

Gerard Lighting Group Limited

(Formerly Gerard Lighting Group Pty Ltd)

ABN 16 141 079 594

**FINANCIAL REPORT
FOR THE HALF YEAR ENDED
31 December 2009**

Gerard Lighting Group Limited (Formerly Gerard Lighting Group Pty Ltd)

Interim financial report -31 December 2009

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This interim financial report does not include all the notes of the type normally included in an annual financial report.

Gerard Lighting Group Limited (Formerly Gerard Lighting Group Pty Ltd)

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Consolidated Statement of Comprehensive Income

	31/12/2009
	S'000
Revenue	-
Cost of sales	-
Gross profit	<u>-</u>
Other income	-
Distribution expenses	-
Administrative expenses	-
Research and development expenses	-
Other expenses	-
Results from operating activities	<u>-</u>
Finance costs	-
Net finance costs	<u>-</u>
Profit before income tax	-
Income tax expense	-
Profit for the period	<u>-</u>
Profit for the period attributable to:	
Equity holders of the Company	-
Minority interest	-
Profit for the period	<u>-</u>
Other comprehensive income	
Effective portion of changes in fair value of cash flow hedges	-
Net change in fair value of cash flow hedges transferred to profit or loss	-
Net change in fair value of cash flow hedges transferred to profit or loss	-
Net change in fair value of available-for-sale financial assets	-
Net change in fair value of available-for-sale financial assets transferred to profit or loss	-
Income tax on other comprehensive income	-
Other comprehensive income for the period, net of income tax	<u>-</u>
Total comprehensive income for the period	<u>-</u>

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes

Gerard Lighting Group Limited (Formerly Gerard Lighting Group Pty Ltd)

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Consolidated Balance Sheet

	31/12/2009
	S'000
ASSETS	
Current Assets	
Cash and cash equivalents	8,969
Trade and other receivables	70,544
Other assets	1,508
Inventories	69,936
Total Current Assets	150,957
Non-current Assets	
Trade and other receivables	-
Other financial assets	30
Deferred income tax assets	6,738
Property, plant and equipment	22,887
Intangible assets	79,694
Total Non-current Assets	109,349
TOTAL ASSETS	260,306
LIABILITIES	
Current Liabilities	
Trade and other payables	58,856
Interest-bearing liabilities	12,058
Income tax payable	3,811
Provisions	7,920
Total Current Liabilities	82,645
Non-current Liabilities	
Trade and other payables	-
Interest-bearing liabilities	159,598
Deferred income tax liabilities	-
Provisions	1,576
Total Non-current Liabilities	161,174
TOTAL LIABILITIES	243,819
NET ASSETS	16,487
EQUITY	
Equity attributable to equity holders of the parent	
Issued capital	-
Retained earnings	-
Other reserves	15,815
Equity attributable to equity holders of the Company	15,815
Minority interest	672
TOTAL EQUITY	16,487

The above consolidated balance sheet should be read in conjunction with the accompanying notes

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Consolidated Statement of Changes in Equity

	<i>Notes</i>	31/12/2009
		\$'000
Total equity at the beginning of the half year		<u>-</u>
Profit/(loss) for the half year		<u>-</u>
Total recognised income and expense for the half year		<u>-</u>
Transactions with equity holders in their capacity as equity holders:		
Share-based payments, net of tax		-
Contributions of equity, net of transaction costs		15,815
Minority interest		672
		<u>16,487</u>
Total equity at the end of the half year		<u>16,487</u>

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

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Consolidated Statement of Cash Flows

Notes

	31/12/2009
	\$'000
Cash flows from operating activities	
Cash receipts from customers	-
Cash paid to suppliers and employees	-
Cash generated from operations	-
Interest paid	-
Income taxes (paid)/ received	-
Net cash from (used in) operating activities	-
Cash flows from investing activities	
Interest received	-
Dividends received	-
Proceeds from sale of property, plant and equipment	-
Proceeds from sale of investments	-
Disposal of discontinued operation, net of cash disposed of	-
Cash acquired as part of group restructure	8,969
Acquisition of minority interest	-
Acquisition of property, plant and equipment	-
Net cash flows used in investing activities	8,969
Cash flows from financing activities	
Proceeds from issues of ordinary shares	-
Payment for share buy-back	-
Net proceeds/(repayments) from borrowings	-
Finance lease repayments	-
Payment of dividends on ordinary shares	-
Net cash flows from/(used in) financing activities	-
Net increase in cash and cash equivalents	8,969
Cash and cash equivalents at beginning of period	-
Cash and cash equivalents at end of period	8,969

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

Gerard Lighting Group Limited (Formerly Gerard Lighting Group Pty Ltd)

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Notes to the Financial Statements

1 Basis of preparation of half year report

Gerard Lighting Group Ltd (formerly Gerard Lighting Group Pty Ltd) was incorporated as a proprietary company on 11 December 2009. On 31 December 2009, Gerard Lighting Group Ltd became the holding company for the Gerard Lighting Group after Gerard Lighting Pty Ltd and its then holding company Gerard Lighting Holdings Pty Ltd undertook various changes to their structure and portfolio of assets to prepare the business for the proposed Listing of Gerard Lighting Group Ltd. The substance of the transactions contemplated under the Offer have been evaluated with reference to Australian Accounting Standard AASB 3 Business Combinations and it has been determined that the transaction does not represent a business combination as outlined in that standard. The accounting treatment adopted for recognising the new group structure is on the basis that the transaction is a form of group reorganisation involving entities or businesses under common control (controlled by the same parties both before and after the combination) and that control is not transitory and as a consequence has been undertaken at book value.

This financial report for the period ended 31 December 2009 has been prepared in accordance with Accounting Standard AASB 134, Interim Financial Reporting.

This interim financial report does not include all the notes of the type normally included in an annual financial report.

The principal accounting policies adopted in the preparation of the financial information are set out below.

Entities reporting

The consolidated financial statements for the Group are for the economic entity comprising Gerard Lighting (GLG) and its subsidiaries. The Group consists of:

Gerard Lighting Group Limited (formerly Gerard Lighting Group Pty Ltd)	Holding Company
Gerard Lighting Pty Limited	100% owned
Pierlite Australia Pty Limited	100% owned
Sylvania Lighting Australasia Pty Limited	100% owned
Crompton Lighting Pty Limited	100% owned
Austube Pty Limited	100% owned
LCL Manufacturing Pty Limited	100% owned
Inlite Pty Limited	100% owned
Moonlighting Pty Limited	100% owned
Gerard Lighting (NZ) Limited	100% owned
Pierlite Middle East (FZC)	60% owned
PT Pierlite Indonesia	50% owned
Pierlite Malaysia Sda Bhd	40% owned
Pierlite India Private Limited	100% owned
Aluminium Louvre Company Pty Limited	100% owned
SportsLighting Plus Pty Limited	100% owned
Gerard Lighting Acquisition Pty Limited	100% owned - Holding
Lighting Corporation Pty Limited	100% owned - Dormant
Gerard Lighting Supply Ltd	100% owned
Select Lighting Solution Pty Limited	100% owned
CSE Ex Pty Limited	100% owned
LCL Architectural Pty Limited	100% owned
Regal Lighting Solutions Pty Limited	100% owned
Rosecorpe Pty Limited	100% owned
Indirect Lighting Pty Limited	100% owned
Concord Lighting Australia Pty Limited	100% owned
Airam Pty Limited	100% owned
Crompton Lighting Investments Pty Limited	100% owned
Electrex Pty Limited	100% owned
Sylvania Lighting International Pty Limited	100% owned
Aesthetics Lighting Limited	100% owned

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Notes to the Financial Statements

1 Basis of preparation of half year report

Historical cost convention

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Foreign currency

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated to the function currency at the rate of exchange ruling at the balance sheet date. All exchange differences in the consolidated financial report are taken to the income statement with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the income statement.

Transactions and balances

Foreign currency transactions are translated into the functional currency 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 year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges. Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss.

Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement;
 - income and expenses for each statement of financial performance are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
 - all resulting exchange differences are recognised as a separate component of equity. On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to equity.
- When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. The Group determines operating segments based on the information that internally is provided to the CEO, who is the Group's chief operating decision maker. Operating segments that exhibit similar long-term economic characteristics, products, processes, customers, distribution methods and regulatory environments are aggregated.

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Notes to the Financial Statements

1 Basis of preparation of half year report

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods, excluding goods and services tax ("GST"), rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows.

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer

Interest

Interest income is recognised as it accrues in the profit and loss using the effective interest rate method.

Lease payments

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Finance expenses

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.

Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

The current income tax charge is calculated on the basis of the tax laws effectively enacted at the balance sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income.

Deferred income tax is provided in full, using the balance sheet method, on temporary differences arising between tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet. Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

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Notes to the Financial Statements

1 Basis of preparation of half year report

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and selling costs.

Property Plant and Equipment

Owned assets

Property, plant and equipment is stated deemed cost or historical cost less accumulated depreciation and any impairment. Historical cost includes any expenditure that is directly attributable to the acquisition of the items. Depreciation is calculated on a straight-line basis so as to expense the cost of assets over their estimated useful life as follows:

Plant and equipment – over 3 to 15 years
Fixtures and fittings - 5 to 10 years
Tools and dies – 7 to 10 years

The residual value, useful life and depreciation method applied are reassessed annually. The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount. For assets that do not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised on the Group's balance sheet.

Intangible Assets

Goodwill

Goodwill arises on the acquisition of subsidiaries. Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the assets and liabilities of the acquiree. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Brand names

Acquired brands are carried at original cost based on a Directors valuation obtained as at the date of acquisition. Brands with an indefinite useful life are not amortised. Indefinite useful life brands are tested for impairment annually or more frequently if events or changes in circumstances indicate that they might be impaired, and are carried at cost less accumulated impairment losses.

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Notes to the Financial Statements

1 Basis of preparation of half year report

Product development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets that have an indefinite useful life, including goodwill, are not subject to amortisation and are tested annually for impairment irrespective of whether any circumstances identifying a possible impairment have been identified. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Trade and other payables

Trade payables and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid. The amounts are unsecured and are usually paid within 30 - 60 days of recognition.

Interest bearing liabilities

Interest bearing liabilities are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition interest bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Employee benefits

Long-term service benefits

The Group's obligation in respect of long term service benefits is the amount of future benefit that employees have earned for their service in the current and prior periods. The obligation is calculated using future expected increases in wage and salary rates including related on costs and settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the balance sheet date which have maturities approximating the terms of the Company's obligations.

Wages, salaries, annual leave and non-monetary benefits

Liabilities for wages and salaries, including non-monetary benefits, incentive payments and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

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1 Basis of preparation of half year report

Share capital

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

Derivative financial instruments

The Group holds derivative financial instruments such as foreign exchange forward contracts to hedge its foreign currency risk exposure. Derivatives are recognised initially at fair value, attributable transaction costs are recognised in the income statement when incurred. Subsequent to initial recognition, derivatives are measured at fair value, with changes recognised in the income statement.

2 Contingent liabilities

At 31 December 2009 the company had no contingent liabilities.

3 Events occurring after the balance sheet date

There was no material post balance sheet date events.

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Directors Declaration

In accordance with a resolution of the directors of Gerard Lighting Group Ltd (formerly Gerard Lighting Group Pty Ltd), I state that:

(1) In the Opinion of the Directors:


(a) the financial statements and notes of the consolidated entity are in accordance with AASB 134, Interim Financial Reporting and the basis of accounting described in note 1, including presenting fairly the consolidated entity's financial position as at 31 December 2009 and of their performance for the half year ended on that date

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

On behalf of the board



Simon Gerard
Managing Director



Gerry Savage
Executive Director

Sydney, 15th March 2010



Independent auditor's review report to the members of Gerard Lighting Group Limited

Report on the financial report

We have reviewed the accompanying interim financial report of Gerard Lighting Group Limited (the company), which comprises the consolidated balance sheet as at 31 December 2009, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the interim period ended on that date, a description of accounting policies and other explanatory notes 1 to 3 and the directors' declaration set out on pages 1 to 11 of the Group comprising the company and the entities it controlled at 31 December 2009 or from time to time during the interim period.

Directors' responsibility for the/interim financial report

The directors of the company are responsible for the preparation and fair presentation of the interim financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations). This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the interim financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.


Auditor's responsibility


Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report does not present fairly the Group's financial position as at 31 December 2009 and its performance for the interim period ended on that date in accordance with the Australian Accounting Standard AASB 134 *Interim Financial Reporting*. As auditor of Gerard Lighting Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Gerard Lighting Group Limited does not present fairly the Group's financial position as at 31 December 2009 and its performance for the interim period ended on that date in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting*.


KPMG


Paul Cenko
Partner

Adelaide, 15 March 2010