

Baker & McAuliffe Holdings Pty Ltd

Trading as JSB Lighting

ABN 15 059 756 811

Annual Report - 30 September 2019

Baker & McAuliffe Holdings Pty Ltd
Trading as JSB Lighting
Directors' report
30 September 2019

This is the first audited financial statements prepared by the Company. The comparative results presented in these financial statements are unaudited.

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Baker & McAuliffe Holdings Pty Ltd (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 September 2019.

Directors

The following persons were directors of Baker & McAuliffe Holdings Pty Ltd during the whole of the financial year and up to the date of this report, unless otherwise stated:

Con Scrinis (Non-Executive Director, appointed on 23 November 2020)

Con has been involved in the electrical and lighting industry for over 35 years. He founded commercial lighting manufacturer Moonlighting in 1991. Moonlighting employed 150 staff with revenues of +\$30M. Moonlighting was sold to Gerard Lighting in 2004.

He then founded and was Managing Director of ASX listed Traffic Technologies which developed the first Australian Standard approved LED traffic light. Traffic Technologies had +\$100M in revenues across 3 divisions, Traffic lights, Traffic management and Traffic Signs. Con was a major shareholder and Director of ASX listed Enevis Ltd formerly Stokes Ltd which transformed from an appliance parts manufacturer and distributor to a lighting and audio visual business.

Michael Koutsakis (Non-Executive Director, appointed on 2 February 2021)

Michael completed his Degree in Electrical and Computing Engineering at Monash University and has been involved in the electrical / lighting industry for over 28 years. Michael has held senior sales & marketing positions Sunlighting/Holophane, Moonlighting, Zumtobel / Bega, and WE-EF lighting. Michael then joined the ASX listed Enevis Limited formerly Stokes Limited as Executive General Manager Lighting in order to further develop and grow the companies lighting division.

Sandy Beard (Non-Executive Director, appointed on 23 November 2020 and resigned on 2 February 2021)

Sandy Beard has been a Director of numerous public and private companies over the past 25 years. He is the former Chief Executive Officer of CVC Limited (ASX:CVC) (between 1991-2019) where he oversaw annual shareholder returns in excess of 15% per annum for over 15 years. He has extensive experience with investee businesses, both in providing advice, assisting in acquisitions and divestments, capital raisings and in direct management roles, especially bringing management expertise to small cap companies in driving shareholder returns.

Principal activities

The principal activity of the Company is strongly focused on qualitative lighting application, bringing to the Australian and New Zealand markets the latest in luminaire design and performance, applied with a detailed understanding of the role of light within architecture.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$193,948 (30 September 2018: profit of \$2,282,022).

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year and likely developments

On 9 February 2021, FOS Capital Limited announced that they have completed the acquisition of remaining 50% shareholding of the consolidated entity from HGL Limited. As at this date, FOS Capital Limited has complete ownership of the consolidated entity.

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Likely developments and expected results of operations

Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulation

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Shares under option

There were no unissued ordinary shares of Baker & McAuliffe Holdings Pty Ltd under option outstanding at the date of this report.

Shares issued on the exercise of options

There were no ordinary shares of Baker & McAuliffe Holdings Pty Ltd issued on the exercise of options during the year ended 30 September 2019 and up to the date of this report.

Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the parent entity, HGL Limited paid a premium on behalf of the Company's directors in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



Con Scrinis
Director
Melbourne

Date: 29 March 2021

**Baker & McAuliffe Holdings Pty Ltd
Trading as JSB Lighting
Auditor's independence declaration**

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Baker & McAuliffe Holdings Pty Ltd
Trading as JSB Lighting
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General information

The financial statements cover Baker & McAuliffe Holdings Pty Ltd as a consolidated entity consisting of Baker & McAuliffe Holdings Pty Ltd and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Baker & McAuliffe Holdings Pty Ltd's functional and presentation currency.

Baker & McAuliffe Holdings Pty Ltd is a proprietary company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

Suite A23
15-21 Doody Street
Alexandria NSW 2015

Principal place of business

Suite A23
15-21 Doody Street
Alexandria NSW 2015

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 29 March 2021. The directors have the power to amend and reissue the financial statements.

Baker & McAuliffe Holdings Pty Ltd
Trading as JSB Lighting
Statement of profit or loss and other comprehensive income
For the year ended 30 September 2019

	Note	Consolidated 2019 \$	2018 \$
Trading revenue from sales of goods		12,750,383	22,857,382
Cost of sales		<u>(6,688,936)</u>	<u>(12,923,359)</u>
Gross profit		<u>6,061,447</u>	<u>9,934,023</u>
Other income	4	71,722	33,274
Expenses			
Marketing, selling and distribution expenses		(2,959,686)	(3,185,705)
Occupancy expenses		(691,087)	(821,903)
Corporate and administrative expenses		<u>(1,643,560)</u>	<u>(2,081,234)</u>
Operating profit		838,836	3,878,455
Finance costs		(17,718)	(73,821)
Depreciation and amortisation expenses		(442,120)	(436,174)
Management fees charged by HGL Limited and its controlled entities		<u>(626,285)</u>	<u>-</u>
Profit/(loss) before income tax (expense)/benefit		(247,287)	3,368,460
Income tax (expense)/benefit	5	<u>53,339</u>	<u>(1,086,438)</u>
Profit/(loss) after income tax (expense)/benefit for the year attributable to the owners of Baker & McAuliffe Holdings Pty Ltd		(193,948)	2,282,022
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		<u>791</u>	<u>282</u>
Other comprehensive income for the year, net of tax		<u>791</u>	<u>282</u>
Total comprehensive income for the year attributable to the owners of Baker & McAuliffe Holdings Pty Ltd		<u><u>(193,157)</u></u>	<u><u>2,282,304</u></u>

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Baker & McAuliffe Holdings Pty Ltd
Trading as JSB Lighting
Statement of financial position
As at 30 September 2019

	Note	Consolidated 2019 \$	2018 \$
Assets			
Current assets			
Cash and cash equivalents		1,633,563	2,334,282
Trade and other receivables	6	2,069,300	3,273,869
Inventories	7	690,257	738,628
Other current assets		52,646	-
Total current assets		<u>4,445,766</u>	<u>6,346,779</u>
Non-current assets			
Property, plant and equipment		205,835	341,099
Right-of-use assets	8	118,732	294,883
Patents and trademarks		381,786	402,750
Deferred tax		428,418	620,476
Security deposits		79,884	39,820
Total non-current assets		<u>1,214,655</u>	<u>1,699,028</u>
Total assets		<u>5,660,421</u>	<u>8,045,807</u>
Liabilities			
Current liabilities			
Trade and other payables	9	1,622,506	1,376,400
Amount due to HGL Limited and its controlled entities	10	435,730	2,296,030
Lease liabilities		97,819	240,874
Provisions	11	687,334	1,108,731
Total current liabilities		<u>2,843,389</u>	<u>5,022,035</u>
Non-current liabilities			
Lease liabilities		29,247	65,828
Provisions	12	155,218	132,220
Total non-current liabilities		<u>184,465</u>	<u>198,048</u>
Total liabilities		<u>3,027,854</u>	<u>5,220,083</u>
Net assets		<u>2,632,567</u>	<u>2,825,724</u>
Equity			
Issued capital	13	150	150
Foreign currency translation reserve		1,073	282
Retained profits		2,631,344	2,825,292
Total equity		<u>2,632,567</u>	<u>2,825,724</u>

The above statement of financial position should be read in conjunction with the accompanying notes

Baker & McAuliffe Holdings Pty Ltd
Trading as JSB Lighting
Statement of changes in equity
For the year ended 30 September 2019

Consolidated	Issued capital \$	Foreign currency translation reserve \$	Retained profits \$	Total equity \$
Balance at 1 October 2017	150	-	543,270	543,420
Profit after income tax expense for the year	-	-	2,282,022	2,282,022
Other comprehensive income for the year, net of tax	-	282	-	282
Total comprehensive income for the year	-	282	2,282,022	2,282,304
Balance at 30 September 2018	150	282	2,825,292	2,825,724

Consolidated	Issued capital \$	Foreign currency translation reserve \$	Retained profits \$	Total equity \$
Balance at 1 October 2018	150	282	2,825,292	2,825,724
Loss after income tax benefit for the year	-	-	(193,948)	(193,948)
Other comprehensive income for the year, net of tax	-	791	-	791
Total comprehensive income for the year	-	791	(193,948)	(193,157)
Balance at 30 September 2019	150	1,073	2,631,344	2,632,567

The above statement of changes in equity should be read in conjunction with the accompanying notes

Baker & McAuliffe Holdings Pty Ltd
Trading as JSB Lighting
Statement of cash flows
For the year ended 30 September 2019

	Note	Consolidated 2019 \$	2018 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		15,463,119	28,062,124
Payments to suppliers and employees (inclusive of GST)		<u>(13,550,321)</u>	<u>(22,838,334)</u>
		1,912,798	5,223,790
Interest received		24,753	(15,491)
Interest and other finance costs paid		(7,823)	-
Income taxes paid		<u>(95,455)</u>	<u>(1,067,409)</u>
Net cash from operating activities	20	<u>1,834,273</u>	<u>4,140,890</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(61,098)	(167,358)
Payments for security deposits		<u>(40,064)</u>	<u>-</u>
Net cash used in investing activities		<u>(101,162)</u>	<u>(167,358)</u>
Cash flows from financing activities			
Repayment of lease liabilities		(238,174)	(271,856)
Repayment of loans from HGL Limited and its controlled entities		(2,360,000)	(3,217,812)
Proceeds from loans from HGL Limited and its controlled entities		<u>163,553</u>	<u>52,800</u>
Net cash used in financing activities		<u>(2,434,621)</u>	<u>(3,436,868)</u>
Net increase/(decrease) in cash and cash equivalents		(701,510)	536,664
Cash and cash equivalents at the beginning of the financial year		2,334,282	1,797,336
Effects of exchange rate changes on cash and cash equivalents		<u>791</u>	<u>282</u>
Cash and cash equivalents at the end of the financial year		<u><u>1,633,563</u></u>	<u><u>2,334,282</u></u>

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. There were no material impacts arising from the adoption of those standards in these financial statements.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. There were no material impacts arising from the adoption of those standards in these financial statements.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Baker & McAuliffe Holdings Pty Ltd ('company' or 'parent entity') as at 30 September 2019 and the results of all subsidiaries for the year then ended. Baker & McAuliffe Holdings Pty Ltd and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Note 1. Significant accounting policies (continued)

Foreign currency translation

The financial statements are presented in Australian dollars, which is Baker & McAuliffe Holdings Pty Ltd's functional and presentation currency. The functional currency of JSB Lighting Australia is in Australian dollars and JSB Lighting New Zealand is in New Zealand dollars.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. JSB Lighting (New Zealand) Limited is its 100% owned subsidiary and controlled entity.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Revenue recognition

The consolidated entity recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Rendering of services

Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Note 1. Significant accounting policies (continued)

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Note 1. Significant accounting policies (continued)

Inventories

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Stock on hand is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

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

Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Buildings	40 years
Leasehold improvements	3-10 years
Plant and equipment	3-10 years
Plant and equipment under lease	

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Note 1. Significant accounting policies (continued)

Patents and trademarks

Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of between 10 to 20 years.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Note 1. Significant accounting policies (continued)

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 September 2019. The directors expect that none of these new or amended Accounting Standards and Interpretations will materially impact these financial statements.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Income tax

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Employee benefits provision

As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Lease make good provision

A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

Baker & McAuliffe Holdings Pty Ltd
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Notes to the financial statements
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Note 3. Operating segments

Identification of reportable operating segments

The consolidated entity is organised into one operating segment, the Australasian region being focused on qualitative lighting application in the Australian and New Zealand markets. The operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

Geographical information

	Sales to external customers	
	2019	2018
	\$	\$
Australia	11,674,719	22,366,749
New Zealand	1,075,664	490,633
	<u>12,750,383</u>	<u>22,857,382</u>

Note 4. Other income

	Consolidated	
	2019	2018
	\$	\$
Other income	2,121	4,888
Rental income	44,848	-
Interest income	24,753	28,386
	<u>71,722</u>	<u>33,274</u>

Note 5. Income tax expense/(benefit)

	Consolidated	
	2019	2018
	\$	\$
<i>Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate</i>		
Profit/(loss) before income tax (expense)/benefit	<u>(247,287)</u>	<u>3,368,460</u>
Tax at the statutory tax rate of 30%	(74,186)	1,010,538
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Amortisation of intangibles	6,289	8,475
Other non-assessable/ non-deductible itmes	27,699	45,473
	<u>(40,198)</u>	<u>1,064,486</u>
Non (re)-recognition of carry-forward losses (JSB NZ)	(13,141)	21,952
Income tax expense/(benefit)	<u>(53,339)</u>	<u>1,086,438</u>

Baker & McAuliffe Holdings Pty Ltd
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Note 6. Current assets - trade and other receivables

	Consolidated	
	2019	2018
	\$	\$
Trade receivables	1,919,300	3,250,967
Accrued government assistance income	150,000	22,902
	<u>2,069,300</u>	<u>3,273,869</u>

Allowance for expected credit losses

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

	Consolidated	
	2019	2018
	\$	\$
0 to 30 days overdue	1,759,439	2,944,303
30 to 60 days overdue	169,168	278,340
60 to 90 days overdue	(9,307)	28,324
	<u>1,919,300</u>	<u>3,250,967</u>

Note 7. Current assets - inventories

	Consolidated	
	2019	2018
	\$	\$
Stock in transit - at cost	195,965	127,030
Stock on hand - at cost	872,867	921,723
Less: Provision for impairment	(378,575)	(310,125)
	<u>494,292</u>	<u>611,598</u>
	<u>690,257</u>	<u>738,628</u>

Note 8. Non-current assets - right-of-use assets

	Consolidated	
	2019	2018
	\$	\$
Land and buildings - right-of-use	490,572	578,558
Less: Accumulated depreciation	(371,840)	(283,675)
	<u>118,732</u>	<u>294,883</u>

Baker & McAuliffe Holdings Pty Ltd
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Notes to the financial statements
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Note 8. Non-current assets - right-of-use assets (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Leased properties \$	Total \$
Balance at 1 October 2017	395,439	395,439
Additions	103,561	103,561
Amortisation expense	(204,117)	(204,117)
Balance at 30 September 2018	294,883	294,883
Additions	48,643	48,643
Amortisation expense	(224,794)	(224,794)
Balance at 30 September 2019	<u>118,732</u>	<u>118,732</u>

Note 9. Current liabilities - trade and other payables

	Consolidated	
	2019	2018
	\$	\$
Trade payables	1,292,623	686,706
Customer deposits	128,303	151,896
Accruals and sundry creditors	201,580	537,798
	<u>1,622,506</u>	<u>1,376,400</u>

Refer to note 14 for further information on financial instruments.

Note 10. Current liabilities - Amount due to HGL Limited and its controlled entities

Amounts due to HGL Limited and entities it controlled are unsecured, non-interest bearing, payable at call and with no equity conversion rights.

	Consolidated	
	2019	2018
	\$	\$
Amount due to HGL Limited and its controlled entities	<u>435,730</u>	<u>2,296,030</u>

Refer to note 14 for further information on financial instruments.

Baker & McAuliffe Holdings Pty Ltd
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Notes to the financial statements
30 September 2019

Note 11. Current liabilities - provisions

	Consolidated	
	2019	2018
	\$	\$
Annual leave	280,912	247,548
Long service leave	300,883	305,084
Staff bonuses	105,539	520,142
Lease make good	-	35,957
	687,334	1,108,731
	687,334	1,108,731

Note 12. Non-current liabilities - provisions

	Consolidated	
	2019	2018
	\$	\$
Long service leave	75,779	32,691
Staff bonuses	65,350	48,180
Lease make good	14,089	51,349
	155,218	132,220
	155,218	132,220

Note 13. Equity - issued capital

	Consolidated			
	2019	2018	2019	2018
	Shares	Shares	\$	\$
Ordinary shares - fully paid	150	150	150	150
	150	150	150	150

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Capital risk management

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Note 14. Financial instruments

Financial risk management objectives

The company's activities expose it to two material financial risks: credit risk and liquidity risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the company. The company uses different methods to measure different types of risk to which it is exposed. These methods include ageing analysis for credit risk and cash flow forecasting for liquidity risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available.

The company has no significant concentration of credit risk. To manage overall credit risk management closely monitors the receivable balance on a monthly basis and is in regular contact with this customer to mitigate risk.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Liquidity risk

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

With the exception of lease liabilities, which mature over periods extending of the term of each respective lease, which all mature between 2021 and 2024 (with those maturing after September 2021 classified as non-current in the statement of financial position), all other financial liabilities as at year end were due and payable within 60 days.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 15. Key management personnel disclosures

All remuneration of key management personnel during the year was made on behalf of the Company by HGL Limited and its controlled entities.

Baker & McAuliffe Holdings Pty Ltd
Trading as JSB Lighting
Notes to the financial statements
30 September 2019

Note 16. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by , the auditor of the company:

	Consolidated	
	2019	2018
	\$	\$
<i>Audit services -</i>		
Audit of the financial statements	10,000	5,000

Note 17. Contingent liabilities and other matters with Intralux Australia Pty Ltd

In August 2017 the company entered into an agreement with Intralux Australia Pty Ltd (Intralux) whereby it would acquire specified assets, trademarks and patents relating to the Intralux brand in-exchange for upfront consideration of \$511,000 and a royalty right entitling Intralux to 7.5% of all sales of Intralux products in-excess of \$2,000,000 annually. Under the terms of the agreement, Intralux has the right to reacquire any Intralux stock at fair value, together with the rights to the trademarks and patents in the event that sales of Intralux product lower than \$4,000,000 are achieved annually. On 26 November 2020, Intralux served the company with a notice of buyback in-respect of this condition. The company has the ability to cancel this buyback right, through to 2024, by paying Intralux a fee of \$100,000 annually. The company has chosen not to cancel the buyback. The buyback is currently being actioned and the parties have appointed an independent expert to make a determination on the value of the buyback stock. The company estimates that the buyback stock will be between \$300K and \$500K.

In addition to this matter, the consolidated entity holds deposits for rental as recorded on the statement of financial position. These deposits are refundable only upon a successful termination of the underlying leasehold.

Note 18. Related party transactions

Parent entity

HGL Limited is the parent entity.

Key management personnel

Disclosures relating to key management personnel are set out in note 15.

Loans to/from related parties

The following balances are outstanding at the reporting date in relation to loans with related parties:

	Consolidated	
	2019	2018
	\$	\$
Opening loan balance	(2,296,030)	(1,006,473)
Cash received from HGL Limited and its controlled entities	(163,553)	(52,800)
Cash paid to HGL Limited and its controlled entities	2,360,000	3,217,812
Accrued charges from HGL Limited and its controlled entities	(336,147)	(4,454,569)
Closing loan balance	<u>(435,730)</u>	<u>(2,296,030)</u>

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Baker & McAuliffe Holdings Pty Ltd
Trading as JSB Lighting
Notes to the financial statements
30 September 2019

Note 19. Events after the reporting period

No matter or circumstance has arisen since 30 September 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 20. Reconciliation of profit/(loss) after income tax to net cash from operating activities

	Consolidated	
	2019	2018
	\$	\$
Profit/(loss) after income tax (expense)/benefit for the year	(193,948)	2,282,022
Adjustments for:		
Depreciation and amortisation	442,120	436,714
Finance charges on leases	9,895	15,425
Non-cash charges from HGL Limited and its controlled entities	528,205	1,196,757
Change in operating assets and liabilities:		
Decrease in trade and other receivables	1,204,569	2,070,651
Decrease in inventories	48,371	105,117
Increase in prepayments	(15,275)	(14,481)
Decrease in current tax asset	(37,371)	-
Increase/(decrease) in trade and other payables	246,104	(1,130,722)
Decrease in employee benefits	(325,182)	(856,550)
Increase/(decrease) in other provisions	(73,215)	35,957
Net cash from operating activities	<u>1,834,273</u>	<u>4,140,890</u>

Baker & McAuliffe Holdings Pty Ltd
Trading as JSB Lighting
Directors' declaration
30 September 2019

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 September 2019 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



Con Scrinis
Director

Melbourne

Date: 29 March 2021

Baker & McAuliffe Holdings Pty Ltd
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Independent auditor's report to the members of Baker & McAuliffe Holdings Pty Ltd

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Baker & McAuliffe Holdings Pty Ltd
Trading as JSB Lighting
Independent auditor's report to the members of Baker & McAuliffe Holdings Pty Ltd

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