (International) Limited, a manufacturing company with subsidiaries ('the Group'), incorporated and listed in Euroland, with a reporting date of 31 December 2007. Euroland is a fictitious country within Europe, whose currency is euros. The functional currency of the parent and the presentation currency of the Group is euros.

IFRS references are shown on the right hand side of each page of the financial statements indicating the specific IFRS paragraph that outlines the actual accounting treatment or disclosure adopted for that particular line item or block of narrative.

These illustrative financial statements are not intended to satisfy country or stock market regulations in any given jurisdiction and may have to be altered to meet such requirements. 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, to seek appropriate professional advice. Please note that, although the illustrative financial statements are intended to illustrate common disclosures expected to be present in the financial statements of a large manufacturing company, they should not be regarded as including every possible disclosure.

International Financial Reporting Standards (IFRS)

The abbreviation IFRS is defined in paragraph 5 of the Preface to International Financial Reporting Standards to include 'standards and interpretations approved by the IASB, and International Accounting Standards (IASs) and SIC interpretations issued under previous Constitutions'. Thus, when financial statements are described as complying with IFRS, this means that they comply with the entire hierarchy of pronouncements sanctioned by the IASB including International Accounting Standards, International Financial Reporting Standards and Interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee.

The International Financial Reporting Interpretations Committee (IFRIC)

The International Financial Reporting Interpretations Committee (IFRIC) is a committee appointed by the IASC Foundation Trustees that assists the IASB in establishing and improving standards of financial accounting and reporting for the benefit of users, preparers and auditors of financial statements.

The IFRIC addresses issues of reasonably widespread importance, rather than issues of concern to only a small set of entities. Its interpretations cover both:

- newly identified financial reporting issues not specifically addressed in IFRS; and
- issues where unsatisfactory or conflicting interpretations have developed, or seem likely to develop in the absence of authoritative guidance, with a view to reaching a consensus on the appropriate treatment.

IFRS as at 31 August 2007

The standards applied in these financial statements are the versions that were in issue as at 31 August 2007. It is important to note that these financial statements require continual updating, as standards are issued and/or revised by the IASB. Standards applied in these financial statements are:

International Financial Reporting Standards (IFRS)

IFRS 2	<i>Share-based Payment</i>
IFRS 3	<i>Business Combinations</i>
IFRS 5	<i>Non-current Assets Held for Sale and Discontinued Operations</i>
IFRS 7	<i>Financial Instruments: Disclosures</i>
IFRS 8*	<i>Operating Segments</i>

International Accounting Standards (IAS)

IAS 1	<i>Presentation of Financial Statements</i>
IAS 2	<i>Inventories</i>
IAS 7	<i>Cash Flow Statements</i>
IAS 8	<i>Accounting Policies, Changes in Accounting Estimates and Errors</i>
IAS 10	<i>Events after the Balance Sheet Date</i>
IAS 12	<i>Income Taxes</i>
IAS 14	<i>Segment Reporting (illustrated in Appendix 3)</i>
IAS 16	<i>Property, Plant and Equipment</i>
IAS 17	<i>Leases</i>
IAS 18	<i>Revenue</i>
IAS 19	<i>Employee Benefits</i>
IAS 20	<i>Accounting for Government Grants and Disclosure of Government Assistance</i>
IAS 21	<i>The Effects of Changes in Foreign Exchange Rates</i>
IAS 23	<i>Borrowing Costs</i>
IAS 24	<i>Related Party Disclosures</i>
IAS 27	<i>Consolidated and Separate Financial Statements</i>
IAS 28	<i>Investments in Associates</i>
IAS 31	<i>Interests in Joint Ventures</i>
IAS 32	<i>Financial Instruments: Presentation</i>
IAS 33	<i>Earnings per Share</i>
IAS 36	<i>Impairment of Assets</i>
IAS 37	<i>Provisions, Contingent Liabilities and Contingent Assets</i>
IAS 38	<i>Intangible Assets</i>
IAS 39	<i>Financial Instruments: Recognition and Measurement</i>
IAS 40	<i>Investment Property</i>

Interpretations

IFRIC 1	<i>Changes in Existing Decommissioning, Restoration and Similar Liabilities</i>
IFRIC 4	<i>Determining whether an Arrangement contains a Lease</i>
IFRIC 5	<i>Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds</i>
IFRIC 6	<i>Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment</i>
IFRIC 8	<i>Scope of IFRS 2</i>
IFRIC 9	<i>Reassessment of Embedded Derivatives</i>
IFRIC 10	<i>Interim Financial Reporting and Impairment</i>
IFRIC 11*	<i>IFRS 2 - Group and Treasury Share Transactions</i>
SIC 12	<i>Consolidation – Special Purpose Entities</i>
SIC 13	<i>Jointly Controlled Entities – Non-Monetary Contributions by Venturers</i>
SIC 15	<i>Operating Leases – Incentives</i>
SIC 21	<i>Income Taxes – Recovery of Revalued Non-Depreciable Assets</i>
SIC 27	<i>Evaluating the Substance of Transactions Involving the Legal Form of a Lease</i>
SIC 32	<i>Intangible Assets – Web Site Costs</i>

The following Standards and Interpretations have **not** been illustrated in these financial statements:

IFRS 1	<i>First-time Adoption of International Financial Reporting Standards</i>
IFRS 4	<i>Insurance Contracts</i>
IFRS 6	<i>Exploration for and Evaluation of Mineral Resources</i>
IAS 11	<i>Construction Contracts</i>
IAS 23 (Revised)	<i>Borrowing Costs</i>
IAS 26	<i>Accounting and Reporting by Retirement Benefit Plans</i>
IAS 29	<i>Financial Reporting in Hyperinflationary Economies</i>
IAS 34	<i>Interim Financial Reporting</i>
IAS 41	<i>Agriculture</i>
IFRIC 2	<i>Members' Shares in Co-operative Entities and Similar Instruments</i>
IFRIC 7	<i>Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies</i>
IFRIC 12	<i>Service Concession Arrangements</i>
IFRIC 13	<i>Customer Loyalty Programmes</i>
IFRIC 14	<i>IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>
SIC 7	<i>Introduction of the Euro</i>
SIC 10	<i>Government Assistance – No Specific Relation to Operating Activities</i>
SIC 25	<i>Income Taxes – Changes in the Tax Status of an Entity or its Shareholders</i>
SIC 29	<i>Disclosure – Service Concession Arrangements</i>
SIC 31	<i>Revenue – Barter Transactions Involving Advertising Services</i>

Therefore, users of this publication are advised to verify that there has been no change in the requirements of IFRS between 31 August 2007 and their reporting date.

These financial statements **do not** attempt to comply with local statutory or listing authority requirements or disclosures in any particular jurisdiction.

The pronouncements that have an asterisk (*) beside them have been early adopted by the Group in 2007.

Changes in 2007

The Good Group (International) Limited financial statements have changed since the 2006 edition due to new standards and interpretations issued since 30 June 2006. The following standards and interpretations have been illustrated for the first time in 2007, resulting in consequential changes to the accounting policies and other note disclosures.

IFRS 8 Operating Segments

IFRS 8 was issued in November 2006 and becomes effective for financial years beginning on or after 1 January 2009. Good Group (International) Limited illustrates early adoption of the standard in 2007. The new disclosures are illustrated in Note 5 Segment Information. Entities that do not early adopt IFRS 8 will continue to apply IAS 14 *Segment Reporting*. Appendix 3 illustrates the disclosures required if IAS 14 is applied rather than IFRS 8.

IAS23 Amendment - Borrowing Costs

The revised IAS 23 *Borrowing Costs* is effective for financial years beginning on or after 1 January 2009 and requires capitalisation of borrowing costs that relate to a qualifying asset. The transitional requirements of the standard require it to be adopted as a prospective change from the effective date. Good Group (International) Limited illustrates the disclosure of standards that have been issued but are not yet effective in Note 2.5.

IFRIC 9 Reassessment of Embedded Derivatives

IFRIC 9 is effective for financial years beginning on or after 1 June 2006 and establishes that the date to assess the existence of an embedded derivative is the date on which an entity first becomes party to the contract, with reassessment only if there is a change that significantly modifies the cash flows. Good Group (International) Limited illustrates application of the interpretation with an amended accounting policy as disclosed in Note 2.

IFRIC 10 Interim Financial Reporting and Impairment

IFRIC 10 is effective for financial years beginning on or after 1 November 2006 and establishes that an entity must not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. Good Group (International) Limited illustrates application of the interpretation with an amended accounting policy as disclosed in Note 2.

IFRIC 11 IFRS 2 - Group and Treasury Share Transactions

IFRIC 11 was issued in November 2006 and becomes effective for financial years beginning on or after 1 March 2007. Good Group (International) Limited illustrates early adoption of this interpretation as it applies in consolidated accounts, with an amended accounting policy as disclosed in Note 2.

IFRIC 13 Customer Loyalty Programmes

IFRIC 13 was issued in June 2007 and becomes effective for financial years beginning on or after 1 July 2008. This Interpretation requires customer loyalty credits to be accounted for as a separate component of the sales transaction in which they are granted. Good Group (International) Limited illustrates the disclosure of interpretations that have been issued but are not yet effective in Note 2.5.

IFRIC 14 IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

IFRIC 14 was issued in July 2007 and becomes effective for financial years beginning on or after 1 January 2008. This Interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognised as an asset under IAS 19 *Employee Benefits*. Good Group (International) Limited illustrates the disclosure of interpretations that have been issued but are not yet effective in Note 2.5.

The 2006 publication of Good Group (International) Limited illustrated early adoption of the following standards and interpretations that became effective for financial years beginning on or after 1 January 2007:

- IFRS 7 *Financial Instruments: Disclosures*
- IAS 1 *Amendment - Presentation of Financial Statements*
- IFRIC 8 *Scope of IFRS 2*

These standards and interpretations have been reflected in this publication as if they were adopted for the first time in 2007.

Benchmark and allowed alternative treatments

In some cases, IFRS permits two accounting treatments for like transactions and events, with one treatment described as a benchmark treatment and the other as an allowed alternative treatment. Preparers of financial statements may choose which treatment to adopt.

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

In this publication, where a choice is permitted by IFRS, the Group has adopted either the benchmark or the allowed alternative treatment as appropriate to the circumstances of the Group. The commentary gives further details of which policy has been selected.

Financial review by management

Many entities present a financial review by management that is outside the financial statements. IFRS does not require the presentation of such information, although IAS 1.9 gives a brief outline of what may be included in their annual report.

The content of a financial review by management is often determined by local market requirements or issues specific to a particular jurisdiction. Therefore, no financial review by management has been included for Good Group (International) Limited.

Good Group (International) Limited

Consolidated Financial Statements

31 December 2007

GENERAL INFORMATION

Directors

M O'Driscoll (Chairman)

M P Boiteau (Chief Executive)

C P Müller

F van den Berg

S K Pinelli

M Evans

S E Sippo

C Smart

P R García

Company Secretary

J Harris

Registered Office

Homefire House

Ashdown Square

Euroville

Solicitor

Solicitors & Co.

7 Scott Street

Euroville

Bankers

Bank P.L.C.

George Street

Euroville

Auditor

Chartered Accountants & Co.

17 Euroville High Street

Euroville

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GOOD GROUP (INTERNATIONAL) LIMITED

We have audited the accompanying financial statements of Good Group (International) Limited and its subsidiaries ('the Group'), which comprise the consolidated balance sheet as at 31 December 2007 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Chartered Accountants & Co.

28 January 2008

17 Euroville High Street

Euroville

Commentary

The audit report has been prepared in accordance with ISA 700 'The Independent Auditor's Report on a Complete Set of General Purpose Financial Statements'.

CONSOLIDATED INCOME STATEMENT**for the year ended 31 December 2007**

IAS 1.46(a), (b), (c)

	Notes	2007 €000	2006 €000	IAS 1.46(d), (e)
Continuing operations				
Sale of goods		192,099	174,164	IAS 18.35(b)(i)
Rendering of services		17,131	16,537	IAS 18.35(b)(ii)
Rental income		1,404	1,377	IAS 18.35(c)
Revenue		<u>210,634</u>	<u>192,078</u>	IAS 1.81(a)
Cost of sales	6.5	<u>(163,816)</u>	<u>(155,443)</u>	IAS 1.88, IAS 1.92
Gross profit		<u>46,818</u>	<u>36,635</u>	IAS 1.83, IAS 1.92
Other income	6.1	1,585	2,548	IAS 1.92
Selling and distribution costs		(15,085)	(13,202)	IAS 1.92
Administrative expenses	6.5	(18,665)	(13,657)	IAS 1.92
Other expenses	6.2	<u>(1,088)</u>	<u>(706)</u>	
Operating profit		<u>13,565</u>	<u>11,618</u>	IAS 1.83
Finance revenue	6.4	785	724	IAS 1.81(a)
Finance costs	6.3	(1,627)	(1,561)	IAS 1.81(b)
Share of profit of an associate	14	83	81	IAS 1.81(c), IAS 28.38
Profit before tax		<u>12,806</u>	<u>10,862</u>	IAS 1.83
Income tax expense	7	<u>(3,710)</u>	<u>(3,232)</u>	IAS 1.81(d), IAS 12.77
Profit for the year from continuing operations		<u>9,096</u>	<u>7,630</u>	IAS 1.83
Discontinued operation				
Profit/(Loss) after tax for the year from a discontinued operation	8	220	(188)	IAS 1.81(e), IFRS 5.33(a)
PROFIT FOR THE YEAR		<u>9,316</u>	<u>7,442</u>	IAS 1.81(f)
Attributable to:				
Equity holders of the parent		9,178	7,203	IAS 1.82(b)
Minority interests		138	239	IAS 1.82(a), IAS 27.33
		<u>9,316</u>	<u>7,442</u>	
Earnings per share	9			IAS 33.66
• basic, for profit for the year attributable to ordinary equity holders of the parent		€0.44	€0.38	
• diluted, for profit for the year attributable to ordinary equity holders of the parent		€0.43	€0.37	
Earnings per share for continuing operations				
• basic, for profit from continuing operations attributable to ordinary equity holders of the parent		€0.43	€0.39	
• diluted, for profit from continuing operations attributable to ordinary equity holders of the parent		€0.42	€0.38	

Commentary

IAS 1.88 requires expenses to be analysed by nature of expense or by their function within the entity, whichever provides information that is reliable and more relevant. Good Group (International) Limited has presented the analysis of expenses by function. Appendix 1 illustrates the income statement if the analysis by nature is used.

IAS 33.68 requires presentation of basic and diluted amounts per share for discontinued operations either on the face of the income statement or in the notes to the financial statements. Good Group (International) Limited has elected to show this information with other disclosures required for discontinued operations in Note 8, and elected to show the information for continuing operations on the face of the income statement.

CONSOLIDATED BALANCE SHEET**as at 31 December 2007**

IAS 1.46(a), (b), (c)

	Notes	2007 €000	2006* €000	IAS 1.46(d), (e)
ASSETS				
Non-current assets				
Property, plant and equipment	11	31,411	25,811	IAS 1.51
Investment properties	12	8,893	7,983	IAS 1.68(a)
Intangible assets	13	6,195	2,461	IAS 1.68(b)
Investment in an associate	14	764	681	IAS 1.68(c)
Available-for-sale investments	16	2,141	1,798	IAS 1.68(e), IAS 28.38
Other financial assets	17	3,887	1,693	IAS 1.68(d), IFRS 7.8(d)
Deferred tax asset	7	383	365	IAS 1.68(d), IFRS 7.8(c)
		53,674	40,792	IAS 1.68(n), IAS 1.70
Current assets				
Inventories	20	24,875	25,489	IAS 1.51, IAS 1.57
Trade and other receivables	21	27,672	24,290	IAS 1.68(g)
Prepayments		278	165	IAS 1.68(h), IFRS 7.8(c)
Derivative financial instruments	32	152	153	IAS 1.69
Cash and short-term deposits	22	16,460	14,916	IAS 1.68(d), IFRS 7.8(a)
		69,437	65,013	IAS 1.68(i)
Assets of disposal group classified as held for sale	8	13,056	-	IAS 1.68A(a), IFRS 5.38
		82,493	65,013	
TOTAL ASSETS		136,167	105,805	
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent				
Issued capital	23	22,028	19,453	IAS 1.68(p)
Share premium		6,353	135	IAS 1.68(p), IAS 1.75(e)
Treasury shares	23	(774)	(774)	IAS 1.68(p), IAS 1.75(e)
Other capital reserves	23	228	228	IAS 1.68(p), IAS 1.75(e)
Retained earnings		38,186	30,900	IAS 1.68(p), IAS 1.75(e)
Other reserves	23	680	(37)	IAS 1.68(p), IAS 1.75(e)
Reserves of disposal group classified as held for sale	8	128	-	
		66,829	49,905	
Minority interests		713	740	IAS 1.68(o), IAS 27.33
Total equity		67,542	50,645	
Non-current liabilities				
Interest-bearing loans and borrowings	24	15,078	19,559	IAS 1.51
Convertible preference shares	24	2,778	2,644	IAS 1.68(l)
Provisions	25	1,950	77	IAS 1.68(l)
Government grants	26	3,300	1,400	IAS 1.68(k)
Employee benefit liability	19	1,094	655	IAS 1.69, IAS 20.24
Other liabilities		311	354	IAS 1.68(k), IAS 1.75(d)
Deferred tax liability	7	4,615	1,850	IAS 1.69
		29,126	26,539	IAS 1.68(n), IAS 1.70
Current liabilities				
Trade and other payables	27	19,380	21,281	IAS 1.51, IAS 1.60
Interest-bearing loans and borrowings	24	2,460	2,775	IAS 1.68(j)
Other financial liabilities	28	292	303	IAS 1.68(l), IFRS 7.8(f)
Government grants	26	149	151	IAS 1.68(l), IFRS 7.8(e)
Income tax payable		4,141	4,013	IAS 1.69, IAS 20.24
Provisions	25	450	98	IAS 1.68(m)
		26,872	28,621	IAS 1.68(k)
Liabilities directly associated with the assets classified as held for sale	8	12,627	-	IAS 1.68A(b), IFRS 5.38
		39,499	28,621	
Total liabilities		68,625	55,160	
TOTAL EQUITY AND LIABILITIES		136,167	105,805	

* Certain numbers shown here do not correspond to the 2006 financial statements and reflect adjustments made as detailed in Note 3.

Commentary

There is no specific requirement to identify on the face of the financial statements whether there have been adjustments made to the amounts disclosed in the prior period financial statements. IAS 8 requires details to be given only in the notes.

Good Group (International) Limited illustrates how an entity may supplement the requirements of the standard so that it is clearer to the reader that the numbers have been adjusted.

In accordance with IAS 1.51, Good Group (International) Limited has presented separate classifications on the face of the balance sheet for current and non-current assets, and current and non-current liabilities. However, IAS 1 requires that entities should present assets and liabilities broadly in order of their liquidity when this presentation is reliable and more relevant.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**for the year ended 31 December 2007**

IAS 1.46(a), (b), (c)

Attributable to equity holders of the parent

IAS 1.97(b), (c)

	Issued capital (Note 23)	Share premium	Treasury shares (Note 23)	Other capital reserves (Note 23)	Retained earnings	Other reserves (Note 23)	Discontinued operations	Total	Minority interests	Total equity	IAS 1.46(d), (e)
	€000	€000	€000	€000	€000	€000		€000	€000	€000	
At 1 January 2007	19,453	135	(774)	228	30,900	(37)	—	49,905	740	50,645	
Revaluation of land and buildings	—	—	—	—	—	592	—	592	—	592	IAS 1.96(b) IAS 16.77(f)
Depreciation transfer for land and buildings	—	—	—	—	80	(80)	—	—	—	—	IAS 1.96(b)
Net gains on available-for-sale financial investments	—	—	—	—	—	4	—	4	—	4	IAS 1.96(b) IFRS 7.20(a)(ii)
Net gains on cash flow hedges (Note 32)	—	—	—	—	—	55	—	55	—	55	IAS 1.96(b) IFRS 7.23(c)
Foreign currency translation	—	—	—	—	—	(219)	—	(219)	—	(219)	IAS 1.96(b) IAS 21.52(b)
Net gains on hedge of net investment	—	—	—	—	—	186	—	186	—	186	IAS 1.96(b) IAS 39.102(a)
Total income and expense for the year recognised directly in equity	—	—	—	—	80	538	—	618	—	618	IAS 1.96(b)
Profit for the year	—	—	—	—	9,178	—	—	9,178	138	9,316	IAS 1.96(a)
Total income and expense for the year	—	—	—	—	9,258	538	—	9,796	138	9,934	IAS 1.96(c)
Discontinued operation (Note 8)	—	—	—	—	—	(128)	128	—	—	—	IFRS 5.38
Issue of share capital (Note 23)	2,500	6,150	—	—	—	—	—	8,650	—	8,650	IAS 1.97(c)
Exercise of options (Note 23)	75	100	—	—	—	—	—	175	—	175	IAS 1.97(c)
Share-based payment (Note 18)	—	—	—	—	—	307	—	307	—	307	IAS 1.97(c) IFRS 2.50
Transaction costs	—	(32)	—	—	—	—	—	(32)	—	(32)	IAS 32.39
Equity dividends (Note 10)	—	—	—	—	(1,972)	—	—	(1,972)	(30)	(2,002)	IAS 1.95, IAS 1.97(a)
Acquisition of minority interests (Note 3)	—	—	—	—	—	—	—	—	(135)	(135)	
At 31 December 2007	22,028	6,353	(774)	228	38,186	680	128	66,829	713	67,542	

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2006

IAS 1.46(b), (c)

	Attributable to equity holders of the parent								
	Issued capital	Share premium	Treasury shares	Other capital reserves	Retained earnings	Other reserves	Total	Minority interests	
	(Note 23)		(Note 23)	(Note 23)		(Note 23)			
	€000	€000	€000	€000	€000	€000	€000	€000	IAS 1.46(d), (e)
At 1 January 2006 (restated)	19,388	—	(774)	228	25,297	(301)	43,838	208	44,046
Net gains on available-for-sale financial investments						2	2	2	IAS 1.96(b) IFRS 7.20(a)(ii)
Net gains on cash flow hedges (Note 32)						22	22	22	IAS 1.96(b) IFRS 7.23(c)
Foreign currency translation	—	—	—	—	—	(117)	(117)	—	IAS 21.52(b) IAS 39.102(a)
Net gains on hedge of net investment	—	—	—	—	—	59	59	—	IAS 1.96(b)
Total income and expense for the year recognised directly in equity	—	—	—	—	—	(34)	(34)	—	IAS 1.96(b)
Profit for the year	—	—	—	—	7,203	—	7,203	239	IAS 1.96(a)
Total income and expense for the year	—	—	—	—	7,203	(34)	7,169	239	IAS 1.96(c)
Exercise of options (Note 23)	65	135	—	—	—	—	200	—	IAS 1.97(c)
Share-based payment (Note 18)	—	—	—	—	—	298	298	—	IAS 1.97(c) IFRS 2.50
Equity dividends (Note 10)	—	—	—	—	(1,600)	—	(1,600)	(49)	IAS 1.95 IAS 1.97(a)
Minority Interest arising on business combination (Note 3)	—	—	—	—	—	—	—	342	
At 31 December 2006	19,453	135	(774)	228	30,900	(37)	49,905	740	50,645

Commentary

IAS 1.96 requires entities to present a statement of changes in equity or a statement of recognised income and expense. Good Group (International) Limited has elected to present a statement of changes in equity.

If entities apply the policy in IAS 19 to recognise all actuarial gains and losses in the period in which they occur outside of profit or loss, then IAS 19.93B requires entities to present a statement of recognised income and expense.

Good Group (International) Limited has elected to present all the information required for the statement of changes in equity on the face of the statement. However, transactions with equity holders acting in their capacity as equity holders and the reconciliations of retained earnings, contributed equity and other reserves could alternatively be presented in the notes to the financial statements.

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

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2007

		2007	2006	IAS 1.8(d)
		€000	€000	IAS 1.46(b), (c)
Operating activities	Notes			IAS 7.10
Profit before tax from continuing operations		12,806	10,862	IAS 1.46(d), (e)
Profit/(Loss) before tax from discontinued operations	8	213	(193)	IAS 7.18(b)
Profit before tax		13,019	10,669	
Adjustment to reconcile profit before tax to net cash flows				
Non-cash:				
Depreciation and impairment of property, plant and equipment	11	3,797	3,383	
Amortisation and impairment of intangible assets	6	125	174	
Share-based payments expense	18	412	492	
Decrease in fair value of investment properties	12	306	300	
Gain on disposal of property, plant and equipment		(532)	(2,007)	
Other gains and losses		(56)	(57)	
Interest income	6	(785)	(724)	
Interest expense	6	1,627	1,561	
Share of net profit of associate	14	(83)	(81)	
Movements in provisions, pensions and government grants		(489)	106	
Working capital adjustments:				
Increase in trade and other receivables		(8,749)	(2,161)	
Decrease in inventories		4,192	2,185	
Increase in trade and other payables		2,694	2,524	
Income tax paid		(3,582)	(3,311)	IAS 7.35
Net cash flows from operating activities		11,896	13,053	
Investing activities				IAS 7.21
Proceeds from sale of property, plant and equipment		1,990	2,319	IAS 7.16(b)
Purchase of property, plant and equipment		(7,655)	(7,325)	IAS 7.16(a)
Purchase of investment properties		(1,216)	(1,192)	IAS 7.16(a)
Purchase of available-for-sale investments		(568)	(225)	IAS 7.16(c)
Proceeds from available-for-sale investments		231	-	
Purchase of intangible assets		(587)	(390)	IAS 7.16(a)
Acquisition of a subsidiary, net of cash acquired	3	(370)	(1,450)	IAS 7.39
Disbursement of loans		(1,916)	-	IAS 7.16(e)
Acquisition of minority interests	3	(325)	-	IAS 7.16(c)
Interest received		785	724	IAS 7.31
Receipt of government grants	26	2,951	642	IAS 20.28
Net cash flows used in investing activities		(6,680)	(6,897)	
Financing activities				IAS 7.21
Proceeds from exercise of options		175	200	IAS 7.17(a)
Transaction costs of issue of shares		(32)	-	
Payment of finance lease liabilities		(51)	(76)	IAS 7.17(e)
Proceeds from borrowings		2,740	2,645	IAS 7.17(c)
Repayment of borrowings		(149)	(1,784)	IAS 7.17(d)
Interest paid		(1,418)	(1,561)	IAS 7.31
Dividends paid to equity holders of the parent		(1,972)	(1,600)	IAS 7.31
Dividends paid to minority interests		(30)	(49)	IAS 7.31
Net cash flows used in financing activities		(737)	(2,225)	
Net increase in cash and cash equivalents		4,479	3,931	
Net foreign exchange difference		43	19	IAS 7.28
Cash and cash equivalents at 1 January	22	12,266	8,316	
Cash and cash equivalents at 31 December	22	16,788	12,266	IAS 7.45

Commentary

IAS 7.18 allows entities to report cash flows from operating activities using either the direct method or the indirect method. Good Group (International) Limited presents its cash flows using the indirect method. The cash flow statement prepared using the direct method for operating activities is presented in Appendix 2 for illustrative purposes.

Good Group (International) Limited has reconciled profit before tax to net cash flows from operating activities. However, a reconciliation from profit after tax is also acceptable under IAS 7.

IAS 7 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.

Good Group (International) Limited classifies interest received as an investing activity as it relates primarily to investments. Interest paid is classified as a financing activity as it relates to the cost of obtaining financial resources.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

IAS 1.103(a)
IAS 1.46(b), (c)

1. Corporate information

The consolidated financial statements of Good Group (International) Limited ('the Company') for the year ended 31 December 2007 were authorised for issue in accordance with a resolution of the directors on 28 January 2008. Good Group (International) Limited is a limited company incorporated and domiciled in Euroland whose shares are publicly traded.

IAS 1.126(a)
IAS 10.17

The principal activities of the Group are described in Note 5.

IAS 1.126(b)

2.1 Basis of preparation

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

IAS 1.103(a)
IAS 1.108(a)
IAS 1.46(d), (e)

Statement of compliance

The consolidated financial statements of Good Group (International) Limited and all its subsidiaries (the 'Group') have been prepared in accordance with International Financial Reporting Standards (IFRS).

IAS 1.14

Basis of consolidation

IAS 27.12

The consolidated financial statements comprise the financial statements of Good Group (International) Limited and its subsidiaries as at 31 December each year.

IAS 27.30

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

IAS 27.26, 28

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

IAS 27.24

Minority interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity. Acquisitions of minority interests are accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired is recognised in goodwill.

IAS 27.33

Commentary

The acquisition of minority interests is not a business combination under IFRS 3 and there is no specific accounting prescribed for this type of transaction in other IFRS. Per IAS 8.10, management must apply judgment to determine a suitable accounting policy for transactions where there is no standard or interpretation that specifically applies. Several approaches may be acceptable but the approach chosen must be consistently applied.

Good Group (International) Limited illustrates the use of the parent entity extension method but other methods may be acceptable.

2.2 Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended IFRS and IFRIC interpretations during the year. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the Group. They did however give rise to additional disclosures, including in some cases, revisions to accounting policies. IAS 8.14

- IFRS 7 *Financial Instruments: Disclosures*
- IAS 1 *Amendment - Presentation of Financial Statements*
- IFRIC 8 *Scope of IFRS 2*
- IFRIC 9 *Reassessment of Embedded Derivatives*
- IFRIC 10 *Interim Financial Reporting and Impairment*

The Group has also early adopted the following IFRS and IFRIC interpretations. Adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group. They did however give rise to additional disclosures, including revisions to accounting policies.

- IFRS 8 *Operating Segments*
- IFRIC 11 *IFRS 2 - Group and Treasury Share Transactions*

The principal effects of these changes are as follows:

IAS 8.28

IFRS 7 *Financial Instruments: Disclosures*

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results, comparative information has been revised where needed.

IAS 1 *Presentation of Financial Statements*

This amendment requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in Note 31.

IFRIC 8 *Scope of IFRS 2*

This interpretation requires IFRS 2 to be applied to any arrangements in which the entity cannot identify specifically some or all of the goods received, in particular where equity instruments are issued for consideration which appears to be less than fair value. As equity instruments are only issued to employees in accordance with the employee share scheme, the interpretation had no impact on the financial position or performance of the Group.

IFRIC 9 *Reassessment of Embedded Derivatives*

IFRIC 9 states that the date to assess the existence of an embedded derivative is the date that an entity first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group has no embedded derivative requiring separation from the host contract, the interpretation had no impact on the financial position or performance of the Group.

IFRIC 10 *Interim Financial Reporting and Impairment*

The Group adopted IFRIC Interpretation 10 as of 1 January 2007, which requires that an entity must not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. As the Group had no impairment losses previously reversed, the interpretation had no impact on the financial position or performance of the Group.

IFRS 8 *Operating Segments*

This standard requires disclosure of information about the Group's operating segments and replaced the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. The Group determined that the operating segments were the same as the business segments previously identified under IAS 14 *Segment Reporting*. Additional disclosures about each of these segments are shown in Note 5, including revised comparative information.

IFRIC 11 *IFRS 2 - Group and Treasury Share Transactions*

The Group has elected to adopt IFRIC Interpretation 11 as of 1 January 2007, insofar as it applies to consolidated financial statements. This interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme, even if the entity buys the instruments from another party, or the shareholders provide the equity instruments needed.

2.3 Significant accounting judgments, estimates and assumptions

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgments

IAS 1.113

In the process of applying the Group's accounting policies, management has made the following judgment, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

Operating Lease Commitments–Group as Lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the contracts as operating leases.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet 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 discussed below.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill and other indefinite life intangibles are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details, including a sensitivity analysis of key assumptions, are given in Note 15.

Impairment of available-for-sale financial assets

The Group classifies certain assets as available-for-sale and recognises movements in their fair value in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether it is an impairment that should be recognised in profit or loss. At 31 December 2007 no impairment losses have been recognised for available-for-sale assets (2006: €Nil). The carrying amount of available-for-sale assets was €2,141,000 (2006: €1,798,000).

Share-based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield and making assumptions about them. The assumptions and models used are disclosed in Note 18.

Deferred Tax Assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of recognised tax losses at 31 December 2007 was €383,000 (2006: €365,000) and the unrecognised tax losses at 31 December 2007 was €1,198,000 (2006: €427,000). Further details are contained in Note 7.

Pension and Other Post Employment Benefits

The cost of defined benefit pension plans and other post employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. The net employee liability at 31 December 2007 is €1,094,000 (2006: €655,000). Further details are given in Note 19.

2.3 Significant accounting judgments, estimates and assumptions (continued)

Fair Value of Unquoted Equity Instruments

The unquoted equity instruments have been valued based on the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics. This valuation requires the Group to make estimates about expected future cash flows and discount rates, and hence they are subject to uncertainty. The fair value of the unquoted equity instruments at 31 December 2007 was €1,804,000 (2006: €1,798,000). Further details are given in Note 16.

If the estimated pre-tax discount rate used in the calculation of fair value had been 10% higher than management's estimate, the fair value of unquoted equity instruments would have been €24,000 lower than the amount recognised.

Development Costs

Development costs are capitalised in accordance with the accounting policy in Note 2.4. Initial capitalisation of costs is based on management's judgment that technological and economical feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised management makes assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. At 31 December 2007, the best estimate of the carrying amount of capitalised development costs was €2,178,000 (2006: €1,686,000).

Provision for Decommissioning

The Group has recognised a provision for decommissioning obligations associated with a factory owned by Extinguishers Limited. In determining the amount of the provision, assumptions and estimates are required in relation to discount rates and the expected cost to dismantle and remove all plant from the site. The carrying amount of the provision as at 31 December 2007 is €1,221,000 (2006: €Nil).

If the estimated pre-tax discount rate used in the calculations had been 10% lower than management's estimate, the carrying amount of the provision would have been €94,000 higher.

Provisions for WEEE

The Group recognises a provision for liabilities associated with participation in the market for Waste Electrical and Electronic Equipment ('WEEE') in accordance with the accounting policy stated in Note 2.4. The Group has made assumptions in relation to historical waste, regarding the level of market participation, the quantity of products disposed of and the expected cost of disposal. In relation to future waste, the Group has made assumptions about the age profile of products in the market and the cost of disposal. At 31 December 2007 the best estimate of the provision for WEEE was €149,000 (2006: €53,000).

2.4 Summary of significant accounting policies

IAS 1.103(a)

IAS 1.108(a), (b)

Interest in a joint venture

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

Adjustments are made in the Group's financial statements to eliminate the Group's share of unrealised gains and losses on transactions between the Group and its jointly controlled entity. Losses on transactions are recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss. The joint venture is proportionately consolidated until the date on which the Group ceases to have joint control over the joint venture.

Commentary

Good Group (International) Limited accounts for its interest in the jointly controlled entity using proportionate consolidation. However, IAS 31.38 also permits jointly controlled entities to be recognised using the equity method.

2.4 Summary of significant accounting policies (continued)

Foreign currency translation

The consolidated financial statements are presented in euros, which is the Group's functional and presentation currency. Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in equity. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

IAS 1.46(d)
IAS 1.108(b)

IAS 21.23(a)
IAS 21.28

IAS 21.23(b), (c)

IAS 21.59

Prior to 1 January 2005 the Group had elected to treat goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition, as assets and liabilities of the Group. Therefore, those assets and liabilities are already expressed in the reporting currency or are non-monetary items and hence no further translation differences occur.

IAS 21.39

The assets and liabilities of foreign operations are translated into euros at the rate of exchange ruling at the balance sheet date and their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

IAS 21.48

Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

IAS 16.73(a)

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

IAS 16.73(a)
IAS 16.77

Any revaluation surplus is credited to the assets revaluation reserve included in the equity section of the balance sheet, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

IAS 16.39

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

IAS 16.73(b), (c)

Depreciation is calculated on a straight line basis over the useful life of the asset as follows:

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

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

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Borrowing costs

Borrowing costs are recognised as an expense when incurred.

IAS 23.9

2.4 Summary of significant accounting policies (continued)

Commentary

Good Group (International) Limited has elected to expense borrowing costs as incurred. However, IAS 23.11 permits capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Where an entity elects to adopt the capitalisation method, additional disclosures under IAS 23 are required about amounts capitalised, which have not been illustrated in Good Group (International) Limited.

IAS 23 has been revised for annual periods beginning on or after 1 January 2009. See note 2.5 for disclosures of standards issued but not yet effective.

Investment properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the year in which they arise. IAS 40.75(a) IAS 40.75(d)

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal. IAS 40.66 IAS 40.69

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. IAS 40.57

No assets held under operating lease have been classified as investment properties. IAS 40.75(b)

Commentary

Good Group (International) Limited has elected to value land and buildings at fair value in accordance with IAS 16 and investment properties at fair value in accordance with IAS 40.

Both IAS 16 and IAS 40 permit property, plant and equipment and investment properties to be carried at historic cost less provisions for depreciation and impairment. In these circumstances disclosures about the cost basis and depreciation rates would be required. The disclosures illustrated in Good Group (International) Limited include details of the fair value method applied, some of which would not be required.

Business combinations and Goodwill

Business combinations are accounted for using the purchase method.

Goodwill is initially measured at cost being the excess of the cost of the business combination over the Group's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

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 synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. IFRS 3.51(b) IFRS 3.54 IFRS 3.55

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained. IAS 36.86

When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are not reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

2.4 Summary of significant accounting policies (continued)

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred. IAS 38.24, 74

The useful lives of intangible assets are assessed to be 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 is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset. IAS 38.97
IAS 38.88
IAS 38.104
IAS 38.118(d)

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

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

Research and development costs

Research costs are expensed as incurred. Development expenditure on an individual project is recognised as an intangible asset when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development. IAS 38.54
IAS 38.57

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually. IAS 38.74

Patents and licences

The patents have been granted for a period of 10 years by the relevant government agency with the option of renewal at the end of this period. Licences for the use of intellectual property are granted for periods ranging between 5 and 10 years depending on the specific licence. The licences provide the option for renewal based on whether the Group meets the conditions of the licence and may be renewed at little or no cost to the Group (further details are given in Note 13). As a result those licences are assessed as having an indefinite useful life. IAS 38.122(a)

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

	Licences	Patents	Development Costs	IAS 38.118(a), (b)
Useful lives	Indefinite	Finite	Finite	
Amortisation Method used	No amortisation	Amortised on a straight line basis over the period of the patent	Amortised over the period of expected future sales from the related project on a straight line basis	
Internally generated or acquired	Acquired	Acquired	Internally generated	

2.4 Summary of significant accounting policies (continued)

Investment in an associate

The Group's investment in its associate is accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. IAS 28.13

Under the equity method, the investment in the associate is carried in the balance sheet at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is not amortised. The income statement reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The financial statements of the associate are prepared for the same reporting period as the parent company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group. IAS 28.37(e)
IAS 28.26

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 such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. IAS 36.9
IAS 36.55

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluation. IAS 36.60

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognised impairment loss is reversed 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. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. IAS 36.110
IAS 36.114
IAS 36.117
IAS 36.119

The following criteria are also applied in assessing impairment of specific assets:

Goodwill

The Group assesses whether there are any indicators that goodwill is impaired at each reporting date. Goodwill is tested for impairment, annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating units is less than their carrying amount an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. The Group performs its annual impairment test of goodwill as at 31 December.

Intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually as of 31 December either individually or at the cash generating unit level, as appropriate. IAS 36.10(a)

Associates

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss of the Group's investment in its associates. The Group determines at each balance sheet date whether there is any objective evidence that the investment in associate is impaired. If this is the case the Group calculates the amount of impairment as being the difference between the fair value of the associate and the acquisition cost and recognises the amount in profit or loss. IAS 28.31

Commentary

IAS 36.96 permits the annual impairment test for goodwill to be performed at any time during the year provided it is at the same time each year.

2.4 Summary of significant accounting policies (continued)**Investments and other financial assets**

IFRS 7.21

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

IAS 39.9

IAS 39.43

The Group determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

All regular way purchases and sales of financial assets are recognised on the trade date, which is the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

IAS 39.9

IAS 39.38

Financial assets at fair value through profit or loss

IAS 39.9

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.

IAS 39.46

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or a financial guarantee contract. Gains or losses on investments held for trading are recognised in profit or loss.

IAS 39.AG14

IAS 39.55(a)

The Group assesses whether embedded derivatives are required to be separated from host contracts when the Group first becomes party to the contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Held-to-maturity investments

IAS 39.9

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. After initial measurement held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

IAS 39.56

IAS 39.46(b)

Loans and receivables

IAS 39.9

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

IAS 39.46(a)

IAS 39.56

Available-for-sale financial investments

IAS 39.9

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial measurement, available-for-sale financial assets are measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised or determined to be impaired at which time the cumulative gain or loss previously recorded in equity is recognised in profit or loss.

IAS 39.46

IAS 39.55(b)

IAS 39.67

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis or other valuation models.

IAS 39.48A

IFRS 7.27

Amortised cost

Held-to-maturity investments and loans and receivables are measured at amortised cost. This is computed using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

2.4 Summary of significant accounting policies (continued)

Impairment of financial assets

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired. IAS 39.58

Assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (ie the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss shall be recognised in profit or loss. IAS 39.63

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in profit or loss. IAS 39.65

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible. IFRS 7.37(b)

Available-for-sale financial investments IAS 39.67

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognised in profit or loss. Reversals of impairment losses on debt instruments are reversed through profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss. IAS 39.68
IAS 39.69
IAS 39.70

Inventories

Inventories are valued at the lower of cost and net realisable value. IAS 2.36(a)

Costs incurred in bringing each product to its present location and condition are accounted for as follows: IAS 2.9
IAS 2.25

Raw materials – purchase cost on a first in, first out basis; IAS 2.10

Finished goods and work in progress – cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs IAS 2.12
IAS 2.13

Cost of inventories include the transfer from equity of gains and losses on qualifying cash flow hedges in respect of the purchases of raw materials. IAS 39.98(b)

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

Treasury shares IAS 32.33

Own equity instruments which are reacquired (treasury shares) are deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Cash and cash equivalents IAS 7.6

Cash and short term deposits in the balance sheet comprise cash at banks and on hand and short term deposits with an original maturity of three months or less. IAS 7.46

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Commentary

Good Group (International) Limited has included bank overdrafts within cash and cash equivalents as they are considered an integral part of the Group's cash management.

2.4 Summary of significant accounting policies (continued)

Financial liabilities

IFRS 7.21

Interest bearing loans and borrowings

IAS 39.43

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs, and have not been designated 'as at fair value through profit or loss'.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

IAS 39.47

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

IAS 39.56

Financial liabilities at fair value through profit or loss

IAS 39.9

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 are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

IAS 39.AG14

IAS 39.55(a)

Gains or losses on liabilities held for trading are recognised in profit or loss.

Financial guarantee liabilities

Financial guarantee liabilities issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issue of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the balance sheet date and the amount initially recognised.

IAS 39.47(c)

Convertible preference shares

The component of the convertible preference shares that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of transaction costs. The corresponding dividends on those shares are charged as interest expense in profit or loss.

IFRS 7.21

IAS 32.18

On issuance of the convertible preference shares, the fair value of the liability component is determined using a market rate for an equivalent non convertible bond; and this amount is classified as a financial liability measured at amortised cost until it is extinguished on conversion or redemption.

IAS 32.28

IAS 32.35

IAS 32.AG31(a)

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

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

IAS 32.38

Derecognition of financial assets and liabilities

Financial assets

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

IFRS 7.21

IAS 39.17(a)

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

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

IAS 39.20(c)

IAS 39.30(a)

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

IAS 39.30(b)

Financial liabilities

IAS 39.39

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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

IAS 39.41

2.4 Summary of significant accounting policies (continued)

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. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

IAS 37.14

IAS 37.53

IAS 37.54

IAS 37.45

IAS 37.47

IAS 37.60

Decommissioning liability

IAS 16.16(c)

IAS 37.45

IAS 37.47

IFRIC 1.8

IAS 37.59

IFRIC 1.6

The provision for decommissioning costs arose on construction of a manufacturing facility for the production of fire retardant materials. A corresponding asset is recognised in plant and equipment. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows. The cash flows are discounted at a current pre tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognised in profit or loss as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

Greenhouse gas emissions

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

Commentary

IFRIC 3 *Emission Rights* was withdrawn in June 2005 as the IASB is developing guidance on accounting for emission rights. In the absence of specific guidance, management must develop an accounting policy that is relevant and reliable. The requirements of IFRIC 3 can still be applied by entities, although it has been withdrawn.

Good Group (International) Limited has applied the net liability approach based on IAS 20.23. However, emission rights received could also be recognised as intangible assets with all the disclosures required by IAS 38.

Waste Electric and Electronic Equipment (WEEE)

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

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

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

Commentary

The EU Directive on Waste Electrical and Electronic Equipment states that the cost of waste management for historical household equipment should be borne by producers of that type of equipment that are in the market during a period specified by the applicable legislation of each Member State (the measurement period).

IFRIC 6 *Liabilities arising from Participation in a Specific Market—Waste Electrical and Electronic Equipment* clarifies that the obligating event for recognition of a provision is the participation in the market during the measurement period.

2.4 Summary of significant accounting policies (continued)

Pensions and other post employment benefits

The Group operates two defined benefit pension plans, both of which require contributions to be made to separately administered funds. The Group has also agreed to provide certain additional post employment healthcare benefits to senior employees in the United States. These benefits are unfunded. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognised as income or expense when the net cumulative unrecognised actuarial gains and losses for each individual plan at the end of the previous reporting period exceeded 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognised over the expected average remaining working lives of the employees participating in the plans. IAS 19.120A(d)
IAS 19.64
IAS 19.92
IAS 19.93

The past service cost is recognised as an expense on a straight line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, a pension plan, past service cost is recognised immediately. IAS 19.96
IAS 19.120A(a)

The defined benefit asset or liability comprises the present value of the defined benefit obligation less past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly. The value of any asset is restricted to the sum of any past service cost not yet recognised and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

Commentary

The Group's policy for defined benefit plans is to only recognise actuarial gains and losses when the net cumulative unrecognised actuarial gains and losses exceed 10% of the higher of the defined benefit obligation and the fair value of the plan assets at the date. However IAS 19 also allows other recognition policies. Where the entity elects to recognise all actuarial gains and losses directly in equity, a statement of recognised income and expenses is required.

Share-based payment transactions

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

In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received at the grant date. IFRIC 8.11

Equity-settled transactions

The cost of equity-settled transactions with employees, for awards granted after 7 November 2002, is measured by reference to the fair value at the date on which they are granted. The fair value is determined by an external valuer using an appropriate pricing model, further details of which are given in Note 18. IFRS 2.10, 45, 53

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. IFRS 2.45

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied. IFRS 2.19, 20, 21

Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification. IFRS 2.27

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. IFRS 2.28

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share (further details are given in Note 9). IAS 33.45

2.4 Summary of significant accounting policies (continued)

Cash-settled transactions	IFRS 2.53
The cost of cash-settled transactions is measured initially at fair value at the grant date using a binomial model, further details of which are given in Note 18. This fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is remeasured at each balance sheet date up to and including the settlement date with changes in fair value recognised in profit or loss.	IFRS 2.30, 32, 33
Leases	IFRIC 4.6
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.	
For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of IFRIC 4.	
Group as a lessee	
Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in profit or loss.	IAS 17.8 IAS 17.20 IAS 17.25
Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.	IAS 17.27
Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term.	IAS 17.33
Group as a lessor	
Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.	IAS 17.8 IAS 17.52
Revenue recognition	
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:	IAS 18.35(a) IAS 18.14 IAS 18.20
Sale of goods	
Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.	IAS 18.14
Rendering of services	
Revenue from the installation of fire extinguishers, fire prevention equipment and fire retardant fabrics is recognised by reference to the stage of completion. Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.	IAS 18.20 IAS 18.26
Interest income	
Revenue is recognised as interest accrues (using the effective interest rate, that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).	IAS 18.30(a) IAS 18.30(c)
Dividends	
Revenue is recognised when the Group's right to receive the payment is established.	
Rental income	
Rental income arising from operating leases on investment properties is accounted for on a straight line basis over the lease terms.	IAS 17.50
Government grants	
Government grants are recognised where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is recognised as deferred income and released to income in equal annual amounts over the expected useful life of the related asset.	IAS 20.7 IAS 20.12 IAS 20.26
Where the Group receives non-monetary grants, the asset and that grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.	

2.4 Summary of significant accounting policies (continued)

Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods 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 by the balance sheet date.

IAS 12.46

IAS 12.47

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

Deferred income tax

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

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

- where the deferred income tax liability arises from the initial recognition of goodwill or 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
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

IAS 12.39

IAS 12.24

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, 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:

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

IAS 12.44

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

IAS 12.56

IAS 12.37

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

IAS 12.47

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss.

IAS 12.61

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

IAS 12.74

Sales tax

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

IAS 18.8

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

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

Derivative financial instruments and hedging

IAS 39.43

The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. 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 assets when the fair value is positive and as liabilities when the fair value is negative.

IAS 39.46

Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting are taken directly to profit or loss.

IAS 39.55(a)

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

IFRS 7.27(a)

IFRS 7.27(b)

2.4 Summary of significant accounting policies (continued)

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

IFRS 7.22(a)

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk); or
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; or
- hedges of a net investment in a foreign operation.

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

IFRS 7.22(b)
IAS 39.88

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedges

IAS 39.89

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

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through the profit or loss over the remaining term to maturity. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest rate method is used, is amortised through profit or loss.

IAS 39.92

Amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

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

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss. The changes in the fair value of the hedging instrument are also recognised in profit or loss.

IAS 39.93

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while any ineffective portion is recognised immediately in profit or loss.

IAS 38.95

Amounts taken to equity are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

IAS 39.97, 100

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognised in equity are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction or firm commitment occurs.

IAS 39.101

Hedges of a net investment

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

IAS 39.102

2.5 Future changes in accounting policies

Standards issued but not yet effective

IAS 23 Borrowing Costs

IAS 8.30

A revised IAS 23 *Borrowing costs* was issued in March 2007, and becomes effective for financial years beginning on or after 1 January 2009. The standard has been revised to require capitalisation of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transitional requirements in the Standard, the Group will adopt this as a prospective change. Accordingly, borrowing costs will be capitalised on qualifying assets with a commencement date after 1 January 2009. No changes will be made for borrowing costs incurred to this date that have been expensed.

IFRIC 12 Service Concession Arrangements

IFRIC Interpretation 12 was issued in November 2006 and becomes effective for annual periods beginning on or after 1 January 2008. This Interpretation applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession arrangements. No member of the Group is an operator and hence this Interpretation will have no impact on the Group.

IFRIC 13 Customer Loyalty Programmes

IFRIC Interpretation 13 was issued in June 2007 and becomes effective for annual periods beginning on or after 1 July 2008. This Interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled. The Group expects that this interpretation will have no impact on the Group's financial statements as no such schemes currently exist.

IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

IFRIC Interpretation 14 was issued in July 2007 and becomes effective for annual periods beginning on or after 1 January 2008. This Interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognised as an asset under IAS 19 *Employee Benefits*. The Group expects that this Interpretation will have no impact on the financial position or performance of the Group as all defined benefit schemes are currently in deficit.

3. Business combinations and acquisition of minority interests

Acquisitions in 2007

IFRS 3.66(a)

IFRS 3.67(a), (b), (c)

Acquisition of Extinguishers Limited

On 1 May 2007, the Group acquired 100% of the voting shares of Extinguishers Limited, an unlisted company based in Euroland specialising in the manufacture of fire retardant fabrics.

The fair value of the identifiable assets and liabilities of Extinguishers Limited as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were:

	€000 Fair value recognised on acquisition	€000 Previous carrying value	IFRS 3.67(f) IAS 7.40(d)
Property, plant and equipment (Note 11)	7,042	5,384	
Cash and cash equivalents	230	230	
Trade receivables	1,736	1,736	
Inventories	3,578	2,179	
Patents and licences (Note 13)	1,200	–	
	<u>13,786</u>	<u>9,529</u>	
Trade payables	(2,180)	(2,180)	
Provision for operating lease costs (Note 25)	(400)	–	
Provision for restructuring (Note 25)	(500)	(500)	
Provision for decommissioning costs (Note 25)	(1,200)	(1,200)	
Deferred income tax liability	(2,273)	(1,347)	
	<u>(6,553)</u>	<u>(5,227)</u>	
Net assets	7,233	4,302	
Goodwill arising on acquisition (Note 13)	<u>2,017</u>		
Total consideration	9,250		IFRS 3.24 IFRS 3.67(d)

3. Business combinations and acquisition of minority interests (continued)

The total cost of the combination was €9,250,000 and comprised an issue of equity instruments and costs directly attributable to the combination. The Group issued 2,500,000 ordinary shares with a fair value of €3.46 each, being the published price of the shares of Good Group (International) Limited at the date of exchange. IFRS 3.24
IFRS 3.67(d)(i)
IFRS 3.67(d)(ii)

Cost:

	€000	
Shares issued, at fair value	8,650	
Costs associated with the acquisition	600	
Total	9,250	IAS 7.40(a)

Cash outflow on acquisition:

	€000	
Net cash acquired with the subsidiary	230	IAS 7.40(c)
Cash paid	(600)	IAS 7.40(b)
Net cash outflow	(370)	

From the date of acquisition, Extinguishers Limited has contributed €750,000 to the net profit of the Group. If the combination had taken place at the beginning of the year, the profit for the Group would have been €10,709,000 and revenue from continuing operations would have been €239,930,000. IFRS 3.67(i)
IFRS 3.70(b)
IFRS 3.70(a)
IFRS 3.67(h)

Prior to the acquisition, Extinguishers Limited had decided to eliminate certain product lines (further details are given in Note 25). The restructuring provision recognised above was a present obligation of Extinguishers Limited immediately prior to the business combination and its execution was not conditional upon it being acquired by Good Group (International) Limited.

The goodwill of €2,017,000 comprises the fair value of expected synergies arising from the acquisition and a customer list, which is not separately recognised. Due to the contractual terms imposed on acquisition, the customer list is not separable and therefore does not meet the criteria for recognition as an intangible asset under IAS 38 *Intangible assets*.

Commentary

IFRS 3.36 requires the acquirer to allocate the cost of a business combination by recognising the acquiree's identifiable assets, liabilities and contingent liabilities. IFRS 3.37 requires contingent liabilities to be recognised if the fair value can be reliably measured.

The existence of contingent liabilities was considered in the acquisition of Extinguishers Limited. The possibility of an outflow of economic resources was considered and the fair value of the contingent liability was deemed to be almost zero. As a result, no contingent liability was recognised.

If the initial accounting for a business combination has been determined provisionally, IFRS 3.69 requires entities to disclose this fact.

Minority Interest in Lightbulbs Limited

On 1 October 2007, the Group acquired an additional 7.4% of the voting shares of Lightbulbs Limited, taking its ownership to 87.4%. Cash consideration of €325,000 was paid. The book value of the net assets of Lightbulbs at this date was €1,821,000, and the book value of the additional interest acquired was €135,000. The difference of €190,000 between the consideration and the book value of the interest acquired, has been recognised as goodwill (Note 13).

Commentary

To enable the reader to understand what amount has been accounted for as goodwill under the parent entity extension method Good Group (International) Limited has disclosed information about the consideration paid as well as the value of the net assets at the date of the acquisition, although no standard requires this.

3. Business combinations and acquisition of minority interests (continued)

Acquisitions in 2006

On 1 December 2006, the Group acquired 80% of the voting shares of Lightbulbs Limited, a company based in Euroland, specialising in the production and distribution of lightbulbs.

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

	€000	€000	IFRS 3.73(b)
	<i>Fair value recognised on acquisition (Restated)</i>	<i>Previous carrying value</i>	IAS 7.40(d)
Land and buildings (Note 11)	1,280	247	
Cash and cash equivalents	50	50	
Trade receivables	853	853	
Inventories	765	765	
	<u>2,948</u>	<u>1,915</u>	
Trade payables	(807)	(807)	
Deferred income tax liability	(380)	(70)	
Provision for maintenance warranties	(50)	(50)	
Equity minority interests	(342)	(198)	
	<u>(1,579)</u>	<u>(1,125)</u>	
Net assets	1,369	790	
Goodwill arising on acquisition (Note 13)	131		IFRS 3.24
Consideration, satisfied by cash	<u>1,500</u>		IFRS 3.67(d) IAS 7.40(a)
Cash flow on acquisition:		€000	
Net cash acquired with the subsidiary		50	IAS 7.40(c)
Cash paid		(1,500)	IAS 7.40(b)
Net cash outflow		<u>(1,450)</u>	

The fair value adjustments at 31 December 2006 were provisional as the Group had sought an independent valuation for the land and buildings owned by Lightbulbs Limited. The results of this valuation had not been received at the date the 2006 accounts were approved for issue by management. IFRS 3.62

The valuation of the land and buildings was received in April 2007 and showed that the fair value at the date of acquisition was €1,280,000, an increase of €200,000 compared to the provisional value.

The 2006 comparative information has been restated to reflect this adjustment. The value of the land and buildings increased by €200,000, there was an increase in the deferred tax liability of €60,000 and an increase in the minority interest of €28,000. There was also a corresponding reduction in goodwill of €112,000, to give total goodwill arising on the acquisition of €131,000. The increased depreciation charge on the buildings from the acquisition date to 31 December 2006 was not material. IFRS 3.73(b)

Lightbulbs Limited has contributed €20,000 from the date of acquisition (1 December 2006) to 31 December 2006 to the net profit of the group. If the combination had taken place at the beginning of the year, the profit for the group for 2006 would have been €7,850,000 and revenue from continuing operations would have been €198,078. IFRS 3.67(i)
IFRS 3.70(a), (b)

The goodwill of €131,000 comprises the fair value of expected synergies arising from acquisition. IFRS 3.67(h)

4. Interest in a joint venture

Good Group (International) Limited has a 50% interest in Showers Limited, a jointly controlled entity which is involved in the manufacture of fire prevention equipment in Euroland. IAS 31.56

The share of the assets, liabilities, income and expenses of the jointly controlled entity at 31 December 2007 and 2006 and for the years then ended, which are included in the consolidated financial statements, are as follows:

	2007	2006
	€000	€000
Current assets	1,613	1,404
Non-current assets	1,432	1,482
	<u>3,045</u>	<u>2,886</u>
Current liabilities	(112)	(551)
Non-current liabilities	(510)	(500)
	<u>2,423</u>	<u>1,835</u>
Revenue	30,047	29,438
Cost of sales	(27,244)	(26,710)
Administrative expenses	(1,319)	(1,293)
Finance costs	(102)	(100)
Profit before income tax	1,382	1,335
Income tax expense	(794)	(778)
Net profit	<u>588</u>	<u>557</u>

5. Segment information

For management purposes, the group is organised into business units based on their products and services, and has four reportable operating segments as follows: IFRS 8.22(a)

IFRS 8.22(b)

The fire prevention equipment segment produces and installs extinguishers, fire prevention equipment and fire retardant fabrics.

The electronics segment is a supplier of electronic equipment for defence, aviation, electrical safety markets and consumer electronic equipment for home use. It offers products and services in the areas of electronics, safety, thermal, and electrical architecture.

The investment property segment leases offices and manufacturing sites owned by the Group which are surplus to the Group's requirements.

The rubber equipment segment produces rubber hoses for commercial applications. This segment has been classified as a discontinued operation in the current year. Refer to note 8 for further information.

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

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs and finance revenue) and income taxes are managed on a group basis and are not allocated to operating segments.

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

IFRS 8.27(a)

5. Segment information (continued)

Year ended 31 December 2007	Fire prevention equipment €000	Electronics €000	Investment property €000	Rubber equipment €000	Adjustments and eliminations €000	Consolidated €000	
Revenue							
Third party	139,842	69,388	1,404	42,809	(42,809) ¹	210,634	IFRS 8.23(a)
Inter-segment	—	7,465	—	—	(7,465) ²	—	IFRS 8.23(b)
Total revenue	139,842	76,853	1,404	42,809	(50,274)	210,634	
Results							
Depreciation and amortisation	3,428	389	—	105	(105) ³	3,817	IFRS 8.23(e)
Share of profit of an associate	83	—	—	—	—	83	IFRS 8.23(g)
Segment profit	10,208	3,298	321	412	(1,433)⁴	12,806	IFRS 8.23
Assets							
Investment in associate	764	—	—	—	—	764	IFRS 8.24(a)
Capital expenditure ⁷	15,849	2,842	1,216	—	—	19,907	IFRS 8.24(b)
Operating assets	53,001	44,764	18,467	13,056	6,879⁵	136,167	IFRS 8.23
Operating liabilities	16,922	7,072	4,704	12,627	27,300⁶	68,625	IFRS 8.23

- Discontinued operations are shown separately in the income statement as a one-line item 'Profit/(Loss) after tax for the year from a discontinued operation'. IFRS 8.28
- Inter-segment revenues are eliminated on consolidation.
- Depreciation and amortisation related to discontinued operations is not included in consolidated operating profit before tax.
- Segment operating profit does not include finance revenue (€785,000) or finance costs (€1,627,000). Segment operating profit does include profit from discontinued operations (€412,000), profit from inter-segment sales (€175,000) and gains and losses from available-for-sale financial assets (€2,000).
- Segment assets do not include deferred tax (€383,000), loans to associates (€200,000), Directors' loan (€13,000), loan notes (€3,674,000) goodwill (€2,457,000) and derivatives (€152,000) as these assets are managed on a group basis.
- Segment liabilities do not include deferred tax (€3,103,000), current tax payable (€4,664,000), bank loans (€16,550,000), convertible preference shares (€2,778,000) and derivatives (€205,000) as these liabilities are managed on a group basis.
- Capital expenditure consists of additions of property, plant and equipment, intangible assets and investment properties.

5. Segment information (continued)

Year ended 31 December 2006	Fire prevention equipment €000	Electronics €000	Investment property €000	Rubber equipment €000	Adjustments and eliminations €000	Consolidated €000	
Revenue							
Third party	123,905	66,796	1,377	45,206	(45,206) ¹	192,078	IFRS 8.23(a)
Inter-segment	—	7,319	—	—	(7,319) ²	—	IFRS 8.23(b)
Total revenue	123,905	74,115	1,377	45,206	(52,525)	192,078	
Results							
Depreciation and amortisation	2,460	472	—	324	(324) ³	2,932	IFRS 8.23(e)
Share of profit of an associate	81	—	—	—	—	81	IFRS 8.23(g)
Segment profit	6,076	5,396	314	(110)	(814)⁴	10,862	IFRS 8.23
Assets							
Investment in associate	681	—	—	—	—	681	IFRS 8.24(a)
Capital expenditure ⁷	5,260	4,363	1,192	—	—	10,815	IFRS 8.24(b)
Operating assets	41,864	40,159	9,887	11,587	2,308⁵	105,805	IFRS 8.23
Operating liabilities	8,506	3,886	1,688	12,378	28,702⁶	55,160	IFRS 8.23

- Discontinued operations are shown separately in the income statement as a one-line item 'Profit/(Loss) after tax for the year from a discontinued operation'. IFRS 8.28
- Inter-segment revenues are eliminated on consolidation.
- Depreciation and amortisation related to discontinued operations is not included in consolidated operating profit before tax.
- Segment operating profit does not include finance revenue (€724,000) or finance costs (€1,561,000). Segment operating profit does include loss from discontinued operations (€110,000), profit from inter-segment sales (€85,000).
- Segment assets do not include deferred tax (€365,000), Directors' loan (€8,000), loan notes (€1,685,000) or goodwill (€250,000) as these assets are managed on a group basis.
- Segment liabilities do not include deferred tax (€451,000), current tax payable (€4,013,000), bank loans (€21,340,000), convertible preference shares (€2,644,000) and derivatives (€254,000) as these liabilities are managed on a group basis.
- Capital expenditure consists of additions of property, plant and equipment, intangible assets and investment properties.

Geographic information

Revenues from external customers:

IFRS 8.33(a)

	2007 €000	2006 €000
Euroland	201,094	187,228
United States	52,349	50,056
Total	253,443	237,284

The revenue information above is based on the location of the customer.

IFRS 8.33(a)

Revenue from one customer amounted to €45,521,000 (2006: €41,263,000), arising from sales by the fire prevention equipment segment.

IFRS 8.34

5. Segment information (continued)

Non-current assets:

IFRS 8.33(b)

	2007	2006
	€000	€000
Euroland	37,199	29,004
United States	9,300	7,251
Total	46,499	36,255

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

Commentary

Interest revenue and interest expense has not been disclosed by segment as these items are managed on a group basis, and are not provided to the chief operating decision maker at the operating segment level.

Disclosure of operating segment liabilities is only required where such a measure is provided to the chief operating decision maker.

Good Group (International) Limited has classified an entire reportable operating segment as discontinuing in the current period. As this operating segment still meets the quantitative thresholds for separate reporting, it continues to be reported in the segment information.

6. Other revenues and expenses**6.1 Other income**

	2007	2006	
	€000	€000	
Government grants (Note 26)	1,053	541	IAS 20.39(b)
Net gains on disposal of property, plant and equipment	532	2,007	IAS 1.86
	1,585	2,548	

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

6.2 Other expenses

	2007	2006	
	€000	€000	
Bid defence costs	(579)	—	IAS 1.86
Cost of WEEE (Note 2.4)	(102)	(53)	
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	(101)	(353)	IAS 40.75(f)(ii)
Change in fair value of investment properties (Note 12)	(306)	(300)	IAS 1.86
	(1,088)	(706)	

6.3 Finance costs

	2007	2006	
	€000	€000	
Bank loans and overdrafts	(842)	(792)	
Other loans (including convertible preference shares)	(702)	(728)	
Finance charges payable under finance leases and hire purchase contracts	(40)	(40)	
Provision discount adjustment	(43)	(1)	
Total finance costs (on a historical cost basis)	(1,627)	(1,561)	IFRS 7.20(b)

6. Other revenues and expenses (continued)**6.4 Finance revenue**

	2007 €000	2006 €000	
Income from loan to associate (Note 30)	20	—	
Bank interest receivable	580	562	
Income from investments	185	162	
Total finance revenue (on a historical cost basis)	785	724	IFRS 7.20(b)

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

	2007 €000	2006 €000	
Included in cost of sales:			
Depreciation	3,415	2,476	IAS 1.93
Impairment of property, plant and equipment (Note 11)	—	301	IAS 36.126(a)
Amortisation of development costs (Note 13)	95	124	IAS 1.93
Amortisation of patents (Note 13)	30	50	IAS 1.93
Net foreign exchange differences	(65)	(40)	IAS 21.52(a)
Warranty provision (Note 25)	106	48	
Costs of inventories recognised as an expense	150,283	131,140	IAS 2.36(d)
Included in administrative expenses:			
Depreciation	277	282	
Minimum lease payments recognised as an operating lease expense	250	175	IAS 17.35(c)

6.6 Employee benefits expense

	2007 €000	2006 €000	IAS 1.93
Wages and salaries	38,205	38,050	
Social security costs	3,854	3,837	
Pension costs (Note 19)	1,395	1,361	
Post-employment benefits other than pensions (Note 19)	153	113	
Expense of share-based payments [including expense arising from transactions accounted for as equity-settled share-based payment transactions: €307,000 (2006: €298,000)] (Note 18)	412	492	IFRS 2.51(a)
	44,019	43,853	

6.7 Research and development costs

Research and development costs consist of €2,140,000 (2006: €910,000) charged directly to cost of sales in the income statement and €95,000 (2006: €124,000) of amortisation of previously capitalised development costs.

IAS 38.126

7. Income tax

The major components of income tax expense for the years ended 31 December 2007 and 2006 are:

IAS 12.79

	2007 €000	2006 €000	
Consolidated income statement			
<i>Current income tax:</i>			
Current income tax charge	3,293	3,696	IAS 12.80(a)
Adjustments in respect of current income tax of previous year	(18)	(129)	IAS 12.80(b)
<i>Deferred income tax:</i>			
Relating to origination and reversal of temporary differences	435	(335)	IAS 12.80(c)
Income tax expense reported in the income statement	3,710	3,232	

Consolidated statement of changes in equity

IAS 12.81(a)

Deferred income tax related to items charged or credited directly to equity:

Net loss on revaluation of cash flow hedges	25	11
Unrealised gain on available-for-sale financial assets	2	1
Net gain on revaluation of land and buildings	200	—
Net gain on hedge of net investment	92	—
Income tax expense reported in equity	319	12

A reconciliation between tax expense and the product of accounting profit multiplied by Euroland's domestic tax rate for the years ended 31 December 2007 and 2006 is as follows:

IAS 12.81(c)(i)

	2007 €000	2006 €000	
Accounting profit before tax from continuing operations	12,806	10,862	
Profit/(loss) before tax from a discontinued operation	213	(193)	
Accounting profit before income tax	13,019	10,669	
At Euroland's statutory income tax rate of 30% (2006: 30%)	3,906	3,201	
Adjustments in respect of current income tax of previous years	(18)	(129)	
Government grants exempt from tax	(316)	(162)	
Utilisation of previously unrecognised tax losses	(231)	(88)	
Non-deductible expenses	196	185	
Effect of higher tax rates in the US	166	220	
At the effective income tax rate of 29% (2006: 31%)	3,703	3,227	
Income tax expense reported in the consolidated income statement	3,710	3,232	
Income tax attributable to a discontinued operation	(7)	(5)	
	3,703	3,227	

7. Income tax (continued)**Deferred income tax**

Deferred income tax at 31 December relates to the following:

	Consolidated balance sheet		Consolidated income statement		IAS 12.81(g)(i)
	2007	2006	2007	2006	IAS 12.81(g)(ii)
	€000	€000	€000	€000	
<i>Deferred tax liability</i>					
Accelerated depreciation for tax purposes	(2,415)	(324)	744	81	
Revaluations of investment properties to fair value	(1,330)	(1,422)	(92)	(90)	
Revaluations of land and buildings to fair value	(254)	—	—	—	
Revaluations of available-for-sale investments to fair value	(77)	(75)	—	—	
Revaluation of a hedged loan to fair value	(11)	—	11	—	
Fair value adjustments on acquisition (2006 restated see Note 3)	(926)	(310)	—	—	
Net gain on hedge of net investment	(92)	—	—	—	
	<u>(5,105)</u>	<u>(2,131)</u>			
<i>Deferred income tax assets</i>					
Post-employment medical benefits	102	59	(43)	(33)	
Pension	227	137	(90)	(86)	
Revaluation of an interest rate swap (fair value hedge) to fair value	11	—	(11)	—	
Revaluations of foreign currency contracts (cash flow hedges) to fair value	5	30	(30)	(45)	
Convertible preference shares	91	55	(36)	(33)	
Losses available for offset against future taxable income	383	365	(18)	(129)	
	<u>819</u>	<u>646</u>			
Deferred income tax income/(expense)			<u>435</u>	<u>(335)</u>	
Deferred tax liabilities net	<u>(4,286)</u>	<u>(1,485)</u>			
Reflected in the balance sheet as follows					
Deferred tax assets	383	365			
Deferred tax liabilities - continuing operations	(4,615)	(1,850)			
Deferred tax liabilities - discontinued operations	(54)	—			
Deferred tax liabilities net	<u>(4,286)</u>	<u>(1,485)</u>			

The Group has tax losses which arose in Euroland of €1,198,000 (2006: €427,000) that are available indefinitely for offset against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group and they have arisen in subsidiaries that have been loss-making for some time. IAS 12.81(e)

At 31 December 2007, there was no recognised deferred tax liability (2006: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, associate or joint venture, as: IAS 12.87

- (i) the Group has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future;
- (ii) the Group has an agreement with its associate that the profits of the associate will not be distributed until it obtains the consent of Good Group (International) Limited. The parent company does not foresee giving such consent at the balance sheet date; and
- (iii) the joint venture of Good Group (International) Limited cannot distribute its profits until it obtains the consent of Good Group (International) Limited. The parent company does not foresee giving such consent at the balance sheet date.

The temporary differences associated with investments in subsidiaries, associate and joint venture, for which deferred tax liability has not been recognised aggregate to €1,745,000 (2006: €1,458,000). IAS 12.81(f)

There are no income tax consequences attaching to the payment of dividends in either 2007 or 2006 by Good Group (International) Limited to its shareholders. IAS 12.82A

8. Discontinued operation

On 1 March 2007, Good Group (International) Limited publicly announced the decision of its Board of Directors to dispose of Hose Limited. Hose Limited manufactures rubber hosepipes and is a separate business segment that is part of the Euroland operations. The business of Hose Limited has been operating in an unpredictable product environment, making it difficult for management to derive real growth and profitability from the segment. The disposal of Hose Limited is due to be completed on 29 February 2008 and as at 31 December 2007 final negotiations for the sale were in progress. As at 31 December 2007, Hose Limited was classified as a disposal group held for sale. IFRS 5.30
IFRS 5.41

The results of Hose Limited for the year are presented below:

	2007 €000	2006 €000	IFRS 5.33(b)(i) IFRS 5.34
Revenue	42,809	45,206	
Expenses	(42,397)	(45,316)	
Gross profit/(loss)	412	(110)	
Finance costs	(89)	(83)	
Loss recognised on the remeasurement to fair value (Note 11)	(110)	—	IFRS 5.33(b)(iii)
Loss before tax from a discontinued operation	213	(193)	
Tax income:			
related to pre-tax profit/(loss)	5	5	IAS 12.81(h)(ii)
related to measurement to fair value	2	—	IAS 12.81(h)(i)
Profit/(Loss) for the year from a discontinued operation	220	(188)	

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

	2007 €000	2006 €000	IFRS 5.38
Assets			
Intangibles (Note 13)	135	—	
Property, plant and equipment (Note 11)	4,637	—	
Debtors	6,990	—	
Cash and short-term deposits (Note 22)	1,294	—	
Assets classified as held for sale	13,056	—	
Liabilities			
Creditors	(6,764)	—	
Deferred tax liability	(54)	—	
Interest-bearing liabilities (Note 24)	(5,809)	—	
Liabilities directly associated with assets classified as held for sale	(12,627)	—	
Net assets directly associated with disposal group	429	—	
Asset revaluation reserve	182	—	IFRS 5.38
Deferred tax on asset revaluation reserve	(54)	—	
Reserve of disposal group classified as held for sale	128	—	

The net cash flows incurred by Hose Limited are as follows:

	2007 €000	2006 €000	IFRS 5.33(c)
Operating	(1,999)	3,293	
Net cash (outflow)/inflow	(1,999)	3,293	
Earnings per share:			IAS 33.68
Basic, from discontinued operation	€0.011	(€0.010)	
Diluted, from discontinued operation	€0.010	(€0.009)	

Interest-bearing liabilities comprise a fixed rate €5,809,000 bank loan having an effective interest rate of 7.5%. It is repayable in full on 1 January 2012.

8. Discontinued operation (continued)

The following disclosures are those required by IFRS 7 as they relate to the discontinued operation.

At 31 December 2007, trade receivables at a nominal value of €94,000 (2006: €Nil) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

IFRS 7.37

	Individually impaired	Collectively impaired	Total
At 1 January 2006 and 31 December 2006	—	—	—
Charge for the year	21	32	53
Utilised	(2)	(3)	(5)
Unused amounts reversed	(3)	(1)	(4)
	16	28	44

IFRS 7.16

At 31 December, the ageing analysis of trade receivables is as follows:

IFRS 7.37

	Total	Neither past due nor impaired	Past due but not impaired				
			<30 days	30-60 days	60-90 days	90-120 days	>120 days
	€000	€000	€000	€000	€000	€000	€000
2007	6,990	3,011	1,275	1,290	675	478	261
2006	—	—	—	—	—	—	—

The table below summarises the maturity profile of the discontinued operation's financial liabilities at 31 December 2007 based on contractual undiscounted payments.

Year ended 31 December 2007

IFRS 7.39(a)

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Interest bearing loans and borrowings	—	—	—	6,000	6,000
Trade and other payables	2,237	4,336	245	—	6,818
	2,237	4,336	245	6,000	12,818

Hose Limited was not classified as held for sale in 2006 and therefore there are no comparative balances in 2006.

Commentary

IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* specifies certain disclosures required in respect of discontinued operations. However, IFRS 7 *Financial Instruments: Disclosures* does not exclude non-current assets held for sale or discontinued operations from its scope and therefore the disclosure requirements apply. Good Group (International) Limited has presented these disclosures with the other disclosures for discontinued operations. However, they could be shown elsewhere in the financial statements.

9. Earnings per share

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

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

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

	2007 €000	2006 €000	
Net profit attributable to ordinary equity holders of the parent from continuing operations	8,958	7,391	
Loss attributable to ordinary equity holders of the parent from a discontinued operation	220	(188)	
Net profit attributable to ordinary equity holders of the parent for basic earnings	9,178	7,203	IAS 33.70(a)
Interest on convertible preference shares	247	238	
Net profit attributable to ordinary equity holders of the parent adjusted for the effect of dilution	9,425	7,441	IAS 33.70(a)

	2007 Thousands	2006 Thousands	
Weighted average number of ordinary shares (excluding treasury shares) for basic earnings per share	20,797	19,064	

Effect of dilution:

Share options	112	177	
Convertible preference shares	833	833	
Weighted average number of ordinary shares (excluding treasury shares) adjusted for the effect of dilution	21,742	20,074	

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements. IAS 33.70(d)

To calculate earnings per share amounts for the discontinued operation, the weighted average number of ordinary shares for both basic and diluted amounts is as per the table above. The following table provides the profit figure used as the numerator:

	2007 €000	2006 €000	
Net profit/(loss) attributable to ordinary equity holders of the parent from a discontinued operation for basic and diluted earnings per share calculations	220	(188)	IAS 33.68

10. Dividends paid and proposed

	2007 €000	2006 €000	
Declared and paid during the year:			IAS 1.95
Equity dividends on ordinary shares:			
Final dividend for 2006: 5.66 cents (2005: 3.93 cents)	1,082	749	
Interim dividend for 2007: 4.66 cents (2006: 4.42 cents)	890	851	
	1,972	1,600	
Proposed for approval at AGM (not recognised as a liability as at 31 December):			IAS 1.125(a)
Equity dividends on ordinary shares:			
Final dividend for 2007: 5.01 cents per share (2006: 5.66 cents per share)	1,087	1,082	

11. Property, plant and equipment

	Freehold land and buildings €000	Plant and equipment €000	Total €000	IAS 1.75(a) IAS 16.73(d),(e)
Cost or valuation:				
At 1 January 2006	11,887	24,602	36,489	
Additions	1,587	6,235	7,822	
Acquisitions of a subsidiary (restated) (Note 3)	1,280	–	1,280	
Disposals	(3,381)	(49)	(3,430)	
Exchange adjustment	10	26	36	
At 31 December 2006 (restated)	11,383	30,814	42,197	
Additions	1,612	6,043	7,655	
Acquisitions of a subsidiary (Note 3)	2,897	4,145	7,042	
Disposals	–	(4,908)	(4,908)	
Discontinued operations (Note 8)	(4,144)	(3,980)	(8,124)	
Revaluations (Note 23)	846	–	846	
Transfer*	(102)	–	(102)	
Exchange adjustment	30	79	109	
At 31 December 2007	12,522	32,193	44,715	
Depreciation and impairment:				
At 1 January 2006	4,160	11,944	16,104	
Depreciation charge for the year	354	2,728	3,082	
Impairment (Note 6)	–	301	301	
Disposals	(3,069)	(49)	(3,118)	
Exchange adjustment	5	12	17	
At 31 December 2006	1,450	14,936	16,386	
Depreciation charge for the year	500	3,297	3,797	
Disposals	–	(3,450)	(3,450)	
Discontinued operations (Note 8)	(1,283)	(2,094)	(3,377)	
Transfer*	(102)	–	(102)	
Exchange adjustment	20	30	50	
At 31 December 2007	585	12,719	13,304	
Net book value:				
At 31 December 2007	11,937	19,474	31,411	
At 31 December 2006 (restated)	9,933	15,878	25,811	
At 1 January 2006	7,727	12,658	20,385	

IAS 36.130

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

Impairment of property, plant and equipment

Immediately before the classification as a discontinued operation of Hose Limited, a recoverable amount was estimated for certain items of property, plant and equipment and no impairment loss was identified. Following the classification, an impairment loss of €110,000 in total was recognised to reduce the carrying amount of certain of those assets to the fair value less costs to sell. This was recognised in the income statement in the line item 'Profit for the year from a discontinued operation'. An independent valuation was obtained to determine fair value which was based on recent transactions for similar assets within the same industry.

11. Property, plant and equipment (continued)

In 2006, the €301,000 impairment loss represented the write down of certain property, plant and equipment in the fire prevention segment to the recoverable amount. This has been recognised in the income statement in the line item of 'Cost of sales'. The recoverable amount was based on value in use and was determined at the cash generating unit level. The cash-generating unit consisted of the Euroland based assets of Sprinklers Limited and Showers Limited, a subsidiary and a jointly controlled entity of the Group respectively. In determining value in use for the cash-generating unit, the cash flows were discounted at a rate of 12.4% on a pre-tax basis.

IAS 36.126(a)

Useful Lives

The useful lives of the assets is estimated as follows:

	2007	2006	IAS 16.73(c)
Buildings	20 years	20 years	
Plant and equipment	5 to 15 years	5 to 15 years	

Revaluation of land and buildings

IAS 16.77(a)-(e)

The Group engaged Chartered Surveyors & Co., an accredited independent valuer, to determine the fair value of its land and buildings.

Fair value is determined by reference to market-based evidence. The date of the revaluation was 30 November 2007.

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

	2007 €000	2006 €000	IAS 16.73(c)
Cost	11,778	11,383	
Accumulated depreciation and impairment	(573)	(1,450)	
Net carrying amount	11,205	9,933	

The carrying value of plant and equipment held under finance leases and hire purchase contracts at 31 December 2007 was €1,178,000 (2006: €1,486,000). Additions during the year include €45,000 (2006: €54,000) of plant and equipment held under finance leases and hire purchase contracts. Leased assets and assets under hire purchase contracts are pledged as security for the related finance lease and hire purchase liabilities.

IAS 17.31(a)
IAS 7.43

Land and buildings with a carrying amount of €7,400,000 (2006: €5,000,000) are subject to a first charge to secure two of the Group's bank loans (Note 24).

IAS 16.74(a)

Included in plant and equipment at 31 December 2007 was an amount of €1,500,000 (2006: Nil) relating to expenditure for a plant in the course of construction.

IAS 16.74(b)

12. Investment properties

	2007 €000	2006 €000	IAS 40.76
Opening balance at 1 January	7,983	7,091	
Additions (subsequent expenditure)	1,216	1,192	
Net loss from a fair value adjustment	(306)	(300)	
Closing balance at 31 December	8,893	7,983	

Investment properties are stated at fair value, which has been determined based on valuations performed by Chartered Surveyors & Co. an accredited independent valuer, as at 31 December 2007 and 31 December 2006 for the current and previous years respectively. Chartered Surveyors & Co. is an industry specialist in valuing these types of investment properties. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation, in accordance with International Valuation Standards Committee standards.

IAS 40.75(d)
IAS 40.75(e)

13. Intangible assets

	Development costs €000	Patents and licences €000	Goodwill €000	Total €000	IAS 38.118(c) IAS 38.118(e) IFRS 3.75
Cost:					
At 1 January 2006	1,585	635	119	2,339	
Additions - internal development	390	—	—	390	
Acquisition of a subsidiary (restated) (Note 3)	—	—	131	131	
At 31 December 2006 (restated)	1,975	635	250	2,860	
Additions - internal development	587	—	—	587	
Acquisition of a subsidiary (Note 3)	—	1,200	2,017	3,217	
Acquisition of minority interest (Note 3)	—	—	190	190	
Discontinued operations	—	(138)	—	(138)	
At 31 December 2007	2,562	1,697	2,457	6,716	
Amortisation and impairment:					
At 1 January 2006	165	60	—	225	
Amortisation	124	50	—	174	
At 31 December 2006	289	110	—	399	
Amortisation	95	30	—	125	
Discontinued operations	—	(3)	—	(3)	
At 31 December 2007	384	137	—	521	
Net book value:					
At 31 December 2007	2,178	1,560	2,457	6,195	
At 31 December 2006 (restated)	1,686	525	250	2,461	
At 1 January 2006	1,420	575	119	2,114	

Acquisition during the year

Patents and licences include intangible assets acquired through business combinations. These patents have been granted for a minimum of 10 years by the relevant government agency, while licences have been acquired with the option to renew at the end of the period at little or no cost to the Group. Previous licences acquired have been renewed and have allowed the Group to determine that these assets have an indefinite useful life. As at 31 December 2007, these assets were tested for impairment (Note 15).

14. Investment in an associate

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

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

	2007 €000	2006 €000	
Share of the associate's balance sheet:			IAS 28.37(b)
Current assets	1,631	1,581	
Non-current assets	3,416	3,207	
Current liabilities	(1,122)	(976)	
Non-current liabilities	(3,161)	(3,131)	
Net assets	764	681	
Share of the associate's revenue and profit:			
Revenue	8,323	8,160	
Profits	83	81	
Carrying amount of the investment	764	681	

15. Impairment testing of goodwill and intangibles with indefinite lives

Goodwill acquired through business combinations and licences with indefinite lives have been allocated to two individual cash-generating units, which are also reportable segments, for impairment testing as follows:

- Electronics cash-generating unit; and
- Fire prevention equipment cash-generating unit.

Carrying amount of goodwill and licences allocated to each of the cash-generating units:

	Electronics unit		Fire prevention equipment unit		Total		
	2007 €000	2006 €000	2007 €000	2006 €000	2007 €000	2006 €000	
Carrying amount of goodwill	440	250	2,017	–	2,457	250	IAS 36.134(a)
Carrying amount of licences with indefinite useful lives	360	–	1,050	240	1,410	240	IAS 36.134(b)

Electronics cash-generating unit

The recoverable amount of the electronics unit has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The pre-tax discount rate applied to cash flow projections is 12.3% (2006: 12.1%) and cash flows beyond the 5-year period are extrapolated using a 5.1% growth rate (2006: 5.0%) that is the same as the long-term average growth rate for the electronics industry.

Fire prevention equipment cash-generating unit

The recoverable amount of the fire prevention equipment unit is also determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The pre-tax discount rate applied to the cash flow projections is 12.4% (2006: 12.8%). The growth rate used to extrapolate the cash flows of the fire prevention equipment unit beyond the five-year period is 5.8% (2006: 3.8%). This growth rate exceeds the average growth rate for the industry in which the fire prevention equipment unit operates by two percentage points. Management of the fire prevention equipment unit believes this growth rate is justified based on the acquisition of Extinguishers Limited that has resulted in the control of an industry patent, preventing other entities from manufacturing a specialised product for a period of 10 years with the option for renewal after the 10 years have expired.

IAS 36.134(c)
IAS 36.134(d)(iii)
IAS 36.134(d)(iv)
IAS 36.134(d)(v)

15. Impairment testing of goodwill and intangibles with indefinite lives (continued)

Key assumptions used in value in use calculations

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

- Gross margin;
- Discount rates;
- Raw materials price inflation;
- Market share during the budget period; and
- Growth rate used to extrapolate cash flows beyond the budget period.

Gross margins – Gross margins are based on average values achieved in the three years preceding the start of the budget period. These are increased over the budget period for anticipated efficiency improvements. A factor of 1.5% per annum was applied for the electronics unit and 2% per annum for the fire prevention equipment unit. IAS 36.134(d)(i)
IAS 36.134(d)(ii)

Discount rates – Discount rates reflect management's estimate of the risks specific to each unit. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. In determining appropriate discount rates for each unit, regard has been given to the yield on a ten-year government bond at the beginning of the budgeted year. IAS 36.134(d)(i)
IAS 36.134(d)(ii)

Raw materials price inflation – Estimates are obtained from published indices for the countries from which materials are sourced, as well as data relating to specific commodities. Forecast figures are used if data is publicly available (principally for Euroland and the United States), otherwise past actual raw material price movements have been used as an indicator of future price movements. IAS 36.134(d)(i)
IAS 36.134(d)(ii)

Market share assumptions – These assumptions are important because, as well as using industry data for growth rates (as noted below) management assess how the unit's position, relative to its competitors, might change over the budget period. Management expects the Group's share of the electronics market to be stable over the budget period, whereas for the reasons explained above, the Board expects the Group's position, relative to its competitors, to strengthen following the acquisition of Extinguishers Limited. IAS 36.134(d)(i)
IAS 36.134(d)(ii)

Growth rate estimates – Rates are based on published industry research. For the reasons explained above, the long-term rate used to extrapolate the budget for the fire prevention equipment unit includes an additional element for the acquisition of a significant industry patent. IAS 36.134(d)(i)
IAS 36.134(d)(ii)

Sensitivity to changes in assumptions IAS 36.134(f)

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

For the electronics unit, there are reasonably possible changes in key assumptions which could cause the carrying value of the unit to exceed its recoverable amount. The actual recoverable amount for the fire prevention equipment unit exceeds its carrying amount by €1,800,000 (2006: €1,550,000). The implications of the key assumptions on the recoverable amount are discussed below. IAS 36.134(f)(i)

- **Raw materials price inflation** – Management has considered the possibility of greater than budgeted increases in raw material price inflation. This may occur if anticipated regulatory changes result in an increasing demand which cannot be met by suppliers. Budgeted price inflation lies within a range of 1.9% to 2.6%, depending on the country from which materials are purchased. Should the group be unable to pass on or absorb through efficiency improvements additional cost increases of an average of 4.5%, the electronic unit's value in use would be reduced to its carrying value. IAS 36.134(f)(ii)
IAS 36.134(f)(iii)
- **Growth rate assumptions** – Management recognises that the speed of technological change and the possibility of new entrants can have a significant impact on growth rate assumptions. The effect of new entrants is not expected to impact adversely on forecasts included in the budget, but could yield a reasonably possible alternative to the estimated long-term growth rate of 5.2%. A reduction of 4.4 percentage points in this growth rate would give a value in use equal to the carrying amount of the electronics unit. IAS 36.134(f)(ii)
IAS 36.134(f)(iii)

16. Available-for-sale investments

	2007 €000	2006 €000	
Ordinary shares – unquoted	1,804	1,798	IAS 39 AG7 4-79 IFRS 7.27(b)
Ordinary shares – quoted	337	–	IAS 39 AG7 1-73
	2,141	1,798	

16. Available-for-sale investments (continued)*Unquoted shares*

IFRS 7.27(a), (c)

The fair value of the unquoted ordinary shares has been estimated using a valuation technique based on assumptions that are not supported by observable market prices. The valuation requires management to make estimates about the expected future cash flows of the shares which are discounted at current rates. Management has determined that the potential effect of using reasonably possible alternatives as inputs to the valuation model would reduce the fair value by €147,000 (2006: €152,000) using less favourable assumptions and increase the fair value by €117,000 (2006: €121,000) using more favourable assumptions.

Quoted shares

The fair value of the quoted ordinary shares is determined by reference to published price quotations in an active market.

IFRS 7.27(b)

17. Other financial assets (non-current)

	2007 €000	2006 €000
Loan notes	3,674	1,685
Loan to associate	200	—
Director's loan	13	8
	3,887	1,693

For terms and conditions relating to related party loans, refer to Note 30.

18. Share-based payment plans

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

	2007 €000	2006 €000
Expense arising from equity-settled share-based payment transactions	307	298
Expense arising from cash-settled share-based payment transactions	105	194
Total expense arising from share-based payment transactions	412	492

IFRS 2.51(a)

The share-based payment plans are described below. There have been no cancellations or modifications to any of the plans during 2007 or 2006.

Senior Executive Plan

Under the Senior Executive Plan (SEP), share options are granted to senior executives with more than 12 months' service. The exercise price of the options is equal to the market price of the shares on the date of grant. The options vest if and when the Group's earnings per share amount increases by 12%, within three years from the date of grant. If this increase is not met the options lapse.

IFRS 2.45(a)

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

IFRS 2.46

The contractual life of each option granted is five years. There are no cash settlement alternatives.

General Employee Share-option Plan

IFRS 2.45(a)

All other employees are entitled to a grant of options, under the General Employee Share-option Plan (GESP), once they have been in service for two years. The vesting of the options is dependent on the total shareholder return (TSR) of the Group as compared to a group of principal competitors. Employees must remain in service for a period of three years from the date of grant. The fair value of share options granted is estimated at the date of the grant using a Monte Carlo simulation model, taking into account the terms and conditions upon which the options were granted. The model simulates the TSR and compares it against the group of principal competitors. It takes into account historic dividends, share price fluctuation covariances of Good Group and each entity of the group of competitors to predict the distribution of relative share performance.

IFRS 2.47(a)(iii)

18. Share-based payment plans (continued)

The exercise price of the options is equal to the market price of the shares less 17% on the date of grant. The contractual life of the options is five years and there are no cash settlement alternatives. The Group has not developed a past practice of cash settlement. IFRS 2.46

Share Appreciation Rights

Employees in the business development group are granted share appreciation rights (SARs), which can only be settled in cash. These will vest when a specified target number of new sales contracts are closed. The contractual life of the SARs is six years. The fair value of the SARs is measured at the grant date using a binomial option pricing model taking into account the terms and conditions upon which the instruments were granted. The services received and a liability to pay for those services are recognised over the expected vesting period. Until the liability is settled it is remeasured at each reporting date with changes in fair value recognised in profit or loss. IFRS 2.45(a)
IFRS 2.46

The carrying amount of the liability relating to the SARs at 31 December 2007 is €299,000 (2006: €194,000). No SARs had vested at 31 December 2007 (2006: Nil). IFRS 2.51(b)

Movements in the year

IFRS 2.45(b)

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

	2007 No.	2007 WAEP	2006 No.	2006 WAEP	
Outstanding at 1 January	575,000 ¹	€2.85	525,000 ¹	€2.75	
Granted during the year	250,000	€3.85	155,000	€3.13	
Forfeited during the year	—	—	(25,000)	€2.33	
Exercised during the year	(75,000) ³	€2.33	(65,000) ²	€3.08	IFRS 2.45(c)
Expired during the year	(25,000)	€3.46	(15,000)	€2.13	
Outstanding at 31 December	<u>725,000¹</u>	€3.23	<u>575,000¹</u>	€2.85	
Exercisable at 31 December	110,000	—	100,000		IFRS 2.45(d)

1 Included within this balance are options over 277,000 shares that have not been recognised in accordance with IFRS 2 Share-based Payment as the options were granted on or before 7 November 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with IFRS 2. IFRS 2.56

2 The weighted average share price at the date of exercise of these options was €4.09.

3 The weighted average share price at the date of exercise of these options was €3.13. IFRS 2.45(c)

The weighted average remaining contractual life for the share options outstanding as at 31 December 2007 is 2.94 years (2006: 2.60 years).

The weighted average fair value of options granted during the year was €1.32 (2006: €1.18).

The range of exercise prices for options outstanding at the end of the year was €2.33 - €3.85 (2006: €2.13 - €3.13).

IFRS 2.47(a)

IFRS 2.45(d)

The following table lists the inputs to the models used for the three plans for the years ended 31 December 2007 and 31 December 2006: IFRS 2.47(a)(i)

	2007 SEP	2007 GESP	2007 SAR
Dividend yield (%)	3.13	3.13	3.05
Expected volatility (%)	15.00	16.00	18.00
Risk-free interest rate (%)	5.10	5.10	5.10
Expected life of option (years)	3.00	4.25	6.00
Weighted average share price (€)	3.10	3.10	3.12
Model used	Binomial	Monte Carlo	Binomial
	2006 SEP	2006 GESP	2006 SAR
Dividend yield (%)	3.01	3.01	3.02
Expected volatility (%)	16.30	17.50	18.10
Risk-free interest rate (%)	5.00	5.00	5.00
Expected life of option (years)	3.00	4.25	6.00
Weighted average share price (€)	2.86	2.86	2.88
Model used	Binomial	Monte Carlo	Binomial

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. IFRS 2.47(a)(ii)

The SEP and GESP are equity-settled plans and the fair value is measured at the grant date. The SARs are cash-settled and the fair value is remeasured at the reporting date.

19. Pensions and other post-employment benefit plans

The Group has two defined benefit pension plans, one final salary plan and one average salary plan, covering substantially all of its employees, both of which require contributions to be made to separately administered funds. IAS 19.120
IAS 19.120A(b)

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

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

Net benefit expense (recognised in cost of sales)	<i>Euroland plan</i>	<i>US plan</i>	<i>Post-employment medical</i>	<i>Total</i>	IAS 19.120A(g)
	<i>2007</i>	<i>2007</i>	<i>2007</i>	<i>2007</i>	
	<i>€000</i>	<i>€000</i>	<i>€000</i>	<i>€000</i>	
Current service cost	(715)	(430)	(128)	(1,273)	
Interest cost on benefit obligation	(201)	(55)	(25)	(281)	
Expected return on plan assets	127	56	—	183	
Net actuarial gain/(loss) recognised in the year	(100)	(22)	—	(122)	
Past service cost	(55)	—	—	(55)	
Net benefit expense	(944)	(451)	(153)	(1,548)	
Actual return on plan assets	445	293	—	—	IAS 19.120A(m)
	<i>Euroland plan</i>	<i>US plan</i>	<i>Post-employment medical</i>	<i>Total</i>	
	<i>2006</i>	<i>2006</i>	<i>2006</i>	<i>2006</i>	
	<i>€000</i>	<i>€000</i>	<i>€000</i>	<i>€000</i>	
Current service cost	(744)	(322)	(105)	(1,171)	
Interest cost on benefit obligation	(218)	(65)	(8)	(291)	
Expected return on plan assets	126	47	—	173	
Net actuarial gain/(loss) recognised in the year	(44)	(34)	—	(78)	
Past service cost	(107)	—	—	(107)	
Net benefit expense	(987)	(374)	(113)	(1,474)	
Actual return on plan assets	(338)	(166)	—	—	IAS 19.120A(m)
Benefit asset/(liability)	<i>Euroland plan</i>	<i>US plan</i>	<i>Post-employment medical</i>	<i>Total</i>	IAS 19.120A(f)
	<i>2007</i>	<i>2007</i>	<i>2007</i>	<i>2007</i>	
	<i>€000</i>	<i>€000</i>	<i>€000</i>	<i>€000</i>	
Defined benefit obligation	(4,940)	(1,093)	(339)	(6,372)	
Fair value of plan assets	2,617	705	—	3,322	
	(2,323)	(388)	(339)	(3,050)	
Unrecognised actuarial (gains)/losses	1,481	47	—	1,528	
Unrecognised past service costs	428	—	—	428	
Benefit liability	(414)	(341)	(339)	(1,094)	
	<i>Euroland plan</i>	<i>US plan</i>	<i>Post-employment medical</i>	<i>Total</i>	
	<i>2006</i>	<i>2006</i>	<i>2006</i>	<i>2006</i>	
	<i>€000</i>	<i>€000</i>	<i>€000</i>	<i>€000</i>	
Defined benefit obligation	(4,108)	(1,115)	(197)	(5,420)	
Fair value of plan assets	1,763	680	—	2,443	
	(2,345)	(435)	(197)	(2,977)	
Unrecognised net actuarial (gains)/losses	1,414	425	—	1,839	
Unrecognised past service cost	483	—	—	483	
Benefit liability	(448)	(10)	(197)	(655)	

19. Pensions and other post-employment benefit plans (continued)

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

IAS 19.120A(c)

	<i>Euroland plan</i> €000	<i>US plan</i> €000	<i>Post-employment medical</i> €000
Defined benefit obligation at 1 January 2006	3,973	1,275	88
Interest cost	218	65	8
Current service cost	744	322	105
Benefits paid	(983)	(158)	–
Actuarial (gains)/losses on obligation	156	(379)	–
Exchange differences on foreign plans	–	(10)	(4)
Defined benefit obligation at 31 December 2006	4,108	1,115	197
Interest cost	201	55	25
Current service cost	715	430	128
Benefits paid	(569)	(299)	–
Actuarial (gains)/losses on obligation	485	(119)	–
Exchange differences on US plans	–	(89)	(11)
Defined benefit obligation at 31 December 2007	4,940	1,093	339

Changes in the fair value of plan assets are as follows:

IAS 19.120A(e)

	<i>Euroland plan</i> €000	<i>US plan</i> €000
Fair value of plan assets at 1 January 2006	2,134	676
Expected return	126	47
Contributions by employer	950	324
Benefits paid	(983)	(158)
Actuarial gains/(losses)	(464)	(213)
Exchange differences on US plans	–	4
Fair value of plan assets at 31 December 2006	1,763	680
Expected return	127	56
Contributions by employer	978	25
Benefits paid	(569)	(299)
Actuarial gains/(losses)	318	237
Exchange difference on US plans	–	6
Fair value of plan assets at 31 December 2007	2,617	705

The Group expects to contribute €1,500,000 to its defined benefit pension plans in 2008.

IAS 19.120A(q)

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

IAS 19.120A(j)

	<i>Pension plans</i>			
	<i>Euroland plan</i>		<i>US plan</i>	
	2007	2006	2007	2006
	%	%	%	%
Euroland equities	44	49	13	10
American equities	29	29	9	9
Euroland bonds	10	5	33	32
American bonds	10	8	19	15
Property	7	9	26	34

19. Pensions and other post-employment benefit plans (continued)

The plan assets include property occupied by Good Group (International) Limited with a fair value of €150,000 (2006: €140,000) IAS 19.120A(k)

The overall expected rate of return on assets is determined based on the market expectations prevailing on that date, applicable to the period over which the obligation is to be settled. There has been a significant change in the expected rate of return on assets due to the improved stock market scenario. IAS 19.120A(l)

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

	2007 %	2006 %
Discount rate:		
Euroland plan	4.9	5.5
US plan	5.7	5.9
Expected rate of return on assets:		
Euroland plan	7.2	5.9
US plan	8.3	6.8
Future salary increases:		
Euroland plan	3.5	4.0
US plan	3.8	4.1
Future pension increases:		
Euroland plan	2.1	2.1
US plan	2.2	2.3
Healthcare cost increase rate	7.2	7.4
Post retirement mortality for pensioners at 65:		
Euroland plan		
Male	20.0	20.0
Female	23.0	23.0
US plan		
Male	19.0	19.0
Female	22.0	22.0

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

	Increase €000	Decrease €000	IAS 19.120A(o)
2007			
Effect on the aggregate current service cost and interest cost	6	(2)	
Effect on the defined benefit obligation	12	(8)	
2006			
Effect on the aggregate current service cost and interest cost	4	(2)	
Effect on the defined benefit obligation	7	(5)	

19. Pensions and other post-employment benefit plans (continued)

Amounts for the current and previous four periods are as follows:

IAS 19.120A(p)

	Euroland plan				
	2007 €000	2006 €000	2005 €000	2004 €000	2003 €000
Defined benefit obligation	(4,940)	(4,108)	(3,973)	(1,758)	(1,585)
Plan assets	2,617	1,763	2,134	2,536	2,284
(Deficit)/surplus	(2,323)	(2,345)	(1,839)	778	699
Experience adjustments on plan liabilities	(572)	(257)	320	(125)	245
Experience adjustments on plan assets	318	(464)	(920)	(548)	(486)

	US plan				
	2007 €000	2006 €000	2005 €000	2004 €000	2003 €000
Defined benefit obligation	(1,093)	(1,115)	(1,275)	(890)	(1,093)
Plan assets	705	680	676	1,085	815
(Deficit)/surplus	(388)	(435)	(599)	195	(278)
Experience adjustments on plan liabilities	145	402	256	(150)	345
Experience adjustments on plan assets	243	(217)	(175)	220	372

	Post-employment medical benefits				
	2007 €000	2006 €000	2005 €000	2004 €000	2003 €000
Defined benefit obligation	(339)	(197)	(88)	(80)	(78)
Experience adjustments on plan liabilities	(48)	(37)	(22)	15	20

20. Inventories

	2007 €000	2006 €000	IAS 2.36(b) IAS 1.75(c)
Raw materials (at cost)	6,046	7,793	
Work in progress (at cost)	13,899	11,224	
Finished goods (at net realisable value)	4,930	6,472	
Total inventories at the lower of cost and net realisable value	24,875	25,489	

The amount of write-down of inventories recognised as an expense is €286,000 (2006: €242,000) which is recognised in cost of sales.

IAS 2.36(e)

21. Trade and other receivables (current)

	2007 €000	2006 €000	IAS 1.75(b) IFRS 7.6
Trade receivables	26,501	23,158	
Receivables from associate	551	582	
Receivables from other related parties	620	550	
	27,672	24,290	

For terms and conditions relating to related party receivables, refer to Note 30.

IFRS 7.34(a)

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

21. Trade and other receivables (current)

As at 31 December 2007, trade receivables at nominal value of €108,000 (2006: €97,000) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

IFRS 7.37

	Individually impaired €000	Collectively impaired €000	Total €000	IFRS 7.16
At 1 January 2006	29	66	95	
Charge for the year	4	8	12	
Utilised	(4)	(6)	(10)	
At 31 December 2006	29	68	97	
Charge for the year	10	16	26	
Utilised	(3)	(5)	(8)	
Unused amounts reversed	(2)	(6)	(8)	
Discount rate adjustment	—	1	1	
At 31 December 2007	34	74	108	

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

IFRS 7.37

	Total €000	Neither past due nor impaired €000	Past due but not impaired				
			< 30 days €000	30 – 60 days €000	60 – 90 day €000	90 – 120 day €000	>120 days €000
2007	26,501	17,596	4,791	2,592	1,070	360	92
2006	23,158	16,455	3,440	1,840	945	370	108

22. Cash and short-term deposits

	2007 €000	2006 €000
Cash at banks and on hand	10,664	11,125
Short-term deposits	5,796	3,791
	16,460	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. The fair value of cash and short-term deposits is €16,460,000 (2006: €14,916,000).

IFRS 7.34(a)

At 31 December 2007, the Group had available €5,740,000 (2006: €1,230,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

IAS 7.50(a)

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following at 31 December:

IAS 7.45

	2007 €000	2006 €000
Cash at banks and on hand	10,664	11,125
Short-term deposits	5,796	3,791
Cash at banks and short-term deposits attributable to a discontinued operation (Note 8)	1,294	—
	17,754	14,916
Bank overdrafts (Note 24)	(966)	(2,650)
	16,788	12,266

23. Issued capital and reserves*Authorised*

	2007	2006	IAS 1.75(e) IAS 1.76(a)(i) IAS 1.76(a)(iii)
	Thousands	Thousands	
Ordinary share of €1 each	22,588	20,088	
7% convertible preference shares of €1 each (Note 24)	2,500	2,500	
	<u>25,088</u>	<u>22,588</u>	

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

<i>Ordinary shares issued and fully paid</i>	Thousands	€000	IAS 1.76(a)(ii) IAS 1.76(a)(iv)
At 1 January 2006	19,388	19,388	
Issued on 1 November 2006 for cash on exercise of share options	65	65	
At 1 January 2007	19,453	19,453	
Issued on 1 May 2007 in exchange for issued share capital of Extinguishers Limited (Note 3)	2,500	2,500	
Issued on 1 November 2007 for cash on exercise of share options	75	75	
At 31 December 2007	<u>22,028</u>	<u>22,028</u>	

<i>Treasury shares</i>	Thousands	€000	IAS 1.76(a)(vi)
At 1 January 2006, 2007 and 31 December 2007	<u>335</u>	<u>774</u>	

<i>Other capital reserves</i>	€000
At 1 January 2006, 2007 and 31 December 2007	<u>228</u>

This reserve represents the equity component of the convertible preference shares, net of deferred income tax.

23. Issued capital and reserves (continued)*Share option schemes*

The Company has two share option schemes under which options to subscribe for the Company's shares have been granted to certain executives and senior employees (Note 18).

	Employee equity benefits reserve	Asset revaluation reserve	Net unrealised gains reserve	Foreign currency translation reserve	Total	IAS 1.97(c)
	€000	€000	€000	€000	€000	IAS 1.96(b)
<i>Other reserves</i>						
At 1 January 2006	—	—	83	(327)	(244)	
Currency translation differences	—	—	—	(117)	(117)	IAS 21.52(b)
Net movement on cash flow hedges	—	—	33	—	33	IFRS 7.23(c)
Tax effect on net movement on cash flow hedges	—	—	(9)	—	(9)	IAS 12.81(a)
Share-based payment	298	—	—	—	298	
Net unrealised gains on available-for-sale investments	—	—	3	—	3	IFRS 7.20(a)(ii)
Tax effect of net gains on available-for-sale investments	—	—	(1)	—	(1)	IAS 12.81(a)
At 31 December 2006	298	—	109	(444)	(37)	
Revaluation of land and buildings	—	846	—	—	846	IAS 16.77(f)
Tax effect of revaluation of land and buildings	—	(254)	—	—	(254)	IAS 12.81(a)
Depreciation transfer	—	(114)	—	—	(114)	IAS 16.77(f)
Tax effect of depreciation transfer	—	34	—	—	34	IAS 12.81(a)
Discontinued operations (Note 8)	—	(182)	—	—	(182)	IFRS 5.38
Tax effect of discontinued operations	—	54	—	—	54	
Net unrealised gains on available-for-sale investments	—	—	8	—	8	IFRS 7.20(a)(ii)
Realised gains on available-for-sale investments reclassified to the income statement	—	—	(5)	—	(5)	IFRS 7.20(a)(ii)
Realised losses on available-for-sale investments reclassified to the income statement	—	—	3	—	3	IFRS 7.20(a)(ii)
Share-based payment	307	—	—	—	307	
Tax effect of net gains on available-for-sale investments	—	—	(2)	—	(2)	
Net movement on cash flow hedges	—	—	83	—	83	IFRS 7.23(c)
Tax effect of net movement on cash flow hedges	—	—	(25)	—	(25)	IAS 12.81(a)
Currency translation differences	—	—	—	(222)	(222)	IAS 21.52(b)
Net gains on hedge of net investment	—	—	—	278	278	IAS 1.97(c)
Tax effect of net gains on hedge of net investment	—	—	—	(92)	(92)	IAS 12.81(a)
At 31 December 2007	605	384	171	(480)	680	

Nature and purpose of other reserves

IAS 1.76(b)

Employee equity benefits reserve

The employee equity benefits reserve is used to record the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration. Refer to Note 18 for further details of these plans.

Asset revaluation reserve

The asset revaluation reserve is used to record increases in the fair value of land and buildings and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity. The reserve can only be used to pay dividends in limited circumstances.

Net unrealised gains reserve

This reserve records fair value changes on available-for-sale investments. Also recorded here is the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

The net loss on cash flow hedges during the year, recognised in equity was €318,000 (2006: €379,000). During the year net losses of €175,000 (2006: €180,000) were reclassified to sales and €226,000 (2006: €232,000) were transferred to inventory. IFRS 7.23(c), (d)

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. It is also used to record the effect of hedging net investments in foreign operations.

24. Interest-bearing loans and borrowings

	Effective interest rate %	Maturity	2007 €000	2006 €000
Current				
Obligations under finance leases and hire purchase contracts (Note 29)	7.8	2008	83	51
Bank overdrafts	EURIBOR +1.0	On demand	966	2,650
Other loans:				
€1,500,000 bank loan (2006: €1,400,000)	EURIBOR +0.5	1 November 2008	1,411	–
€2,200,000 bank loan	EURIBOR +0.5	31 March 2007	–	74
			2,460	2,775
Non-current				
Obligations under finance leases and hire purchase contracts (Note 29)	7.8	2009-2010	905	943
8% debentures	8.2	2009-2017	3,374	3,154
8.25% secured loan of US\$3,600,000	LIBOR +0.2	31 May 2013	2,246	–
Secured bank loan at LIBOR + 2.0%	LIBOR +2.0	31 July 2013	3,479	3,489
Other loans:				
€1,500,000 bank loan (2006: €1,400,000)	EURIBOR +0.5	1 November 2008	–	1,357
€2,500,000 bank loan	EURIBOR +1.1	2010-2012	2,486	2,229
€2,200,000 bank loan	EURIBOR +0.5	31 March 2011	2,078	2,078
€5,809,000 bank loan	7.5	1 January 2012	–	5,809
Share of a joint venture loan	EURIBOR +0.5	30 June 2012	510	500
			15,078	19,559
Convertible preference shares	11.65	2010-2013	2,778	2,644
			17,856	22,203

* includes the effects of related interest rate swap as discussed in Note 31.

Bank overdrafts

The bank overdrafts are secured by a floating charge over certain of the Group's assets.

IFRS 7.7

€1,500,000 bank loan

This loan is unsecured and is repayable in full on 1 November 2008.

8% debentures

The 8% debentures are repayable in equal annual instalments of €350,000 commencing on 1 January 2009.

8.25% secured loan

The loan is secured by a first charge over certain of the Group's land and buildings of €2,400,000 (2006: 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 of the balance sheet date, but has been classified as long-term because the Group expects to exercise its rights under the MOF to refinance this funding. Such immediate replacement funding is available through to 31 July 2013. The total amount repayable on maturity is €3,500,000. The facility is secured by a first charge over certain of the Group's land and buildings, with a book value of €5,000,000 (2006: €5,000,000).

€2,500,000 bank loan

This loan is repayable in two equal instalments of €1,250,000 due on 31 December 2010 and 31 December 2012.

€2,200,000 bank loan

This loan is unsecured and is repayable in full on 31 March 2011 (2006: €74,000 repayable on 31 March 2007 and the balance repayable on 31 March 2011).

Share of a joint venture loan

This relates to the Group's 50% share of the joint venture's €1,020,000 bank loan (2006: €1,000,000) on the same terms as the €2,200,000 loan to the Group discussed above and is repayable in full on 30 June 2012.

24. Interest-bearing loans and borrowings (continued)**Convertible preference shares**

IAS 1.76(a)(v)

At 31 December 2007 and 2006, there were 2,500,000 convertible preference shares on issue. Each share has a nominal value of €1 and is convertible at the option of the Company or the shareholder into ordinary shares on 1 January 2010 on the basis of one ordinary share for every three preference shares held. Any preference shares not converted will be redeemed on 31 December 2013 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.

25. Provisions

	Maintenance warranties €000	Restructuring €000	Decom- missioning €000	Operating lease €000	Social security contributions on share options €000	Waste electrical and electronic equipment €000	Total €000	
At 1 January 2007	118	—	—	—	4	53	175	IAS 37.84(a)
Acquisition of a subsidiary (Note 3)	—	500	1,200	400	—	—	2,100	
Arising during the year	112	—	—	—	26	102	240	IAS 37.84(b)
Utilised	(60)	(39)	—	(20)	(19)	(8)	(146)	IAS 37.84(c)
Unused amounts reversed	(6)	(6)	—	—	—	—	(12)	IAS 37.84(d)
Discount rate adjustment	2	11	21	6	1	2	43	IAS 37.84(e)
At 31 December 2007	166	466	1,221	386	12	149	2,400	
Current 2007	114	100	—	205	3	28	450	IAS 1.60
Non-current 2007	52	366	1,221	181	9	121	1,950	
	166	466	1,221	386	12	149	2,400	
Current 2006	60	—	—	—	—	38	98	
Non-current 2006	58	—	—	—	4	15	77	
	118	—	—	—	4	53	175	

Maintenance warranties

IAS 37.85

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

Restructuring

The restructuring provision was in existence prior to the business combination and relates principally to the elimination of certain product lines of Extinguishers Limited. The restructuring plan was drawn up and announced to the employees of Extinguishers Limited in 2006 when the provision was recognised in the acquiree's financial statements. The restructuring is expected to be completed by 2009.

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.

Operating lease

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

Commentary

The above table does not show movements in provisions for the comparative period as per IAS 37.84, this information is not required.

25. Provisions (continued)**Social security contributions on share options**

The provision for social security contributions on share option gains, is calculated based on the number of options outstanding at the balance sheet date that are expected to be exercised, and using the market price of the shares at the balance sheet date as the best estimate of market price at the date of exercise. It is expected that the costs will be incurred during the exercise period of 1 January 2008 to 31 December 2010.

Waste electrical and electronic equipment

The provision for waste electrical and electronic equipment is calculated based on sales in the current year (new waste) and expected disposals of old waste (sales before August 2005).

26. Government grants

	2007 €000	2006 €000	
At 1 January	1,551	1,450	
Received during the year	2,951	642	
Released to the income statement	(1,053)	(541)	IAS 20.39(b)
At 31 December	3,449	1,551	
Non-current	3,300	1,400	
Current	149	151	
	3,449	1,551	

27. Trade and other payables (current)

	2007 €000	2006 €000	
Trade payables	17,464	19,496	
Other payables	1,833	1,495	
Interest payable	43	269	
Joint venture	30	12	
Other related parties	10	9	
	19,380	21,281	

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 60-day terms.
- Other payables are non-interest bearing and have an average term of six months.
- Interest payable is normally settled quarterly throughout the financial year.
- For terms and conditions relating to related parties, refer to Note 30.

IFRS 7.39

28. Other financial liabilities

	2007 €000	2006 €000	
Financial guarantee contracts	87	49	
Forward currency contracts (Note 32)	170	254	
Interest rate swap (Note 32)	35	—	
	292	303	

29. Commitments and contingencies**Operating lease commitments – Group as lessee**

IAS 17.35(d)

The Group has entered into commercial leases on certain motor vehicles and items of machinery. These leases have an average life of between 3 and 5 years with no renewal option included in the contracts. There are no restrictions placed upon the Group by entering into these leases.

29. Commitments and contingencies (continued)

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

	2007 €000	2006 €000	IAS 17.35(a)
Within one year	255	250	
After one year but not more than five years	612	600	
More than five years	408	400	
	1,275	1,250	

Operating lease commitments – Group as lessor

IAS 17.56(c)

The Group has entered into commercial property leases on its investment property portfolio, consisting of the Group's surplus office and manufacturing buildings. These non-cancellable leases have remaining terms of between 5 and 20 years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

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

	2007 €000	2006 €000	IAS 17.56(a)
Within one year	709	695	
After one year but not more than five years	2,815	2,760	
More than five years	5,901	5,864	
	9,425	9,319	

Finance lease and hire purchase commitments

IAS 17.31(e)

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

	Minimum payments €000	2007 Present value of payments (Note 24) €000	Minimum payments €000	2006 Present value of payments (Note 24) €000	
Within one year	85	83	56	51	
After one year but not more than five years	944	905	1,014	943	
Total minimum lease payments	1,029		1,070		IAS 17.31(b)
Less amounts representing finance charges	(41)		(76)		
Present value of minimum lease payments	988	988	994	994	

Capital commitments

At 31 December 2007, the Group had commitments of €4,590,000 (2006: €4,500,000) principally relating to the completion of the operating facilities of Sprinklers Inc. and commitments of €310,000 (2006: €516,000) in relation to the Group's interest in the joint venture entity. These commitments are for the acquisition of new machinery.

IAS 16.74(c)

IAS 31.55

Legal claim

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

IAS 37.86

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

29. Commitments and contingencies (continued)**Guarantees**

IAS 24.20(h)

Good Group (International) Limited has provided the following guarantees at 31 December 2007:

IAS 31.54(a)

- it has guaranteed 25% of the bank overdraft of the associate to a maximum amount of €500,000 (2006: €Nil), which is incurred jointly with other investors of the associate;
- it has guaranteed its interest in its share of the joint venture loan of €510,000 (Note 24) (2006: €500,000) over certain land and buildings;
- it has guaranteed to an unrelated party the performance of a contract for the joint venture entity. No liability is expected to arise; and
- it has guaranteed its share of €20,000 (2006: €15,000) of the associate's contingent liabilities which have been incurred jointly with other investors.

IAS 28.40

IAS 37.86

IAS 31.54(b)

IAS 28.40(a)

30. Related party disclosures

IAS 24.12

The financial statements include the financial statements of Good Group (International) Limited and the subsidiaries listed in the following table:

Name	Country of Incorporation	% equity interest		IAS 24.14
		2007	2006	
Extinguishers Limited	Euroland	100.0	—	
Bright Sparks Limited	Euroland	95.0	95.0	
Wireworks Inc.	United States	98.0	98.0	
Sprinklers Inc.	United States	100.0	100.0	
Lightbulbs Limited	Euroland	87.4	80.0	
Hose Limited	Euroland	100.0	100.0	

Good Group (International) Limited is the ultimate Euroland parent entity and the ultimate parent of the Group is S.J. Limited.

IAS 1.126(c)

The following table provides the total amount of transactions, which have been entered into with related parties for the relevant financial year (for information regarding outstanding balances at 31 December 2007 and 2006, refer to Notes 21 and 27):

IAS 24.17

IAS 24.22

		Sales to related parties €000	Purchases from related parties €000	Amounts owed by related parties €000	Amounts owed to related parties €000
Entity with significant influence over the Group:	2007	7,115	—	600	—
International Fires P.L.C.	2006	5,975	—	550	—
Associate:	2007	2,900	—	551	—
Power Works Limited	2006	2,100	—	582	—
Joint venture in which the parent is a venturer:	2007	—	590	—	30
Showers Limited	2006	—	430	—	12
Key management personnel of the Group:	2007	225	510	20	10
Other directors' interests	2006	135	490	—	9
Loans from/to related party				Amounts owed by related parties	
Associate:	2007	20		200	
Power Works Limited	2006	—		—	
Key management personnel of the Group:	2007	1		13	
Director's loan (Note 17)	2006	—		8	

30. Related party disclosures (continued)

IAS 24.12

The ultimate parent

IAS 1.126(c)

S.J. Limited

There were no transactions between the Group and S.J. Limited during the financial year (2006: Nil).

Entity with significant influence over the Group

International Fires P.L.C.

International Fires P.L.C. owns 31.48% of the ordinary shares in Good Group (International) Limited (2006: 31.48%).

Associate

Power Works Limited

The Group has a 25% interest in Power Works Limited (2006: 25%).

Joint venture in which the parent is a venturer

Showers Limited

The Group has a 50% interest in Showers Limited (2006: 50%).

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at normal market prices. Outstanding balances at the year-end are unsecured, 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 2007, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2006: Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

IAS 24.21

IAS 24.17(b)

Transactions with other related parties*Director's loan*

The Group offers the possibility to senior management to receive a loan up to a maximum of €20,000 repayable within 5 years from the date of disbursement. Such loans are unsecured and the same interest rate as for long term company loans is applicable (currently EURIBOR + 0.8). As at 31 December 2007 the amount of €13,000 was outstanding to one director (2006: €8,000). This amount is included in financial assets.

IAS 24.17(b)

Other directors' interests

During both 2007 and 2006, purchases at normal market prices were made by group companies from Gnome Industries Limited, of which the wife of one of the directors is a director and controlling shareholder.

One director has a 25% (2006: 25%) equity interest in Home Fires Limited. The company has a contract for the supply of fire extinguishers. During 2007 and 2006, the Company supplied extinguishers to Home Fires Limited at normal market prices.

Loan to associate

During the year, Good Group (International) Limited has granted a loan to its associate Power Works Limited in the amount of €200,000 (2006: Nil). It is intended to finance an acquisition of new machines for the manufacturing of fire prevention equipment. The loan is unsecured and repayable in full on 1 June 2010. Interest is charged at EURIBOR + 0.8.

Compensation of key management personnel of the Group

	2007 €000	2006 €000	
Short-term employee benefits	435	424	IAS 24.16(a)
Post-employment pension and medical benefits	110	80	IAS 24.16(b)
Termination benefits ¹	40	—	IAS 24.16(d)
Share-based payments	18	12	IAS 24.16(c)
Total compensation paid to key management personnel	603	516	

¹ The non-executive directors do not receive pension entitlements from the Group. During 2007, an additional pension payment of €40,000 was made to a director who retired from an executive director position in 2006.

IAS 24.12

30. Related party disclosures (continued)*Directors' interests in an employee share incentive plan*

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

Issue date	Expiry date	Exercise price	2007 Number	2006 Number
2006	2008	€2.33	—	10,000
2006	2010	€3.80	83,000	83,000
2007	2010	€3.85	37,000	—

No share options have been granted to the non-executive members of the Board of Directors under this scheme.

31. Financial risk management objectives and policies

The Group's principal financial liabilities, other than derivatives, comprise bank loans and overdrafts, debentures, convertible preference shares, finance leases, trade payables and hire purchase contracts, and loans given. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as trade receivables and cash and short-term deposits, which arise directly from its operations.

IFRS 7.33

The Group also enters into derivative transactions, primarily interest rate swaps and forward currency contracts. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

It is, and has been throughout 2007 and 2006 the Group's policy that no trading in derivatives shall be undertaken.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

IFRS 7.33

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. The Group's policy is to keep between 40% and 60% of its borrowings at fixed rates of interest. To manage this, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations. At 31 December 2007, after taking into account the effect of interest rate swaps, approximately 49% of the Group's borrowings are at a fixed rate of interest (2006: 50%).

IFRS 7.40(b)

Interest rate risk table

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings). There is no impact on the Group's equity.

	Increase/ decrease in basis points	Effect on profit before tax	IFRS 7.40(a)
2007			
Euro	+15	(16)	
US dollar	+20	(4)	
Euro	-10	11	
US dollar	-15	3	
2006			
Euro	+15	(19)	
US dollar	+20	—	
Euro	-10	12	
US dollar	-15	—	

31. Financial risk management objectives and policies (continued)*Foreign currency risk*

As a result of significant investment operations in the United States, the Group's balance sheet can be affected significantly by movements in the US\$/euro exchange rates. The Group seeks to mitigate the effect of its structural currency exposure by borrowing in US\$. Between 20% and 50% of the Group's investment in non-euro operations will be hedged in this manner.

IFRS 7.33

IFRS 7.40(b)

The Group also has transactional currency exposures. Such exposure arises from sales or purchases by an operating unit in currencies other than the unit's functional currency. Approximately 23% of the Group's sales are denominated in currencies other than the functional currency of the operating unit making the sale, whilst almost 95% of costs are denominated in the unit's functional currency. The Group requires all of its operating units to use forward currency contracts to eliminate the currency exposures on any individual transactions in excess of €100,000 for which payment is anticipated more than one month after the Group has entered into a firm commitment for a sale or purchase. The forward currency contracts must be in the same currency as the hedged item. It is the Group's policy not to enter into forward contracts until a firm commitment is in place.

It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness.

At 31 December 2007, the Group had hedged 75% of its foreign currency sales for which firm commitments existed at the balance sheet date, extending to March 2008.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity (due to changes in the fair value of forward exchange contracts and net investment hedges).

	Increase/ decrease in US dollar rate	Effect on profit before tax €000	Effect on equity €000	IFRS 7.40(a)
2007	+5%	(30)	(154)	
	-5%	20	172	
2006	+5%	(40)	(146)	
	-5%	40	158	

Credit risk

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The maximum exposure is the carrying amount as disclosed in Note 21. For transactions that do not occur in the country of the relevant operating unit, the Group does not offer credit terms without the approval of the Head of Credit Control. There are no significant concentrations of credit risk within the Group.

IFRS 7.33

IFRS 7.36

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, available-for-sale financial investments, loan notes and certain derivative instruments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (eg accounts receivables, other financial assets) and projected cash flows from operations.

IFRS 7.33

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, debentures, preference shares, finance leases and hire purchase contracts. The Group's policy is that not more than 35% of borrowings should mature in the next 12 month period. 12.1% of the Group's debt will mature in less than one year at 31 December 2007 (2006: 15.6%) based on the carrying value of borrowings reflected in the financial statements, excluding discontinued operations.

IFRS 7.39(b)

31. Financial risk management objectives and policies (continued)

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2007 based on contractual undiscounted payments.

Year ended 31 December 2007	On demand €000	Less than 3 months €000	3 to 12 months €000	1 to 5 years €000	> 5 years €000	Total €000	IFRS 7.39(a)
Interest bearing loans and borrowings	966	21	1,562	7,554	8,000	18,103	
Convertible preference shares	—	—	—	3,000	—	3,000	
Other liabilities	—	—	—	1,375	—	1,375	
Trade and other payables	3,485	14,687	1,208	—	—	19,380	
Other financial liabilities	87	180	—	14	30	311	
	4,538	14,888	2,770	11,943	8,030	42,169	

Year ended 31 December 2006	On demand €000	Less than 3 months €000	3 to 12 months €000	1 to 5 years €000	> 5 years €000	Total €000	
Interest bearing loans and borrowings	2,650	18	1,433	7,572	11,600	23,273	
Convertible preference shares	—	—	—	3,000	—	3,000	
Other liabilities	—	—	—	1,850	—	1,850	
Trade and other payables	4,321	14,904	2,056	—	—	21,281	
Other financial liabilities	49	265	—	—	—	314	
	7,020	15,187	3,489	12,422	11,600	49,718	

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. IAS 1.124A
IAS 1.124B

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years end 31 December 2007 and 31 December 2006.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio between 20% and 35%. The Group includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and cash equivalents, excluding discontinued operations. Capital includes convertible preference shares, equity attributable to the equity holders of the parent less the net unrealised gains reserve.

	2007 €000	2006 €000	IAS 1.124B
Interest bearing loans and borrowings	17,538	22,334	
Trade and other payables	19,380	21,281	
Less cash and short term deposits	(16,460)	(14,916)	
Net debt	20,458	28,699	
Convertible preference shares	2,778	2,644	
Equity	66,829	49,905	
Net unrealised gains reserve	(168)	(109)	
Total capital	69,439	52,440	
	89,897	81,139	
Gearing ratio	23%	35%	

Commentary

IAS 1.124A and B require entities to make qualitative and quantitative disclosures regarding their objectives, policies and processes for managing capital. Good Group (International) Limited has disclosed a gearing ratio as this is the measure the Group uses to monitor capital. However, other measures may be more suitable for other entities.

32. Financial instruments

Fair values

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments, including those classified under discontinued operations, that are carried in the financial statements: IFRS 7.25
IFRS 7.26

	Carrying amount		Fair value	
	2007	2006	2007	2006
	€000	€000	€000	€000
Financial assets				
Cash	17,754	14,916	17,754	14,916
Loan notes	3,674	1,685	3,698	1,700
Available-for-sale investments	2,141	1,798	2,141	1,798
Director's loan (Note 17)	13	8	13	8
Derivative financial instruments	152	153	152	153
Financial liabilities				
Bank overdraft	(966)	(2,650)	(966)	(2,650)
Interest-bearing loans and borrowings:				
Obligations under finance leases and hire purchase contracts	(988)	(994)	(1,063)	(1,216)
Floating rate borrowings*	(12,210)	(9,727)	(12,912)	(8,723)
Fixed rate borrowings	(9,183)	(8,963)	(9,250)	(8,731)
Convertible preference shares	(2,778)	(2,644)	(2,623)	(2,485)
Other financial liabilities	(292)	(303)	(292)	(303)

* Includes an 8.25% secured loan carried at fair value as a result of the fair value hedge discussed below.

Market values have been used to determine the fair value of listed convertible preference shares and listed available-for-sale financial assets. The fair value of derivatives and borrowings has been calculated by discounting the expected future cash flows at prevailing interest rates. The fair value of loan notes and other financial assets have been calculated using market interest rates. For the valuation of unlisted available-for-sale assets see Note 16. IFRS 7.27

Hedging activities

Cash flow hedges

At 31 December 2007, the Group held two forward exchange contracts designated as hedges of expected future sales to customers in the United States for which the Group has firm commitments. The Group also has two forward currency contracts outstanding at 31 December 2007 designated as hedges of expected future purchases from suppliers in the United Kingdom for which the Group has firm commitments. The forward exchange contracts are being used to hedge the foreign currency risk of the firm commitments. IFRS 7.22
IFRS 7.23

	2007		2006	
	Assets	Liabilities	Assets	Liabilities
	€000	€000	€000	€000
Forward exchange contracts				
Fair value	152	(170)	153	(254)

The critical terms of the forward currency contracts have been negotiated to match the terms of the commitments.

The cash flow hedges of the expected future sales in January 2008 were assessed to be highly effective and a net unrealised gain of €152,000, with a deferred tax liability of €52,000 relating to the hedging instruments is included in equity.

The cash flow hedges of the expected future purchases in February and March 2008 were assessed to be highly effective and as at 31 December 2007, a net unrealised loss of €170,000, with a related deferred tax asset of €58,000 was included in equity in respect of these contracts.

At 31 December 2006, the Group held two forward exchange contracts which were designated as hedges of expected future sales to customers in the United States for which the Group had firm commitments. The Group also had two forward exchange contracts which were designated as hedges of the foreign currency risk of firm commitments to purchase goods from suppliers in the United Kingdom.

The cash flow hedges of the expected future sales in the first quarter of 2007 were assessed to be highly effective and an unrealised gain of €153,000, with a deferred tax liability of €52,000 was included in equity in respect of these contracts. The cash flow hedges of the expected future purchases in the first quarter of 2007 were also assessed to be highly effective and an unrealised loss of €254,000, with a deferred tax asset of €86,000 was included in equity in respect of these contracts.

32. Financial instruments (continued)*Fair value hedge*

IFRS 7.22

At 31 December 2007, the Group had an interest rate swap agreement in place with a notional amount of US\$3,600,000 whereby it receives a fixed rate of interest of 8.25% and pays a variable rate equal to LIBOR+0.2% on the notional amount. The swap is being used to hedge the exposure to changes in the fair value of its 8.25% secured loan. The secured loan and interest rate swap have the same critical terms.

Hedge of net investments in foreign operations

IFRS 7.22

Included in loans at 31 December 2007 was a borrowing of US\$3,600,000 (€2,246,000 including the effect of interest rate swap discussed above), which has been designated as a hedge of the net investments in the United States subsidiaries, Wireworks Inc. and Sprinklers Inc. and is being used to hedge the Group's exposure to foreign exchange risk on these investments. Gains or losses on the retranslation of this borrowing are transferred to equity to offset any gains or losses on translation of the net investments in the subsidiaries.

The fair value loss on the interest rate swap of €35,000 (2006: Nil) has been recognised in finance costs and offset with a similar gain on the bank borrowings because of the match of the critical terms.

33. Events after the balance sheet date

IAS 10.21

IAS 10.10

On 14 January 2008, 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 lost. It is expected that insurance proceeds will fall short of the costs of rebuilding and loss of inventories by €750,000.

APPENDIX 1 – CONSOLIDATED INCOME STATEMENT (EXAMPLE OF EXPENSES DISCLOSED BY NATURE)

for the year ended 31 December 2007

IAS 1.46(b)(c)

Commentary

Good Group (International) Limited presents the income statement disclosing expenses by function. For illustrative purposes, the income statement disclosing expenses by nature is presented in this appendix.

	Notes	2007 €000	2006 €000	IAS 1.46(d), (e)
Continuing operations				
Sale of goods		192,099	174,164	IAS 18.35(b)(i)
Rendering of services		17,131	16,537	IAS 18.35(b)(ii)
Rental income		1,404	1,377	IAS 18.35(c)
Revenue		<u>210,634</u>	<u>192,078</u>	IAS 1.81(a)
Other income	6.1	1,585	2,548	IAS 1.91
Changes in inventories of finished goods and work in progress		(1,133)	(3,791)	IAS 1.91
Raw materials and consumables used		(148,597)	(131,425)	IAS 1.91
Employee benefits expense		(44,019)	(43,853)	IAS 1.91
Depreciation and amortisation expense		(3,817)	(2,932)	IAS 1.91
Impairment of non-current assets		–	(301)	IAS 1.83
Other expenses	6.2	(1,088)	(706)	IAS 1.91
Finance costs	6.3	(1,627)	(1,561)	IAS 1.81(b)
Finance revenue	6.4	785	724	IAS 1.8(a)
Share of profit of an associate	14	<u>83</u>	<u>81</u>	IAS 1.81(c) IAS 28.38
Profit before tax		<u>12,806</u>	<u>10,862</u>	IAS 1.83
Income tax expense	7	<u>(3,710)</u>	<u>(3,232)</u>	IAS 1.81(d) IAS 12.77
Profit for the year from continuing operations		<u>9,096</u>	<u>7,630</u>	IAS 1.83
Discontinued operation				
Loss after tax for the year from a discontinued operation	8	<u>220</u>	<u>(188)</u>	IAS 1.81(e) IFRS 5.33(a)
Profit for the year		<u><u>9,316</u></u>	<u><u>7,442</u></u>	IAS 1.81(f)
Attributable to:				
Equity holders of the parent		9,178	7,203	IAS 1.82(b)
Minority interests		<u>138</u>	<u>239</u>	IAS 1.82(a) IAS 27.33
		<u><u>9,316</u></u>	<u><u>7,442</u></u>	
Earnings per share				
– basic: profit for the year attributable to ordinary equity holders of the parent	9	€0.43	€0.38	IAS 33.66
– diluted: profit for the year attributable to ordinary equity holders of the parent		€0.43	€0.37	
Earnings per share for continuing operations				
– basic: profit from continuing operations attributable to ordinary equity holders of the parent		€0.43	€0.39	
– diluted: profit from continuing operations attributable to ordinary equity holders of the parent		€0.42	€0.38	

APPENDIX 2 – CONSOLIDATED CASH FLOW STATEMENT – DIRECT METHOD

for the year ended 31 December 2007

Commentary

Good Group (International) Limited presents cash flows using the indirect method. However, the cash flow statement prepared using the direct method for operating activities is presented in this appendix for illustrative purposes.

	Notes	2007 €000	2006 €000	IAS 1.8(d) IAS 1.46(b), (c) IAS 7.10 IAS 1.46(d), (e)
Operating activities				IAS 7.18(a)
Receipts from customers		226,113	235,519	
Payments to suppliers and employees		(210,635)	(219,155)	
Income tax paid		(3,582)	(3,311)	IAS 7.35
Net cash flows from operating activities		11,896	13,053	
Investing activities				IAS 7.21
Proceeds from sale of property, plant and equipment		1,990	2,319	IAS 7.16(b)
Purchase of property, plant and equipment		(7,655)	(7,325)	IAS 7.16(a)
Purchase of an investment properties		(1,216)	(1,192)	IAS 7.16(a)
Purchase of available-for-sale investments		(568)	(225)	IAS 7.16(c)
Proceeds from available-for-sale investments		231	–	
Purchase of intangible assets		(587)	(390)	IAS 7.16(a)
Acquisition of a subsidiary, net of cash acquired	3	(370)	(1,450)	IAS 7.39
Disbursement of loans		(1,916)	–	
Acquisition of minority interests	3	(325)	–	IAS 7.16(c)
Interest received		785	724	IAS 7.31
Receipt of government grants	26	2,951	642	IAS 20.28
Net cash flows used in investing activities		(6,680)	(6,897)	
Financing activities				IAS 7.21
Proceeds from exercise of options		175	200	IAS 7.17(a)
Transaction costs of issue of shares		(32)	–	
Payment of finance lease liabilities		(51)	(76)	IAS 7.17(e)
Proceeds from borrowings		2,740	2,645	IAS 7.17(c)
Repayment of borrowings		(149)	(1,784)	IAS 7.17(d)
Interest paid		(1,418)	(1,561)	IAS 7.31
Dividends paid to equity holders of the parent		(1,972)	(1,600)	IAS 7.31
Dividends paid to minority interests		(30)	(49)	IAS 7.31
Net cash flows used in financing activities		(737)	(2,225)	
Net increase in cash and cash equivalents		4,479	3,931	
Net foreign exchange difference		43	19	IAS 7.28
Cash and cash equivalents at 1 January	22	12,266	8,316	
Cash and cash equivalents at 31 December	22	16,788	12,266	IAS 7.45

APPENDIX 3 – SEGMENT REPORTING UNDER IAS 14 SEGMENT REPORTING

Commentary

The Good Group (International) Limited illustrative financial statements illustrate the early adoption of IFRS 8 *Operating Segments* for the financial year beginning 1 January 2007.

For entities that do not early adopt IFRS 8, IAS 14 *Segment Reporting* will continue to apply.

The following disclosures are an extract from Note 5 of Good Group (International) Limited illustrative financial statements, assuming that IAS 14 has been applied. This note illustrates the business segment as the primary reporting segment and the geographical segment as the secondary reporting segment. If an entity uses the geographical segment as its primary reporting segment and the business segments as its secondary reporting segment, additional information is required to be disclosed in accordance with paragraphs 70-72 of IAS 14, not illustrated in this note.

5. Segment information

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary information is reported geographically. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

IAS 14.81
IAS 1.126(b)

The fire prevention equipment segment produces and installs extinguishers, fire prevention equipment and fire retardant fabrics.

The electronics segment is a supplier of electronic equipment for defence, aviation, electrical safety markets and consumer electronic equipment for home use. It offers products and services in the areas of electronics, safety, thermal, and electrical architecture.

The investment property segment leases offices and manufacturing sites owned by the Group but which are surplus to the Group's requirements.

The rubber equipment segment, prior to its discontinuance, produced rubber hosepipes for commercial applications.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, segment expense and segment result include transfers between business segments. Those transfers are eliminated in consolidation.

IAS 14.75

The Group's geographical segments are based on the location of the Group's assets. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers.

5. Segment information (continued)**Business Segments**

The following tables present revenue and profit and certain assets and liability information regarding the Group's business segments:

Year ended

31 December 2007

	Continuing Operations					Discontinued Operations	Total Operations	
	Fire prevention equipment €000	Electronics €000	Investment property €000	Eliminations €000	Total €000	Rubber equipment €000	€000	IAS 14.67
Revenue								
Sales to external customers	139,842	69,388	1,404	–	210,634	42,809	253,443	
Inter-segment sales	–	7,465	–	(7,465)	–	–	–	
Total revenue	139,842	76,853	1,404	(7,465)	210,634	42,809	253,443	IAS 14.51
Results								
Segment results	10,204	3,992	321	(175)	14,342	302	14,644	IAS 14.52
Unallocated expenses					(777)		(777)	IAS 14.52(a)
Profit before tax, finance costs and finance revenue					13,565	302	13,867	
Net finance costs					(842)	(89)	(931)	
Share of profit of an associate	83	–	–	–	83	–	83	IAS 14.64
Profit/(Loss) before income tax					12,806	213	13,019	
Income tax expense					(3,710)	7	(3,703)	
Net profit for the year					9,096	220	9,316	
As at 31 December 2007								
Assets and liabilities								
Segment assets	52,402	44,764	12,051	–	109,217	13,056	122,273	IAS 14.55
Investment in associate	764	–	–	–	764	–	764	IAS 14.66
Unallocated assets					13,130	–	13,130	
Total assets					123,111	13,056	136,167	
Segment liabilities	9,735	5,391	4,704	–	19,830	12,627	32,457	IAS 14.56
Unallocated liabilities					36,168	–	36,168	
Total liabilities					55,998	12,627	68,625	
Other segment information								
Capital expenditure:								IAS 14.57
Tangible fixed assets	12,632	2,065	1,216		15,913	–	15,913	
Intangible fixed assets	3,217	777	–		3,994	–	3,994	
Depreciation	3,398	294	–		3,692	105	3,797	IAS 14.58
Amortisation	30	95	–		125	–	125	IAS 14.58
Impairment losses recognised in income statement	–	–	–		–	110	110	IAS 36.129(a)
Fair value loss on investment properties	–	–	306		306	–	306	IAS 14.61
Provisions and employee benefit liabilities	1,013	611	59		1,683	–	1,683	IAS 14.61

5. Segment information (continued)**Business Segments**

Year ended

31 December 2006

	Continuing Operations					Discontinued Operations	Total Operations	
	Fire prevention equipment €000	Electronics €000	Investment property €000	Eliminations €000	Total €000	Rubber equipment €000	€000	IAS 14.67
Revenue								
Sales to external customers	123,905	66,796	1,377	–	192,078	45,206	237,284	
Inter-segment sales	–	7,319	–	(7,319)	–	–	–	
Total revenue	123,905	74,115	1,377	(7,319)	192,078	45,206	237,284	IAS 14.51
Results								
Segment results	6,133	6,267	314	(85)	12,629	(110)	12,519	IAS 14.52
Unallocated expenses					(1,011)		(1,011)	IAS 14.52(a)
Profit/(Loss) before tax, finance costs and finance revenue					11,618	(110)	11,508	
Net finance costs					(837)	(83)	(920)	
Share of profit of an associate	81	–	–	–	81	–	81	IAS 14.64
Profit/(Loss) before income tax					10,862	(193)	10,669	
Income tax expense					(3,232)	5	(3,227)	
Net profit for the year					7,630	(188)	7,442	
As at 31 December 2006								
Assets and liabilities								
Segment assets	34,359	34,159	9,887	–	78,405	11,587	89,992	IAS 14.55
Investment in associate	681	–	–	–	681	–	681	IAS 14.66
Unallocated assets					15,132	–	15,132	
Total assets					94,218	11,587	105,805	
Segment liabilities	10,966	5,886	3,527	–	21,379	12,378	33,757	IAS 14.56
Unallocated liabilities					21,403	–	21,403	
Total liabilities					42,782	12,378	55,160	
Other segment information								
Capital expenditure:								IAS 14.57
Tangible fixed assets	5,260	3,842	1,192	–	10,294	–	10,294	
Intangible fixed assets	–	521	–	–	521	–	521	
Depreciation	2,460	298	–	–	2,758	324	3,082	IAS 14.58
Amortisation	–	174	–	–	174	–	174	IAS 14.58
Impairment losses recognised in profit or loss	301	–	–	–	301	–	301	IAS 36.129(a)
Fair value loss on investment properties		–	300	–	300	–	300	IAS 14.61
Provisions and employee benefit liabilities	816	679	27	–	1,522	–	1,522	IAS 14.61

5. Segment information (continued)**Geographical Segments**

The following tables present revenue, expenditure and certain asset information regarding the Group's geographical segments:

Year ended 31 December 2007

	<i>Euroland</i> €000	<i>United States</i> €000	<i>Total</i> €000	
Revenue				
Sales to external customers	201,094	52,349	253,443	IAS 14.69(a)
Less sales attributable to discontinued operations	(42,809)	–	(42,809)	
Revenue from continuing operations	158,285	52,349	210,634	
Inter-segment sales	4,249	3,216	7,465	
Segment revenue	162,534	55,565	218,099	

Other segment information

Segment assets	102,086	20,187	122,273	IAS 14.69(b)
Unallocated assets	–	–	13,130	
Investment in an associate	–	764	764	
Total assets			136,167	

Capital expenditure:

Tangible fixed assets	13,149	2,764	15,913	IAS 14.69(c)
Intangible assets	3,994	–	3,994	

Year ended 31 December 2006

	<i>Euroland</i> €000	<i>United States</i> €000	<i>Total</i> €000	
Revenue				
Sales to external customers	187,228	50,056	237,284	IAS 14.69(a)
Less sales attributable to discontinued operations	(45,206)	–	(45,206)	
Revenue from continuing operations	142,022	50,056	192,078	
Inter-segment sales	4,000	3,319	7,319	
Segment revenue	146,022	53,375	199,397	

Other segment information

Segment assets	73,704	16,288	89,992	IAS 14.69(b)
Unallocated assets	–	–	15,132	
Investment in an associate	–	681	681	
Total assets			105,805	

Cash expenditure:

Tangible fixed assets	7,965	2,329	10,294	IAS 14.69(c)
Intangible assets	521	–	521	

Commentary

When an entity does not early adopt IFRS 8, they must also disclose:

- the fact that IFRS 8 has been issued but is not yet effective, and
- known or reasonably estimable information relevant to assessing the possible impact of applying IFRS 8 in the period of initial application.

This information is required by paragraph 30 of IAS 8 and an example of such disclosure is given below.

5. Segment information (continued)

Standards issued but not yet effective

IFRS 8 *Operating Segments* was issued in November 2006 and is effective for annual periods beginning on or after 1 January 2009. IFRS 8 requires entities to disclose segment information based on the information reviewed by the entity's chief operating decision maker. The Group has determined that the operating segments disclosed in IFRS 8 will be the same as the business segments disclosed under IAS 14. The impact of this standard on the other segment disclosures is still to be determined. As this is a disclosure standard, it will have no impact on the financial position or financial performance of the Group when implemented in 2009.

APPENDIX 4 – ILLUSTRATIVE DISCLOSURES FOR AN ENTITY THAT APPLIED IFRS 1 WHEN IT FIRST ADOPTED IFRS

Commentary

This Appendix to the financial statements illustrates the additional information to be included in the accounting policies when an entity adopted IFRS for the first time in previous years in accordance with IFRS 1 (for illustrative purposes this is assumed to be 1 January 2006). Information is included to provide details about how the IFRS 1 exemptions were applied.

Readers should view this illustration as **additional** explanation to be given in the accounting policy section of the Group (see page 15). The illustration is not intended to be a complete list and does not include all instances where the IFRS 1 exemptions have an impact on the opening asset and liabilities recognised.

Goodwill

Goodwill arising on Business Combinations that occurred before 1 January 2006 has not been restated from Local GAAP, which was recognised as an asset and amortised over its useful life.

Property, plant and equipment

At the date of transition to IFRS, Good Group (International) Limited used previous revaluations of property, plant and equipment as deemed cost.

The component of assets arising from the recognition of a decommissioning liability was calculated as of 1 January 2006, and therefore does not reflect retrospective application of IFRIC 1 prior to that date.

Employee benefits

As at 1 January 2006, Good Group (International) Limited recognised all cumulative actuarial gains and losses in equity.

Foreign currency translation

As at 1 January 2006, Good Group (International) Limited did not recognise the cumulative foreign currency translation differences that related to periods prior to this date. Therefore, the cumulative foreign currency translation differences are deemed to be zero as at 1 January 2006.

APPENDIX 5 – ILLUSTRATIVE DISCLOSURES FOR A FIRST-TIME ADOPTER OF IFRS

Commentary

This note to the financial statements illustrates one way in which a company might choose to set out its explanation of its transition to IFRS. The format illustrated is based on Example 11 in IFRS 1. However, in providing a suggested format for disclosure, this example is not intended to, and does not, illustrate every potential GAAP difference that companies may have to disclose.

Please note that the following illustrative disclosures are not related to the financial statements of Good Group (International) Limited illustrated in this publication and should not be read in conjunction with the balance sheet, income statement, statement of changes in equity nor cash flow statement.

For all periods up to and including the year ended 31 December 2006, the Group prepared its financial statements in accordance with local generally accepted accounting practice (Local GAAP). These financial statements, for the year ended 31 December 2007, are the first the Group has prepared in accordance with International Financial Reporting Standards (IFRS).

Accordingly, the Group has prepared financial statements which comply with IFRS applicable for periods beginning on or after 1 January 2007 as described in the accounting policies. In preparing these financial statements, the Group opening balance sheet was prepared as at 1 January 2006, the Group's date of transition to IFRS. This note explains the principal adjustments made by the Group in restating its Local GAAP balance sheet as at 1 January 2006 and its previously published Local GAAP financial statements for the year ended 31 December 2006.

Exemptions applied

IFRS 1 *First-Time Adoption of International Financial Reporting Standards* allows first-time adopters certain exemptions from the general requirement to apply IFRS as effective for December 2007 year ends retrospectively. The Group has applied the following exemptions:

- IFRS 3 *Business Combinations* has not been applied to acquisitions of subsidiaries or of interests in associates and joint ventures that occurred before 1 January 2006.
- Certain items of property, plant and equipment were carried in the balance sheet prepared in accordance with local GAAP on the basis of valuations performed in 2004. The Group has elected to regard those fair values as deemed cost at the date of the revaluation.
- The Group has recognised all cumulative actuarial gains and losses on pensions and other post-retirement benefits as at 1 January 2006, directly in equity. The Group has elected to disclose amounts required by paragraph 120A(p) of IAS 19 prospectively from the date of transition.
- Cumulative currency translation differences for all foreign operations are deemed to be zero as at 1 January 2006.
- IFRS 2 *Share-based Payment* has not been applied to equity instruments that were granted on or before 7 November 2002, nor has it been applied to equity instruments granted after 7 November 2002 that vested before 1 January 2006. For cash-settled share-based payment arrangements, the Group has not applied IFRS 2 to liabilities that were settled before 1 January 2006.
- The Group has applied the transitional provision in IFRIC 4 *Determining whether an Arrangement contains a lease* and has assessed all arrangements as at the date of transition.

Group reconciliation of equity as at 1 January 2006 (date of transition to IFRS)

	Notes	Local GAAP €000	Remeasurements €000	IFRS €000
Non-current assets				
Property, plant and equipment		22,024	–	22,024
Investment properties		7,091	–	7,091
Intangible assets		2,220	–	2,220
Start-up expenses	A	300	(300)	–
Financial assets		3,899	–	3,899
Investments accounted for using the equity method		878	–	878
Available-for-sale financial assets	B	2,161	420	2,581
		<u>38,573</u>	<u>120</u>	<u>38,693</u>
Current assets				
Trade and other receivables	C	21,616	1,138	22,754
Inventories		23,158	–	23,158
Other financial assets	D	325	431	756
Cash and cash equivalents		10,816	–	10,816
		<u>55,915</u>	<u>1,569</u>	<u>57,484</u>
TOTAL ASSETS		<u>94,488</u>	<u>1,689</u>	<u>96,177</u>
Capital and reserves				
Equity share capital		25,500	–	25,500
Treasury shares		(774)	–	(774)
Retained earnings		27,121	2,192	29,313
Total equity		<u>51,847</u>	<u>2,192</u>	<u>54,039</u>
Non-current liabilities				
Other payables		352	–	352
Financial liabilities		16,359	–	16,359
Deferred tax liabilities	H	–	305	305
Defined benefit pension plan deficit	F	–	221	221
Provisions	G	250	(250)	–
		<u>16,961</u>	<u>276</u>	<u>17,237</u>
Current liabilities				
Trade and other payables	E	16,911	(779)	16,132
Other liabilities		4,872	–	4,872
Income tax payable		3,897	–	3,897
		<u>25,680</u>	<u>(779)</u>	<u>24,901</u>
Total liabilities		<u>42,641</u>	<u>(503)</u>	<u>42,138</u>
TOTAL EQUITY AND LIABILITIES		<u>94,488</u>	<u>1,689</u>	<u>96,177</u>

Group reconciliation of equity as at 31 December 2006

	Notes	Local GAAP €000	Remeasurements €000	IFRS €000
Non-current assets				
Property, plant and equipment		24,329	–	24,329
Investment properties		7,983	–	7,983
Intangible assets		2,386	–	2,386
Start-up expenses	A	200	(200)	–
Financial assets		3,028	–	3,028
Investments accounted for using the equity method		2,516	–	2,516
Available-for-sale financial assets	B	2,000	350	2,350
		<u>42,442</u>	<u>150</u>	<u>42,592</u>
Current assets				
Trade and other receivables	C	23,815	1,253	25,068
Inventories		25,330	–	25,330
Other financial assets	D	378	–	378
Cash and cash equivalents		8,644	–	8,644
		<u>58,167</u>	<u>1,253</u>	<u>59,420</u>
TOTAL ASSETS		100,609	1,403	102,012
Capital and reserves				
Equity share capital		25,500	–	25,500
Treasury shares		(774)	–	(774)
Retained earnings		26,568	1,816	28,384
Total equity		51,294	1,816	53,110
Non-current liabilities				
Other payables		61	–	61
Financial liabilities		18,276	–	18,276
Deferred tax liabilities	H	–	135	135
Defined benefit pension plan deficit	F	–	612	612
Provisions	G	250	(250)	–
		<u>18,587</u>	<u>497</u>	<u>19,084</u>
Current liabilities				
Trade and other payables	E	22,681	(910)	21,771
Other liabilities		4,058	–	4,058
Income tax payable		3,989	–	3,989
		<u>30,728</u>	<u>(910)</u>	<u>29,818</u>
Total liabilities		49,315	(413)	48,902
TOTAL EQUITY AND LIABILITIES		100,609	1,403	102,012

Group reconciliation of profit and loss for the year ended 31 December 2006

	Notes	Local GAAP €000	Remeasurements €000	IFRS €000
Revenue	C	161,640	115	161,755
Costs of sales		128,733	–	28,733
Gross profit		32,907	115	33,022
Distribution costs		12,364	–	12,364
Administrative expenses	I	12,164	(100)	12,064
Pension costs	F	453	391	844
Other expenses		706	–	706
		25,687	291	25,978
Group trading profit		7,220	(176)	7,044
Other operating income		2,548	–	2,548
Share of profits of investments using the equity method		1,638	–	1,638
Group operating profit		11,406	(176)	11,230
Finance revenue		977	–	977
Finance costs		(1,722)	–	(1,722)
Profit before taxation		10,661	(176)	10,485
Tax expense	H	(2,779)	170	(2,609)
Profit for the year		7,882	(6)	7,876

Commentary

It would not be acceptable to merely refer to an earlier announcement published by the company as IFRS 1 requires the disclosures to appear within the financial statements.

Restatement of equity from Local GAAP to IFRS**Notes to the reconciliation of equity as at 1 January 2006 and 31 December 2006:****A Start-up Expenses**

Under Local GAAP the Group capitalised the cost of incorporation of a new subsidiary and depreciated this on a straight-line basis over five years. As such costs do not qualify for recognition as an asset under IFRS this asset is derecognised.

B Available-for-sale financial assets

Under Local GAAP, available-for-sale financial assets were carried at the lower of cost or realisable value. The fair value of these assets as at 1 January 2006 is 2,581. The resulting gains at the date of transition are included in the revaluation reserve in equity.

C Trade and other receivables

Under Local GAAP the provision for impairment of receivables consists of both a specific and general amount. IFRS does not permit recognition of a general provision and this amount has been eliminated.

D Other financial assets

The fair value of a forward foreign exchange contract is recognised under IFRS, and was not recognised under previous Local GAAP. The contract has been designated as at the date of transition to IFRS as a hedging instrument in a cash flow hedge of a highly probable forecast sale. The corresponding adjustment has been recognised in the hedge reserve in equity.

E Trade and other payables

Under Local GAAP proposed dividends are recognised as a liability in the period to which they relate, irrespective of when they are declared. Under IFRS a proposed dividend is recognised as a liability in the period in which it is declared by the company (usually when approved by shareholders in general meeting) or paid. In the case of the Group this occurs after period end. Therefore the liability recorded has been derecognised.

F Defined benefit obligation

Under Local GAAP the Group recognised costs related to its pension plan on a cash basis. Under IFRS, pension liabilities are recognised on an actuarial basis.

For the transition from Local GAAP to IFRS the group has applied the exemption in IFRS 1.20 where all cumulative actuarial gains and losses at the date of transition to IFRS have been recognised.

G Provisions

Under Local GAAP a restructuring provision has been recorded relating to downsizing head office activities. This amount does not qualify for recognition as a liability according IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, and has been derecognised.

H Deferred tax liability

The various transitional adjustments lead to different temporary differences. According to the accounting policies in Note 2 the Group has to account for such differences. In order to calculate the deferred tax amount a tax rate of 25% has been applied.

Additional deferred tax has been provided on the revaluation of investment properties as IFRS require that deferred tax be recognised. Under Local GAAP no deferred tax was provided for the revaluation as the group had no intention to dispose of the properties.

I Share-based payments

Under Local GAAP, the Group recognised only the cost of awards for the long-term incentive plan as an expense. IFRS requires the fair value of the options to be determined using an appropriate pricing model charged over the vesting period. Therefore an additional expense has been recognised for the year ended 31 December 2006.

J Cash flow statement

The transition from Local GAAP to IFRS has not had a material impact on the cash flow statement.

APPENDIX 6 – XBRL: THE EXCHANGE OF INTERACTIVE FINANCIAL REPORTING DATA

Commentary

To view an illustrative web version of the primary financial statements and selected note disclosures of Good Group (International) Limited rendered in XBRL, together with an explanation of the technology and how it can be used to exchange information in a better, faster and cheaper way, please see: www.ey.com/xbrl/goodgroup.

Background

Today's online digital formats such as web pages (eg HTML) or attachments (eg Adobe PDF or Microsoft Word) provide data that can easily be read by people. However they are not easily read by computers, even with the use of powerful search engines.

eXtensible Business Reporting Language ('XBRL') makes the business data contained in a set of IFRS financial statements 'machine readable' or 'smart', making the data 'interactive'. It does this by classifying financial statement components with predefined tags. This helps an enabled computer application to identify unique pieces of data and to place them in their context.

When this enabling technology is put in place, market participants may select any information they want from a set of IFRS financial statements in a way that best suits their decision needs. This is because this computer technology, via its digital tags, provides a platform to manipulate and exchange business data with great precision and speed.

Benefits of interactive data

The benefits of using *interactive data* like XBRL are significant to both preparers and users of financial statements. Tagging data in XBRL eliminates the requirement to re-key information and results in cost savings, faster analysis, and more reliable handling of data which leads to more in-depth and accelerated decision making. In addition, the XBRL language is flexible and is intended to support all current aspects of reporting across countries and industries. Its extensible nature means that it can be adjusted to meet particular business requirements, even at the individual organisation level.

Better	Faster	Cheaper
More accurate	No need to re-key, validate and scrub data	More automated data capture and validation
More accessible	End user can access immediately upon submission	Not dependent on specific software
Easier to compare and analyse information	Can be 'refreshed' with little effort	Less effort needed to analyse data contained in reports

Who develops XBRL and its technical specifications?

Ernst & Young is a founding member of XBRL International, a not-for-profit consortium currently made up of around 550 companies and agencies from around the world whose aim is to build the XBRL language and promote and support its adoption. XBRL International now covers more than 20 local jurisdictions (including a general IASB jurisdiction) that focus on promotion and development of XBRL in their region.

IASB involvement

The IASB was a founding member of the XBRL International consortium and happens to be the only jurisdiction not represented as a single country. The IASB quickly saw the potential of XBRL and recognised a need to support and encourage the development of taxonomies (ie the electronic classification system of the financial statement components). A comprehensive taxonomy (4000+ elements) that links IFRS standards to XBRL has been recently updated and there is a dedicated team at the IASB who promote and support the development of IFRS related XBRL tags around the world.

Who is currently using XBRL for IFRS information?

As the potential of XBRL has become more widely known, there has been an increase in interest from regulators, companies and accountancy firms. Some countries now have quite advanced XBRL frameworks (with regulators now stipulating the mandatory use of XBRL as a reporting tool). Recent examples include:

- The Committee of European Banking Supervisors (CEBS) has developed two XBRL-based frameworks in an effort to reduce the reporting burden through future alignment of supervisory practices. There is a standardised consolidated financial reporting (FINREP) framework for credit institutions that are required to submit to their supervisory authorities' periodic prudential reports under IFRS. There is also a common solvency reporting (COREP) framework for credit institutions and investment firms under the European Union capital requirements regime. These frameworks are compulsory for filings in some countries, including Poland, France, Luxembourg and Belgium.
- The Netherlands Taxonomy Project (NTP) is now well underway and it is estimated that it will reduce regulatory compliance costs in that country by more than €500 million per annum. From 1 January 2007, businesses and intermediaries in the Netherlands can report their financial data to the government using the NTP taxonomy. Data is then forwarded to the Chamber of Commerce, the Tax Department and Statistics Netherlands, using XBRL.
- The Australian Government recently announced that more than AU\$200 million will be spent over the next three years to implement Standard Business Reporting (SBR). This will enable preparers to send financial reports to participating agencies such as the Australian Bureau of Statistics, the Australian Prudential Regulation Authority, the Australian Securities and Investments Commission, the Australian Taxation Office, and potentially, the State Revenue Offices. The role of XBRL and IFRS in this project is expected to be significant because SBR has close links with the Netherlands Taxonomy Project and the core IFRS taxonomy work undertaken at the IASB.

Who else is using interactive data?

The XBRL technology is not solely confined to IFRS, but is available for all forms of electronic business reports as illustrated below:

- The US Securities and Exchange Commission (SEC) is now spending US\$54 million to transform the agency's public-company filing system, known as EDGAR, from a form-based electronic filing to a dynamic, real-time search tool with interactive capabilities. A number of companies such as General Electric, Pepsi Co, 3M and Microsoft have all taken up this opportunity.
- The SEC recently published final rule amendments to enable mutual funds to submit risk/return summary information from their prospectuses using XBRL under its voluntary filing program. This permits mutual funds to submit tagged risk/return summary information using an XBRL taxonomy developed by the US Investment Company Institute (ICI).
- Companies House, the UK agency responsible for collecting and publishing company data, has adopted XBRL for electronic filing of audit exempt accounts. Companies House has said it intends to expand gradually the scope of the XBRL filing service to larger companies.
- The UK Revenue (HMRC) confined the mandatory use of XBRL for all company tax returns due until after March 2010. It is developing enhancements to its CT Online service, which will enable financial statements and tax computations to be submitted in XBRL rather than PDF.
- The US Federal Deposit Insurance Corporation (FDIC) has enabled its call reporting system with XBRL. It implemented the first mandatory e-filing system that uses XBRL, maintaining a secure shared database containing all of the quarterly filings of the country's estimated 8,400 financial institutions.

- In China, the Listed Company Information Disclosure Taxonomy Framework allows companies that conform to China Listed Company Information Disclosure Regulations to tag financial statements in XBRL. This set of taxonomies was developed by the Shanghai Stock Exchange (SSE).
- In Japan, the Tokyo Stock Exchange (TSE), the Japanese Financial Services Agency (FSA) and the Bank of Japan among others use XBRL.

Other regulators and exchange commissions around the world are also starting to see that XBRL offers a very good opportunity to present company data better, faster and cheaper.

Next steps?

As with any technology that changes an existing process, determining when to adopt is critical for the company concerned. Adopting too early may result in unnecessary cost while adopting too late, may result in missed opportunities. Although widespread adoption of XBRL must continue to pass various technical, regulatory and administrative milestones, you may want to consider the following when developing an implementation strategy:

LEARN
• Learn about XBRL and share your knowledge within your company. • Speak with other companies who have participated in the XBRL programs and gain from their experience. • Talk with an Ernst & Young representative to obtain more information about XBRL (details below).
EVALUATE
• Identify business reporting areas that could benefit from XBRL. • Determine whether your current financial applications are XBRL-enabled. • Assess whether your organisation should participate in the relevant XBRL programs or is obliged to file with a local regulator using XBRL.
ACT
• Now may be the right time to participate in the various XBRL programs for financial institutions, investor relations leaders and companies on the leading edge of reporting technology. • Start checking XBRL.org and IASB.org for the appropriate taxonomies and requirements. • Develop a project charter and implementation plan for an XBRL-based project. • Consider independent verification of the XBRL data to provide assurance to third parties that the information is complete, accurate, reliable and timely.

Further information

Further information on interactive data can be obtained from www.ey.com/xbrl. You can also visit XBRL International at www.XBRL.org and the IASB website at www.iasb.org/xbrl, or contact Josef Macdonald of Ernst & Young Global Professional Practice, at josef.macdonald@uk.ey.com.

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