FOS Lighting Group

Annual Report - 30 June 2019

FOS Lighting Group
Directors' report
30 June 2019

The directors present their report, together with the financial statements, on the combined entity (referred to hereafter as the 'combined entity' or 'The FOS Lighting Group') consisting of the following entities:

- FOS Lighting Group Pty Ltd

- FOS Lighting Pty Ltd

Directors
The following persons were directors of FOS Lighting Group during the whole of the financial year and up to the date of this report, unless otherwise stated:

Con Scrinis - Managing Director since 17 November 2018
Con Scrinis is an experienced developer and manager of businesses in a number of sectors, and a Company Director with strong leadership skills. He has founded and operated large businesses covering manufacturing, electrical, technology and services over a period of 30 years, and has completed over 50 business acquisitions and divestments. He has been directly involved in a variety of equity raisings and has significant experience in both private and ASX listed public Companies.He was founder and Managing Director of leading national industrial lighting manufacturer, Moonlighting. He was founder and Managing Director of ASX listed traffic management and services provider Traffic Technologies. He was major shareholder and Managing Director of ASX listed lighting and audiovisual manufacturer and distributor Enevis Limited (formerly Stokes).

Michael Monsonego - Director since 21 August 2019
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 at Sunlighting/Holophane, Moonlighting, Zumtobel / Bega, and WE-EF lighting. Michael then joined ASX listed Enevis Limited formerly Stokes Limited as Executive General Manager Lighting in order to further develop and grow the companies lighting division.

Michael Koutsakis - Director since 21 August 2019
After graduating the IDF as field medic in 1999 Michael attended Hadassah College in Jerusalem to study computers engineering. He then joined Isreali TV broadcast company TELAD as a software engineer working on digital broadcasting systems. After 2 years he was promoted to lead the software team of TELAD. In 2004 Michael took up a new position as software engineer at Optibase in Israel, leading provider of video over IP solutions. In 2009 he joined Forma lighting in the R&D team responsible for developing LED lighting solutions. Michael then moved through the ranks and now holds the position of General Manager of Forma Lighting HK.

Leslie Brook Patterson (resigned 21/6/2019)
Benjamin Malcolm Mills (resigned 14/11/2017)
Peter Vincent Murphy (resigned 4/7/2017)

Principal activities
The principal activity of the combined entity includes manufacturing a full range of commercial luminaires, outdoor fittings and linear extruded lighting as well as distributing a complete range of commercial and architectural lighting.

Dividends
For details of the return of capital, refer to note 6.

Review of operations
The profit for the combined entity after providing for income tax amounted to $304,787 (30 June 2018: $160,750).

Significant changes in the state of affairs, return of capital and subsequent events
In June 2019, the previous ultimate controlling party of Gerard Lighting Group sold its share of ownership of Frend Lighting Industries Pty Ltd to FOS Lighting Group Pty Ltd. As a consequence of this, the related party loan receivable balance was returned to the vendor shareholder through a return of capital totalling $5,261,942.

Subsequent to year end Frend Lighting Industries Pty Ltd, one of the combining entities to the FOS Lighting Group, changed its name to FOS Lighting Pty Ltd.

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

Likely developments and expected results of operations
The combined entity expects to seek a listing on the Australian Securities Exchange within the next 12 months from the date of this report.

Environmental regulation
The combined 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 the combined entity under option outstanding at the date of this report.

Shares issued on the exercise of options
There were no ordinary shares of FOS Lighting Group issued on the exercise of options during the year ended 30 June 2019 and up to the date of this report.

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

9 December 2019

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF FOS LIGHTING GROUP PTY LTD AND FOS LIGHTING PTY LTD

I declare that, to the best of my knowledge and belief during the year ended 30 June 2019 there have been:

— no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

— no contraventions of any applicable code of professional conduct in relation to the audit.

William Buck

William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136

N. S. Benbow
Director

Dated this 9th December 2019

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General information

The financial statements cover FOS Lighting Group as defined in the directors' report. The financial statements are presented in Australian dollars, which is the combined entity's functional and presentation currency.

All entities in the combined entity are companies limited by shares, incorporated and domiciled in Australia. The registered office and principal place of business of the combined entity is:

Registered office	Principal place of business
14 Jaybel Street Salisbury QLD 4107	14 Jaybel Street Salisbury QLD 4107

A description of the nature of the combined 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 9 December 2019. The directors have the power to amend and reissue the financial statements.

FOS Lighting Group
Combined statement of profit or loss and other comprehensive income
For the year ended 30 June 2019

	Note	Combined 2019 $	Combined 2018 $
Revenue			
Sales		4,250,564	6,292,169
Cost of sales		(2,596,307)	(4,374,266)
Gross profit		1,654,257	1,917,903
Expenses			
Sales, marketing & distribution expenses		(197,016)	(369,487)
Administration & corporate expenses		(994,757)	(1,286,835)
Operating profit		462,484	261,581
Depreciation & amortisation		(42,089)	(39,856)
Profit before income tax expense		420,395	221,725
Income tax expense	3	(115,608)	(60,975)
Profit after income tax expense for the year attributable to the owners of FOS Lighting Group		304,787	160,750
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of FOS Lighting Group		304,787	160,750

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

FOS Lighting Group
Combined statement of financial position
As at 30 June 2019

	Note	Combined 2019 $	Combined 2018 $
Assets			
Current assets			
Cash and cash equivalents		599,077	875,556
Trade and other receivables	4	1,487,945	1,048,291
Inventories	5	1,520,878	1,235,554
Loans to related party	6	-	4,780,817
Prepayments		59,590	105,148
Total current assets		3,667,490	8,045,366
Non-current assets			
Property, plant and equipment	7	198,506	218,395
Deferred tax		94,438	106,729
Total non-current assets		292,944	325,124
Total assets		3,960,434	8,370,490
Liabilities			
Current liabilities			
Trade and other payables	8	902,218	682,095
Provision for income tax		13,683	-
Provisions for employee benefits	9	204,521	268,075
Provision for warranties	10	50,666	54,554
Total current liabilities		1,171,088	1,004,724
Non-current liabilities			
Provisions for employee benefits	11	20,429	39,690
Total non-current liabilities		20,429	39,690
Total liabilities		1,191,517	1,044,414
Net assets		2,768,917	7,326,076
Equity			
Issued capital	12	400,000	4
Retained profits		2,368,917	7,326,072
Total equity		2,768,917	7,326,076

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

FOS Lighting Group
Combined statement of changes in equity
For the year ended 30 June 2019

Combined	**Issued capital $**	**Retained profits $**	**Total equity $**
Balance at 1 July 2017	4	7,165,322	7,165,326
Profit after income tax expense for the year	-	160,750	160,750
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	160,750	160,750
Balance at 30 June 2018	4	7,326,072	7,326,076

Combined	**Issued capital $**	**Retained profits $**	**Total equity $**
Balance at 1 July 2018	4	7,326,072	7,326,076
Profit after income tax expense for the year	-	304,787	304,787
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	304,787	304,787
Transactions with owners in their capacity as owners:			
Return of capital (note 12)	-	(5,261,942)	(5,261,942)
Issue of capital (note 12)	399,996	-	399,996
Balance at 30 June 2019	400,000	2,368,917	2,768,917

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

FOS Lighting Group
Combined statement of cash flows
For the year ended 30 June 2019

	Note	Combined 2019 $	2018 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		4,562,413	7,641,281
Payments to suppliers (inclusive of GST)		(4,305,799)	(7,071,356)
Net cash from operating activities	18	256,614	569,925
Cash flows from investing activities			
Payments for property, plant and equipment	7	(22,200)	(48,537)
Net cash used in investing activities		(22,200)	(48,537)
Cash flows from financing activities			
Proceeds from issue of shares	12	73,549	-
Net proceeds from (payments to) related parties		(584,442)	269,334
Net cash from/(used in) financing activities		(510,893)	269,334
Net increase/(decrease) in cash and cash equivalents		(276,479)	790,722
Cash and cash equivalents at the beginning of the financial year		875,556	84,834
Cash and cash equivalents at the end of the financial year		599,077	875,556

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

Note 1. Significant accounting policies

These financial statements are of the combined entity (referred to hereafter as the 'combined entity' or 'The FOS Lighting Group') consisting of the following entities:

- FOS Lighting Group Pty Ltd
- FOS Lighting Pty Ltd

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.

New or amended Accounting Standards and Interpretations adopted

The combined 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.

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 and apply the going concern basis of accounting.

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 combined 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

As defined above, these financial statements are of the combined entity consisting of Frend Lighting Industries Pty Ltd and FOS Lighting Pty Ltd. Any transactions, balances and unrealised gains on transactions between these entities are eliminated. The accounting policies of each entity in the combined entity have been changed where necessary to ensure consistency with the policies adopted by the combined entity.

Revenue recognition

The combined entity recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the combined entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the combined 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.

Note 1. Significant accounting policies (continued)

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.

The combined entity has early adopted AASB 15, which supersedes AASB 111 Construction Contracts, AASB 118 Revenue and related Interpretations, from 1 July 2018. Revenue from contracts with customers is recognised to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This is based on a contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. Credit risk is presented separately as an impairment expense rather than adjusted against revenue. Contracts with customers are presented in the statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract are, subject to certain criteria, capitalised as an asset and amortised over the contract period.

In applying AASB 15, the combined entity has elected to use the modified retrospective method, and did not restate the comparatives. On applying this standard, there were no material adjustments required or impact on the financial statements, as there is currently no revenue from customer contracts.

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.

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.

Note 1. Significant accounting policies (continued)

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the combined 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 combined 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 combined 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.

Inventories
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:

Plant and equipment	3-20 years
Motor vehicles	5-12 years

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

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the combined 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.

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.

Note 1. Significant accounting policies (continued)

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 combined 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.

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.

Dividends
Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

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.

Note 1. Significant accounting policies (continued)

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

New Accounting Standards and Interpretations early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended have been early adopted by the combined entity for the annual reporting period ended 30 June 2019. The combined entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the combined entity, are set out below.

The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The combined entity will adopt this standard from 1 January 2018 but the impact of its adoption is yet to be assessed by the combined entity.

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.

Warranty provision
In determining the level of provision required for warranties the combined entity has made judgements in respect of the expected performance of the products, the number of customers who will actually claim under the warranty and how often, and the costs of fulfilling the conditions of the warranty. The provision is based on estimates made from historical warranty data associated with similar products and services.

Note 3. Income tax expense

	Combined	
	2019	**2018**
	$	**$**
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	420,395	221,725
Tax at the statutory tax rate of 27.5%	115,608	60,975
Income tax expense	115,608	60,975

Note 4. Current assets - trade and other receivables

	Combined 2019 $	Combined 2018 $
Trade receivables	1,161,498	1,048,291
Receivable from directors	326,447	-
	1,487,945	1,048,291

There were no receivable past due not impaired for the year ended 30 June 2019 (2018:nil).

Note 5. Current assets - inventories

	Combined 2019 $	Combined 2018 $
Stock on hand - at cost	1,665,878	1,380,554
Less: Provision for impairment	(145,000)	(145,000)
	1,520,878	1,235,554

Note 6. Current assets - Loans to related party

	Combined 2019 $	Combined 2018 $
Loans to related party	-	4,780,817

Loans to related party consists of loans made to entities controlled by Gerard Group Limited, which was the ultimate controlling entity of FOS Lighting Pty Ltd, which forms part of the combined entity represented in these financial statements. These loans were unsecured, non-interest bearing, receivable at call and with no set maturity date. In June 2019, as part of the sale transaction discussed in the directors' report, these loans were repaid by the Gerard Group Limited through a non-cash based return of capital.

Note 7. Non-current assets - property, plant and equipment

	Combined 2019 $	Combined 2018 $
Plant and equipment - at cost	998,855	963,519
Less: Accumulated depreciation	(806,261)	(752,536)
	192,594	210,983
Motor vehicles - at cost	107,520	107,520
Less: Accumulated depreciation	(101,608)	(100,108)
	5,912	7,412
	198,506	218,395

Note 8. Current liabilities - trade and other payables

	Combined	
	2019 $	2018 $
Trade payables	542,655	410,234
Other payables	359,563	271,861
	902,218	682,095

Refer to note 14 for further information on financial instruments.

Note 9. Current liabilities - provisions for employee benefits

	Combined	
	2019 $	2018 $
Annual leave	77,204	119,214
Long service leave	127,317	148,861
	204,521	268,075

Note 10. Current liabilities - Provision for warranties

	Combined	
	2019 $	2018 $
Warranties provision	50,666	54,554

Note 11. Non-current liabilities - provisions for employee benefits

	Combined	
	2019 $	2018 $
Long service leave	20,429	39,690

Note 12. Equity - issued capital

	Combined			
	2019 Shares	2018 Shares	2019 $	2018 $
Ordinary shares - fully paid	400,004	4	400,000	4

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.

As at 30 June 2019, the combined entity has 2 classes of ordinary shares comprising 4 shares on issue for FOS Lighting Pty Ltd (2018: 4) and 400,000 shares on issue for FOS Group Pty Ltd (2018: nil). Each share classes rights and privileges are restricted to each separate company within the combined entity.

Note 12. Equity - issued capital (continued)

Capital risk management
The combined 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 combined entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Note 13. Equity - dividends

For details of the return of capital, refer to note 6.

Note 14. Financial instruments

Financial risk management objectives
The combined entity's activities expose it to a variety of financial risks: credit risk and liquidity risk. The combined entity'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 combined entity. The combined entity uses different methods to measure different types of risk to which it is exposed. These methods include ageing analysis for credit risk and cashflow 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 combined entity and appropriate procedures, controls and risk limits.

Price risk
The combined entity is not exposed to any significant price risk.

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the combined entity. The combined entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The combined 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 combined entity does not hold any collateral.

The combined 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 combined entity based on recent sales experience, historical collection rates and forward-looking information that is available.

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 combined 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 combined 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.

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

Note 15. Key management personnel disclosures

Directors
The following persons were directors of FOS Lighting Group during the financial year:

Con Scrinis
Leslie Brook Patterson (resigned 21/6/2019)
Benjamin Malcolm Mills (resigned 14/11/2017)
Peter Vincent Murphy (resigned 4/7/2017)

Compensation
The aggregate compensation made to directors and other members of key management personnel of the combined entity is set out below:

	Combined	
	2019	**2018**
	$	**$**
Directors fees	90,000	-

Note 16. Related party transactions

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

Transactions with related parties
Transactions with related parties are disclosed in the statement of cash flows.

Receivable from and payable to related parties
Details of the receivable from Gerard Lighting Group and directors are set out in note 4 and 6.

Note 17. Significant changes in the state of affairs, return of capital and subsequent events

In June 2019, the previous ultimate controlling party of Gerard Lighting Group sold its share of ownership of Frend Lighting Industries Pty Ltd to FOS Lighting Group Pty Ltd. As a consequence of this, the related party loan receivable balance was returned to the vendor shareholder through a return of capital totalling $5,261,942.

Subsequent to year end Frend Lighting Industries Pty Ltd, one of the combining entities to the FOS Lighting Group, changed its name to FOS Lighting Pty Ltd.

There was no significant change to the state of affairs of the entity as a consequence of this transaction with the exception of the payment of a dividend of $5,261,942 prior to the sale.

Note 18. Reconciliation of profit after income tax to net cash from operating activities

	Combined	
	2019 $	2018 $
Profit after income tax expense for the year	304,787	160,750
Adjustments for:		
Depreciation and amortisation	42,089	39,856
Movement in tax balances	115,608	60,975
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(113,207)	719,895
Decrease/(increase) in inventories	(285,324)	140,204
Decrease/(increase) in prepayments	45,558	(4,947)
Increase/(decrease) in provision for warranties	(3,888)	(67,446)
Increase/(decrease) in trade and other payables	233,806	(467,257)
Decrease in employee benefits	(82,815)	(12,105)
Net cash from operating activities	256,614	569,925

FOS Lighting Group
Directors' declaration
30 June 2019

In the directors' opinion:

- the attached financial statements and notes comply with Australian Accounting Standards and Interpretations;

- 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 combined entity's financial position as at 30 June 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

9 December 2019

FOS Lighting Group

Independent auditor's report to members

Report on the Audit of the Financial Report

Qualified Opinion

We have audited the financial report of the FOS Lighting Group, consisting of the combined entities of FOS Lighting Group Pty Ltd and FOS Lighting Pty Ltd (the combined entity), which comprises the combined statement of financial position as at 30 June 2019, the combined statement of profit or loss and other comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, except for the matter described below in the Basis for Qualified Opinion paragraph, the accompanying financial report of the combined entity is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the combined entity's financial position as at 30 June 2019 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Qualified Opinion

We were appointed as auditors of the entity on 22 October 2019 and thus did not observe the counting of the physical inventories as at the beginning of the financial year (as at 30 June 2018). We were unable to satisfy ourselves by alternative means concerning inventory quantities held at that date. Since opening inventories enter into the determination of the financial performance and cash flows, we were unable to determine whether adjustments might have been necessary in respect of the income for the year reported in the statement of profit or loss and other comprehensive income and the net cash flows from operating activities reported in the statement of cash flows. We also note that the comparative results expressed in these financial statements were subject to the same basis for qualification of opinion.

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of both entities in the combined entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for*

Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

With the exception of the matter noted above, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the combined entity's annual report for the year ended 30 June 2019, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the combined entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the combined entity to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the combined entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf
This description forms part of our independent auditor's report.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

William Buck

William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136

N. S. Benbow
Melbourne, 9th December 2019