FOS Lighting Pty Ltd

(formerly Frend Lighting Industries Pty Ltd)

Annual Report - 30 June 2018

FOS Lighting Pty Ltd
Directors' report
30 June 2018

The directors present their report, together with the financial statements, on the entity referred as FOS Lighting Pty Ltd for the year ended 30 June 2018.

Directors
The following persons were directors of the company 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).

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

Review of operations
The profit for the entity after providing for income tax amounted to $160,750 (30 June 2017: $295,674).

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

Likely developments and expected results of operations
The 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 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 company under option outstanding at the date of this report.

Shares issued on the exercise of options
There were no ordinary shares of the company issued on the exercise of options during the year ended 30 June 2018 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 PTY LTD

I declare that, to the best of my knowledge and belief during the year ended 30 June 2018 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 Pty Ltd as defined in the directors' report. The financial statements are presented in Australian dollars, which is the entity's functional and presentation currency.

The entity is limited by shares, incorporated and domiciled in Australia. The registered office and principal place of business of the 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 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 Pty Ltd
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2018

	Note	2018 $	2017 $
Revenue			
Sales		6,292,169	5,936,934
Cost of sales		(4,374,266)	(4,036,273)
Gross profit		1,917,903	1,900,661
Expenses			
Sales, marketing & distribution expenses		(369,487)	(313,187)
Administration & corporate expenses		(1,286,835)	(1,136,967)
Operating profit		261,581	450,507
Depreciation & amortisation		(39,856)	(42,681)
Profit before income tax expense		221,725	407,826
Income tax expense	3	(60,975)	(112,152)
Profit after income tax expense for the year attributable to the owners of FOS Lighting Pty Ltd		160,750	295,674
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of FOS Lighting Pty Ltd		160,750	295,674

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

FOS Lighting Pty Ltd
Statement of financial position
As at 30 June 2018

	Note	2018 $	2017 $
Assets			
Current assets			
Cash and cash equivalents		875,556	84,834
Trade and other receivables	4	1,048,291	1,768,186
Inventories	5	1,235,554	1,375,758
Loans to related party	6	4,780,817	5,097,519
Prepayments		105,148	100,201
Total current assets		8,045,366	8,426,498
Non-current assets			
Property, plant and equipment	7	218,395	209,714
Deferred tax		106,729	120,336
Total non-current assets		325,124	330,050
Total assets		8,370,490	8,756,548
Liabilities			
Current liabilities			
Trade and other payables	8	682,095	1,149,352
Provisions for employee benefits	9	268,075	274,145
Provision for warranties		54,554	122,000
Total current liabilities		1,004,724	1,545,497
Non-current liabilities			
Provisions for employee benefits	10	39,690	45,725
Total non-current liabilities		39,690	45,725
Total liabilities		1,044,414	1,591,222
Net assets		7,326,076	7,165,326
Equity			
Issued capital	11	4	4
Retained profits		7,326,072	7,165,322
Total equity		7,326,076	7,165,326

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

FOS Lighting Pty Ltd
Statement of changes in equity
For the year ended 30 June 2018

	Issued capital $	Retained profits $	Total equity $
Balance at 1 July 2016	4	6,869,648	6,869,652
Profit after income tax expense for the year	-	295,674	295,674
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	295,674	295,674
Balance at 30 June 2017	4	7,165,322	7,165,326

	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

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

FOS Lighting Pty Ltd
Statement of cash flows
For the year ended 30 June 2018

	Note	2018 $	2017 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		7,641,281	5,701,999
Payments to suppliers (inclusive of GST)		(7,071,356)	(6,659,176)
Net cash from/(used in) operating activities	17	569,925	(957,177)
Cash flows from investing activities			
Payments for property, plant and equipment	7	(48,537)	(33,738)
Net cash used in investing activities		(48,537)	(33,738)
Cash flows from financing activities			
Net proceeds from (payments to) related parties		269,334	741,508
Net cash from financing activities		269,334	741,508
Net increase/(decrease) in cash and cash equivalents		790,722	(249,407)
Cash and cash equivalents at the beginning of the financial year		84,834	334,241
Cash and cash equivalents at the end of the financial year		875,556	84,834

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

Note 1. Significant accounting policies

These financial statements cover FOS Lighting Pty Ltd as an individual entity.

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 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 company'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.

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sale of goods

Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

The 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 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.

Note 1. Significant accounting policies (continued)

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.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the 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 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 provision for impairment. Trade receivables are generally due for settlement within 30 days.

Note 1. Significant accounting policies (continued)

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

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 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.

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 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.

Note 1. Significant accounting policies (continued)

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 early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended have been early adopted by the entity for the annual reporting period ended 30 June 2018. The entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the entity, are set out below.

Note 1. Significant accounting policies (continued)

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 entity will adopt this standard from 1 January 2018 but the impact of its adoption is yet to be assessed by the entity. Overall, this standard does not create a material impact to the 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.

Provision for impairment of receivables
The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

Warranty provision
In determining the level of provision required for warranties the 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

	2018 $	2017 $
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	221,725	407,826
Tax at the statutory tax rate of 27.5%	60,975	112,152
Income tax expense	60,975	112,152

Note 4. Current assets - trade and other receivables

	2018 $	2017 $
Trade receivables	1,048,291	1,768,186

There were no receivables past due not impaired for the year ended 30 June 2018 (2017: nil).

Note 5. Current assets - inventories

	2018 $	2017 $
Stock on hand - at cost	1,380,554	1,520,758
Less: Provision for impairment	(145,000)	(145,000)
	1,235,554	1,375,758

Note 6. Current assets - Loans to related party

	2018 $	2017 $
Loans to related party	4,780,817	5,097,519

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 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

	2018 $	2017 $
Plant and equipment - at cost	963,519	932,385
Less: Accumulated depreciation	(752,536)	(731,810)
	210,983	200,575
Motor vehicles - at cost	107,520	107,520
Less: Accumulated depreciation	(100,108)	(98,381)
	7,412	9,139
	218,395	209,714

Note 8. Current liabilities - trade and other payables

	2018 $	2017 $
Trade payables	410,234	854,749
Other payables	271,861	294,603
	682,095	1,149,352

Refer to note 13 for further information on financial instruments.

Note 9. Current liabilities - provisions for employee benefits

	2018 $	2017 $
Annual leave	119,214	139,285
Long service leave	148,861	134,860
	268,075	274,145

Note 10. Non-current liabilities - provisions for employee benefits

	2018 $	2017 $
Long service leave	39,690	45,725

Note 11. Equity - issued capital

	2018 Shares	2017 Shares	2018 $	2017 $
Ordinary shares - fully paid	4	4	4	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.

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

Note 12. Equity - dividends

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

Note 13. Financial instruments

Financial risk management objectives
The entity's activities expose it to a variety of financial risks: credit risk and liquidity risk. The 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 entity. The 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 entity and appropriate procedures, controls and risk limits.

Note 13. Financial instruments (continued)

Price risk
The 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 entity. The entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The 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 entity does not hold any collateral.

Liquidity risk
Vigilant liquidity risk management requires the 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 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 14. Key management personnel disclosures

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

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

The aggregate compensation made to the director and other members of key management personnel of the entity is nil (2016: nil).

Note 15. Contingent liabilities

The entity does not have any material contingent liabilities as at 30 June 2018.

Note 16. Related party transactions

Key management personnel
Disclosures relating to key management personnel are set out in note 14.

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 are set out in note 6.

Note 17. Reconciliation of profit after income tax to net cash from/(used in) operating activities

	2018 $	2017 $
Profit after income tax expense for the year	160,750	295,674
Adjustments for:		
Depreciation and amortisation	39,856	42,681
Movement in tax balances	60,975	112,152
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	719,895	(828,628)
Decrease/(increase) in inventories	140,204	(1,017,737)
Increase in prepayments	(4,947)	(38,449)
Increase/(decrease) in provision for warranties	(67,446)	12,000
Increase/(decrease) in trade and other payables	(467,257)	543,058
Decrease in employee benefits	(12,105)	(77,928)
Net cash from/(used in) operating activities	569,925	(957,177)

FOS Lighting Pty Ltd
Directors' declaration
30 June 2018

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 company's financial position as at 30 June 2018 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 Pty Ltd

Independent auditor's report to members

Report on the Audit of the Financial Report

Qualified Opinion

We have audited the financial report of FOS Lighting Pty Ltd (the Company), which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the 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 Company is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's financial position as at 30 June 2018 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 or ending of the financial year ended 30 June 2018. We were unable to satisfy ourselves by alternative means concerning inventory quantities held at those dates. As a consequence of this we were unable to determine whether adjustments might have been necessary in-respect of the inventory balances expressed in the statement of financial position and the related impacts reported in the statement of profit or loss and the net cash flows from operating activities reported in the statement of cash flows. We also note that the comparative results expressed in the financial report 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 the Company 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 Company's annual report for the year ended 30 June 2018, 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 Company 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 Company 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 Company 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