

GERARD

L I G H T I N G

Gerard Lighting Group Ltd.
ABN 16 141 079 594

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24 August 2010

Company Announcements Office
Australian Stock Exchange



Dear Sir / Madam,

RE: Preliminary Final Report

Please find attached the following documents for Gerard Lighting Group Limited:

- i. Appendix 4E – Preliminary final report
- ii. Audited financial statements
- iii. Remuneration report

Yours sincerely,

A handwritten signature in blue ink, appearing to read "Mark Pearson". The signature is fluid and cursive, with a large, sweeping flourish at the end.

MARK PEARSON
Company Secretary

Appendix 4E

Preliminary Final Report

Name of entity	GERARD LIGHTING GROUP LIMITED
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ABN

16 141 079 594

Financial Period Ended

30 June 2010

Results for announcement to the market

\$'000

Revenues from ordinary activities (6 months)	181,291
Profit from ordinary activities before interest and tax (6 months)	15,452
Net profit for the period attributable to members (6 months)	6,130

Dividends

	Amount per security	Franked amt. per security
Interim dividend (cents per share)	N/A	N/A
Final dividend (cents per share) *	2.00	2.00
Total	2.00	2.00

* to be paid on 22 October 2010

Record date for determining entitlements to the dividend

13 October 2010

Brief explanation of any figures reported above necessary to enable the figures to be understood:

On 31 December 2009 GLG 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 listing of GLG on the ASX. The company changed its status to that of a public company on 9 March 2010.

As a result of GLG becoming the holding company effective 31 December 2009 the results shown for the consolidated group and the parent company for the year ended 30 June 2010 reflect actual trading for the six months from 1 January 2010 to 30 June 2010. For this reason comparative information for the year ended 30 June 2009 is shown as \$nil.

For additional information on operational results refer to GLG media release dated 24 August 2010.

Earnings per share		
	2010	2009
	Cents per share	Cents per share
EPS	5.68	-
EPS - diluted	5.68	-

For additional information on Earnings Per Share refer to Note 7 of the financial statements attached to the appendix 4E.

Net tangible assets per share		
	2010	2009
	Cents per share	Cents per share
Net tangible asset backing	15.99	-

Details of dividend or distribution plans in operation

The company does not have a dividend reinvestment plan in place.

Details of entities over which control has been gained or lost during the period

Gerard Lighting was incorporated as a proprietary company on 11 December 2009. On 31 December 2009 Gerard Lighting 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 listing of Gerard Lighting on ASX.

The substance of the transactions have been evaluated with reference to Australian Accounting Standard AASB 3 Business Combinations and it has been determined that the transactions do 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.

On 19 July 2010 the Gerard Lighting Group Limited announced its intention to acquire Frened Lighting Pty Ltd. As at the date of this report the share sale agreement has not been executed however the transaction is scheduled to complete by 30 September 2010. On completion Frened Lighting Pty Ltd will become a wholly owned subsidiary of Gerard Lighting Group Ltd. Under the terms of the share sale agreement the purchase price is \$9 million and will result in goodwill of approximately \$7.9 million. The acquisition is to be funded through a combination of cash and bank finance.

Details of associates and joint venture entities

As at reporting date the consolidated entity did not hold any interests in associates or joint ventures.

On 2 August 2010 the Group announced a joint venture White Lite Pty Limited. White Lite will be owned equally by Gerard Lighting Pty Ltd, a wholly-owned subsidiary of GLG, and Jeta Investments Pty Ltd, majority owner of White-Lite (NSW) Pty Ltd, a NSW-based manufacturer of quality emergency lighting and exit signs. The joint venture is effective from 30th July 2010.

Statement as to whether the report is based on accounts which have been audited

This report is based on financial statements that have been audited by KPMG, the Group's auditors.

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Compliance Statement

- 1 This report has been prepared in accordance with AASB Accounting standards including Australian Interpretations.
- 2 This report and the accounts upon which this report is based use the same accounting policies.
- 3 This report does give a true and fair view of the matters disclosed.
- 4 This report is in accordance with the Corporations Act 2001.
- 5 This report is based on accounts which have been audited.
- 6 The entity has a formally constituted audit committee.



GARY SAVAGE
Company Secretary (Joint)

Adelaide, 24 August 2010

Gerard Lighting Group Limited

30 June 2010

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Gerard Lighting Group Limited

Period ending 30 June 2010

Statement of Comprehensive Income

	Notes	CONSOLIDATED	
		2010 \$'000	2009 \$'000
Continuing operations			
Revenue	5(a)	180,918	-
Other income	5(b)	373	-
		<u>181,291</u>	<u>-</u>
Materials and consumables used		(87,750)	-
Employee benefits expense	5(c)	(43,901)	-
Depreciation and amortisation expense	5(d)	(2,014)	-
Other expenses	5(e)	(32,174)	-
Results from operating activities		<u>15,452</u>	<u>-</u>
Finance income	5(f)	515	-
Finance costs	5(g)	(6,746)	-
Net finance costs		<u>(6,231)</u>	<u>-</u>
Profit before income tax		9,221	-
Income tax expense	6	(3,553)	-
Profit for the period		<u>5,668</u>	<u>-</u>
Other comprehensive income			
Foreign currency translation differences - foreign operations	5(h)	(98)	-
Income tax on other comprehensive income	6	-	-
Other comprehensive income for the period, net of tax		<u>(98)</u>	<u>-</u>
Total comprehensive income for the period		<u>5,570</u>	<u>-</u>
Profit attributable to:			
Equity holders of the Company		6,130	-
Non controlling interest		(462)	-
Profit for the period		<u>5,668</u>	<u>-</u>
Total comprehensive income attributable to:			
Equity holders of the Company		6,034	-
Non controlling interest		(464)	-
Total comprehensive income for the period		<u>5,570</u>	<u>-</u>
Earnings per share (cents per share)			
Basic earnings per share	7	5.68	-
Diluted earnings per share	7	5.68	-

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

Gerard Lighting Group Limited

As at 30 June 2010

Statement of Financial Position

	Notes	CONSOLIDATED	
		2010 \$'000	2009 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	9	14,690	-
Trade and other receivables	10	80,077	-
Other financial assets	12	154	-
Inventories	11	67,879	-
Prepayments		3,366	-
Total Current Assets		166,166	-
Non-current Assets			
Other financial assets	12	30	-
Deferred tax assets	6	6,663	-
Property, plant and equipment	13	22,528	-
Intangible assets	14	80,364	-
Total Non-current Assets		109,585	-
TOTAL ASSETS		275,751	-
LIABILITIES			
Current Liabilities			
Trade and other payables	15	63,821	-
Interest-bearing liabilities	18	10,395	-
Income tax payable	6	5,820	-
Provisions	16	9,636	-
Total Current Liabilities		89,672	-
Non-current Liabilities			
Interest-bearing liabilities	18	76,240	-
Provisions	16	1,341	-
Total Non-current Liabilities		77,581	-
TOTAL LIABILITIES		167,253	-
NET ASSETS		108,498	-
EQUITY			
Equity attributable to equity holders of the Company			
Share Capital		86,368	-
Retained earnings		6,130	-
Other reserves		15,792	-
Equity attributable to equity holders of the Company		108,290	-
Non controlling interest		208	-
TOTAL EQUITY		108,498	-

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

Gerard Lighting Group Limited

Period ending 30 June 2010

Statement of Cash Flows

	<i>Notes</i>	CONSOLIDATED	
		2010 \$'000	2009 \$'000
Cash flows from operating activities			
Cash receipts from customers		190,607	-
Cash paid to suppliers and employees		(175,826)	-
Cash generated from operations		14,781	-
Interest paid		(6,746)	-
Income taxes paid		(89)	-
Net cash from operating activities	9	7,946	-
Cash flows from investing activities			
Interest received		361	-
Proceeds from sale of property, plant and equipment		391	-
Product development - capitalised		(670)	-
Acquisition of property, plant and equipment		(2,098)	-
Net cash flows used in investing activities		(2,016)	-
Cash flows from financing activities			
Proceeds from issues of ordinary shares		85,000	-
Payment of share issue costs		(5,189)	-
Net repayments of borrowings		(79,940)	-
Finance lease repayments		(80)	-
Net cash flows used in financing activities		(209)	-
Net increase in cash and cash equivalents		5,721	-
Cash and cash equivalents at beginning of period		8,969	-
Cash and cash equivalents at end of period	9	14,690	-

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

Gerard Lighting Group Limited

Period ending 30 June 2010

Statement of Changes in Equity

	<i>Notes</i>	Contributed equity \$'000	Foreign currency translation reserve \$'000	Equity reserve \$'000	Reserve for own shares \$'000	Retained earnings \$'000	Total \$'000	Non controlling interest \$'000	Total equity \$'000
Consolidated									
Balance at 1 July 2009		-	-	-	-	-	-	-	-
Total comprehensive income for the period									
Profit or loss		-	-	-	-	6,130	6,130	(462)	5,668
Other comprehensive income									
Foreign currency translation differences		-	(96)	-	-	-	(96)	(2)	(98)
Total comprehensive income for the period		-	(96)	-	-	6,130	6,034	(464)	5,570
Transactions with owners, recorded directly in equity									
Effect of common control transaction	<i>19</i>	-	-	15,815	-	-	15,815	672	16,487
Issue of ordinary shares	<i>19</i>	86,368	-	-	-	-	86,368	-	86,368
Share-based payments, net of tax		-	-	-	73	-	73	-	73
Total transactions with owners		86,368	-	15,815	73	-	102,256	672	102,928
Balance at 30 June 2010		86,368	(96)	15,815	73	6,130	108,290	208	108,498

Gerard Lighting Group Limited

30 June 2010

Notes to the Financial Statements

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting entity

The consolidated financial statements Gerard Lighting Group Limited (the Company) as at and for the period ended 30 June 2010 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associates and jointly controlled entities.

Gerard Lighting Group Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange. The nature of the operations and principal activities are described in the Directors' Report.

(b) Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Group complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements were approved by the Directors on 24 August 2010.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the company under ASIC Class Order 98/0100. The Company is an entity to which the class order applies.

These consolidated financial statements have been prepared under the historical cost convention, modified by the revaluation of certain assets as identified in specific accounting policies below.

The preparation of financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- note 6 – utilisation of tax losses
- note 14 – measurement of the recoverable amounts of cash-generating units containing goodwill
- notes 16 and 22 – provisions and contingencies
- note 20 – valuation of financial instruments
- note 21 – measurement of share-based payments
- note 22 – lease classification.

(i) Changes in accounting policy

Since its incorporation on 11 December 2009 the accounting policies set out below have been applied consistently in these consolidated financial statements, and have been applied consistently by all Group entities.

(ii) Standards issued but not yet effective

The following standards, amendments to standards and interpretations have been identified as those which may impact the Group in the year of initial application. They are available for early adoption at 30 June 2010, but have not been applied in preparing this financial report.

Gerard Lighting Group Limited

30 June 2010

Notes to the Financial Statements

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reference	Title	Summary	Application date Standard*	Impact on Group financial report	Application date for Group*
AASB 2009-5	<i>Further amendments to Australian Accounting Standards arising from the Annual Improvements Process</i>	Impacts various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes.	1 July 2010	The amendments are not expected to have a significant impact on the financial statements.	1 July 2010
AASB 2009-8	<i>Amendments to Australian Accounting Standards - Group Cash-settled Share-based Payment Transactions</i>	Resolves diversity in practice regarding the attribution of cash-settled share-based payments between different entities within a group. As a result of the amendments AI 8 <i>Scope of AASB 2</i> and AI 11 <i>AASB 2 - Group and Treasury Share Transactions</i> will be withdrawn from the application date.	1 July 2010	The amendments are not expected to have a significant impact on the financial statements.	1 July 2010
AASB 9	<i>Financial Instruments</i>	Includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 <i>Financial Instruments: Recognition and Measurement</i> .	1 July 2013	The Group has not yet determined the potential effect of the standard.	1 July 2013
AASB 124	<i>AASB 124 Related Party Disclosures (revised December 2009)</i>	Simplifies and clarifies the intended meaning of the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities.	1 July 2011	The amendments are not expected to have a significant impact on the financial statements.	1 July 2011
* Designates the beginning of the applicable reporting period.					

Gerard Lighting Group Limited

30 June 2010

Notes to the Financial Statements

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(c) Basis of consolidation

Subsidiaries are entities controlled by the Group. 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.

(d) Comparative information

Gerard Lighting Group Limited (GLG) was incorporated as a proprietary company on 11 December 2009. On 31 December 2009 GLG 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 listing of GLG on the Australian Stock Exchange.

As a result of GLG becoming the holding company effective 31 December 2009 the results shown for the consolidated group for the period ended 30 June 2010 reflect actual trading for the six months from 1 January 2010 to 30 June 2010. For this reason comparative information for 30 June 2009 is shown as nil. For additional information on the restructure refer to note 21.

(e) Business

The Group has adopted revised AASB 3 Business Combinations (2008) and amended AASB 127 Consolidated and Separate Financial Statements (2008) for business combinations. All business combinations are accounted for by applying the acquisition method.

For every business combination, the Group identifies the acquirer, which is the combining entity that obtains control of the other combining entities or businesses. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable. The acquisition date is the date on which control is transferred to the acquirer.

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.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are part of the business combination.

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

The Group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree.

Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, are expensed as incurred.

Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such transactions.

Gerard Lighting Group Limited

30 June 2010

Notes to the Financial Statements

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(f) Foreign currency

Both the functional and presentation currency of the Company and its Australian subsidiaries is Australian dollars (\$AUD).

Foreign currency transactions

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 functional 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.

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 period 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.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Australian dollars at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to Australian dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented within equity in the foreign currency translation reserve.

(g) Property, plant and equipment

Property, plant and equipment is stated at 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 provided on property, plant and equipment, including freehold buildings but excluding land and is calculated on a straight line basis so as to expense the cost of assets over their estimated useful life as follows:

Buildings:	10 years
Plant and equipment:	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.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Notes to the Financial Statements

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derecognised.

(h) 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).

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(i) Other intangible assets

The useful lives of these intangible assets are assessed to be either finite or indefinite. Where amortisation is charged on assets with finite lives, this expense is taken to the profit or loss on a straight-line basis. Intangible assets are tested for impairment where an indicator of impairment exists. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

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.

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.

(j) 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 the estimated costs necessary to make the sale.

Gerard Lighting Group Limited

30 June 2010

Notes to the Financial Statements

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(k) Trade and other 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.

(l) 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.

(m) Cash and cash equivalents

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

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(n) 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.

(o) 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.

(p) Employee benefits

Wages, salaries, incentives and annual leave

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.

Long service leave

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 Group's obligations.

Retirement benefit obligations

Contributions to superannuation plans are recognised as an expense when they become payable. The Group contributes to various defined contribution superannuation funds in respect to all employees and at various percentages of their wage or salary, including contributions required by the Superannuation Guarantee Charge. The Group's legal or constructive obligation is limited to these contributions.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

(q) **Share-based payment transactions**

The cost of these equity-settled transactions with Directors is measured by reference to the fair value at the date at which they are granted by reference to the market price of the equity. The fair value of options granted is determined by an external valuer using the Black-Scholes model, further details of which are given in note 2 (vi) and note 17.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

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

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see note 7).

(r) **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 are not recognised in the Group's statement of financial position.

(s) **Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. 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. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(t) **Operating leases**

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.

Gerard Lighting Group Limited

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Notes to the Financial Statements

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(u) Finance income and finance costs

Finance income comprises interest income on funds, dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs 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. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method. Foreign currency gains and losses are reported on a net basis

(v) 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 Managing Director, 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.

(w) Income tax

Income tax expense comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

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 tax balances

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.

(x) Tax consolidation

Gerard Lighting Group Limited and its 100% owned Australian subsidiaries are a tax consolidated group. Gerard Lighting Group Limited is the head entity of the tax consolidated group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly owned subsidiaries. The agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations.

Members of the tax consolidated group have entered into a tax funding agreement. The tax funding agreement provides for the allocation of current taxes to members of the tax consolidated group in accordance with a group allocation method using modified stand-alone tax calculation as the basis for allocation.

Gerard Lighting Group Limited

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Notes to the Financial Statements

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Under the tax funding agreement, funding is based upon the amounts allocated and recognised by the member entities. Accordingly, funding results in an increase/decrease in the subsidiaries' intercompany accounts with the tax consolidated group head company, Gerard Lighting Group Limited.

(y) Tax funding arrangements and tax sharing agreements

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. Any inter-entity receivables / (payables) that results are at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity in conjunction with other members of the tax-consolidated group, has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

(z) 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 statement of financial position.

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.

(aa) Derivative financial instruments

The Group uses derivative financial instruments such as foreign currency contracts to minimise its risks associated with foreign currency fluctuations. The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

No derivatives entered into by the Group qualify for hedge accounting at period end. Any gains or losses arising from changes in fair value of the derivative are taken directly to the income statement. Contracts outstanding typically do not have a maturity period greater than four to six months.

The derecognition of a financial instrument takes place when the Group no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed to an independent third party.

(ab) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted.

Gerard Lighting Group Limited

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Notes to the Financial Statements

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(ac) Presentation of financial statements

The Group applies revised AASB 101 Presentation of Financial Statements (2007), which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income.

(ad) 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.

Gerard Lighting Group Limited

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Notes to the Financial Statements

2 DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods.

i) Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, and willingly. The market value of items of plant, equipment, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate.

ii) Intangible assets

The fair value of any brand names and trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the brand name, patent or trademark being owned. The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

iii) Inventories

The fair value of inventories acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

iv) Derivatives

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

v) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases the market rate of interest is determined by reference to similar lease agreements.

vi) Share-based payment transactions

The fair value of Director share options is measured using the Black-Scholes model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

Gerard Lighting Group Limited

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Notes to the Financial Statements

3 FINANCIAL RISK MANAGEMENT

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Audit and Risk Management Committee, which is responsible for developing and monitoring risk management policies. The committee reports regularly to the Board of Directors on its activities.

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems will be reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group has exposure to credit risk, liquidity and market risks through the use of financial instruments:

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligation. For Gerard Lighting the Group's credit risk arises principally from the Group's receivables.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk.

Management has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the Chief Financial Officer. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a cash basis.

The Group's trade and other receivables relate mainly to the Group's wholesale customers.

The Group has established an allowance for impairment that represents their estimate of incurred losses in respect of trade and other receivables. This allowance principally covers a specific loss component that relates to individually significant exposures.

Guarantees

Group policy is to provide financial guarantees only to wholly-owned subsidiaries. Details of outstanding guarantees are provided in note 22.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching maturity profiles of financial assets and liabilities.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group enters into derivatives, and also incurs financial liabilities, in order to manage market risks.

Gerard Lighting Group Limited

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Notes to the Financial Statements

Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the US dollar (USD), but also the Euro (EUR) and Sterling (GBP).

The Group uses forward exchange contracts to minimise its exposure to fluctuations in foreign currency. At any point in time the Group will typically hold forward contracts to cover between 2 - 4 months of its estimated foreign currency exposure in respect of forecast purchases. When necessary, forward exchange contracts are rolled over at maturity.

The Groups borrowings are predominately denominated in Australian dollars (\$AUD). Overseas subsidiaries have limited borrowings in their functional currency. The Group has no material exposure to currency risk.

Interest rate risk

Approximately 83% of the Group's interest bearing liabilities are fixed and not subject to changes in interest rates. The Group does not use derivative financial instruments to manage its interest rate risk.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity excluding minority interests.

The Board's intention is to return earnings to shareholders while retaining adequate funds within the business to reinvest in future growth opportunities. A dividend payout ratio of between 40% to 60% of reported Net Profit After Tax has been set by the Board.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group's target is to achieve a return on capital (net equity) of at least 15%; during the period ended 30 June 2010 the return for the 6 months was 8%, annualised this equates to approximately 17%. In comparison the weighted average interest expense on interest-bearing borrowings was 9.2%.

There were no changes in the Group's approach to capital management during the financial period.

Gerard Lighting Group Limited

30 June 2010

Notes to the Financial Statements

CONSOLIDATED
2010 2009
\$'000 \$'000

4 SEGMENT REPORTING

The Group has six operating segments in Australia and one overseas operating segment. The Australian operating segments have been aggregated into one reportable segment in accordance with the aggregation criteria in AASB 8 Operating Segments. The overseas operating segment does not meet the reporting criteria of AASB 8.

The results presented in the statement of comprehensive income and statement of financial position are consistent with the reportable segment profit, assets and liabilities reviewed by the Chief Operating Decision Maker.

The Directors are of the opinion the Group has satisfied the disclosure requirements of AASB 8 via the information presented in the Group's statement of comprehensive income, statement of financial position and statement of cash flows as information regarding the results of the reportable segment is presented to the Group's Chief Operating Decision Maker in a format which is consistent with these statements.

5 REVENUE AND EXPENSES

(a) Revenue

Sale of goods	180,918	-
	<u>180,918</u>	<u>-</u>

(b) Other income

Gain/(loss) on disposal of property, plant and equipment	(53)	-
Other revenue	426	-
	<u>373</u>	<u>-</u>

(c) Employee benefits expense

Wages and salaries	36,228	-
Superannuation paid	2,605	-
Workers compensation costs	968	-
Termination payments	43	-
Expense of share-based payments	73	-
Other personnel costs	3,984	-
Total employee benefits expense	<u>43,901</u>	<u>-</u>

(d) Depreciation and amortisation expense

Depreciation of non-current assets		
Land and Buildings	61	-
Plant and Equipment	1,873	-
Plant and Equipment under lease	80	-
Total depreciation and amortisation expense	<u>2,014</u>	<u>-</u>

(e) Other expenses

Warehouse and distribution	8,222	-
Occupancy	4,652	-
Advertising and Promotion	1,991	-
Professional Services	1,229	-
Motor vehicle	2,070	-
Travel, entertainment and marketing	4,249	-
Office Cost and Other	9,761	-
Total other expenses	<u>32,174</u>	<u>-</u>

Gerard Lighting Group Limited

30 June 2010

Notes to the Financial Statements

	CONSOLIDATED	
	2010	2009
	\$'000	\$'000
(f) Finance income		
Bank interest received	44	-
Foreign currency gains	317	-
Net change in value of financial assets	154	-
Total finance income	<u>515</u>	<u>-</u>
(g) Finance costs		
Bank loans and overdrafts	6,731	-
Lease and hire purchase	15	-
Total finance costs	<u>6,746</u>	<u>-</u>
(h) Amounts recognised in other comprehensive income		
Foreign currency translation differences - foreign operations	(98)	-
Income tax applicable	-	-
	<u>(98)</u>	<u>-</u>
Attributable to:		
Equity holders	(96)	-
Non controlling interests	(2)	-
	<u>(98)</u>	<u>-</u>
6 INCOME TAX		
Income tax expense		
Current period	2,009	-
Deferred tax expense		
Origination and reversal of temporary differences	1,544	-
Income tax expense reported in income statement	<u>3,553</u>	<u>-</u>
Numerical reconciliation between tax expense and pre-tax accounting profit		
Profit for the period	5,668	-
Total income tax expense	<u>(3,553)</u>	<u>-</u>
Profit excluding income tax	<u>9,221</u>	<u>-</u>
Income tax expense at company's tax rate of 30%	2,766	-
Expenditure not allowable for income tax purposes	787	-
Income tax expense	<u>3,553</u>	<u>-</u>
Effective income tax rate	38.5%	-

Gerard Lighting Group Limited

30 June 2010

Notes to the Financial Statements

	CONSOLIDATED	
	2010	2009
	\$'000	\$'000
Deferred income tax		
Deferred income tax of the Gerard Lighting Group at 30 June relates to the following:		
Deferred income tax liabilities		
Accelerated depreciation for tax purposes	201	-
Other receivables	488	-
Set off of deferred tax balance	(689)	-
Total	<u>-</u>	<u>-</u>
Deferred income tax assets		
Provisions	5,333	-
Listing costs offset against equity	1,197	-
Accruals	795	-
Other	27	-
Set off of deferred tax balance	(689)	-
Total	<u>6,663</u>	<u>-</u>
Income tax payable - current period		
Effect of common control transaction (note 21)	3,811	-
Current period	2,009	-
	<u>5,820</u>	<u>-</u>
Income tax recognised in other comprehensive income		
Foreign currency translation differences - foreign operations	(98)	-
Income tax applicable	-	-
	<u>(98)</u>	<u>-</u>

As at 30 June 2010 the consolidated group had income tax losses with a tax benefit of \$763,000 which have not been recognised as deferred tax assets. These tax losses have been incurred with the Group's foreign operations. Tax losses will only be recognised as a deferred tax asset when recoupment of the loss is probable.

7 EARNINGS PER SHARE

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

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period adjusted for the effects of dilutive options.

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

	\$'000	\$'000
Net profit from continuing operations attributable to equity holders of the parent	<u>6,130</u>	<u>-</u>
	<i>Thousands</i>	<i>Thousands</i>
Weighted average number of ordinary shares for basic earnings per share	107,884	N/A
Effect of dilution:		
Effect of share issues	-	N/A
Effect of share options	-	N/A
Adjusted weighted average number of ordinary shares for diluted earnings per share	<u>107,884</u>	<u>N/A</u>

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

Gerard Lighting Group Limited

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Notes to the Financial Statements

CONSOLIDATED
2010 2009
\$'000 \$'000

8 DIVIDENDS PAID AND PROPOSED

No dividends were paid or declared during the period ended 30 June 2010.

After 30 June 2010 the following dividends were proposed by the directors for 2010. The dividends have not been provided. The declaration and subsequent payment of dividends has no income tax consequences.

	Cents per share	Total amount \$000's	Franked/ unfranked	Date of payment
Final 2010 - Ordinary	2.00	3,540	Fully Franked	22-Oct-10
Franking credit balance			2010	2009
year:			\$'000	\$'000
– franking account balance as at the end of the financial period at 30%.			15,168	-
– franking credits that will arise from the payment of income tax payable as at the end of the financial period			6,641	-
– impact on the franking account of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution to equity holders during the period			(3,540)	-
The amount of franking credits available for future reporting periods:			<u>18,269</u>	<u>-</u>

The tax rate at which paid dividends have been franked is 30%.

Dividends proposed will be fully franked at the rate of 30%.

9 CASH AND CASH EQUIVALENTS

Cash at bank and in hand	<u>14,690</u>	-
	<u>14,690</u>	-

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. The average interest rate for the period was 2.4%.

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities is disclosed in note 20.

Reconciliation of cash

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

Cash at bank and in hand	<u>14,690</u>	-
	<u>14,690</u>	-

Gerard Lighting Group Limited

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Notes to the Financial Statements

	CONSOLIDATED	
	2010	2009
	\$'000	\$'000
Reconciliation from the net profit after tax to the net cash flows from operating activities		
Net profit/(loss) for the period	5,668	-
Adjustments for:		
Depreciation	1,934	-
Amortisation of leased assets	80	-
Loss on disposal of property, plant and equipment	53	-
Other items - net	149	-
Net finance expense	6,231	-
Income tax expense	3,553	-
Operating profit before changes in working capital and provisions	17,668	-
Increase in trade and other receivables	(9,777)	-
Decrease in inventory	1,686	-
Increase in prepayments	(1,858)	-
Increase in trade and other creditors	5,844	-
Increase in provisions	1,218	-
Cash generated from operating activities	14,781	-
Interest paid	(6,746)	-
Income tax paid	(89)	-
Net cash flow from operating activities	7,946	-
10 TRADE AND OTHER RECEIVABLES		
Current		
Trade receivables	80,569	-
Provision for impairment	(1,804)	-
	78,765	-
Other receivables	1,312	-
Total trade and other receivables	81,881	-
Provision for impairment	(1,804)	-
	80,077	-

Trade receivables are non-interest bearing and terms vary by business unit. Receivables are required to be settled within 30 – 60 days. The amount of the allowance/impairment loss has been measured as the difference between the carrying amount of the Trade receivables and the estimated future cash flows expected to be received from the relevant debtors.

Other receivables are non-interest bearing and have repayment terms of less than 12 months.

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 20.

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CONSOLIDATED
2010 2009
\$'000 \$'000

RECEIVABLES

During the period ended 30 June 2010, receivables to the value of \$110,000 were considered impaired and written off. As at 30 June 2010 trade receivables with a notional value of \$1,804,000 were provided for as potentially impaired. Movement in the allowance for impairment loss is as follows:

Opening balance	-	-
Effect of common control transaction (note 21)	1,561	
Charge for the period	353	-
Amounts written off as non recoverable	(110)	-
As at 30 June	<u>1,804</u>	<u>-</u>

DEBTORS AGEING

As at 30 June 2010, the analysis of trade receivables for the Gerard Lighting Group that were past due but not impaired is as follows:

	Neither past due or impaired	< 30 days \$000's	> 30 < 60 days \$000's	> 60 < 90 days \$000's	Total \$000's
2010	65,350	8,242	5,173	-	78,765

Trading terms with customers range from 30 to 60 days, the credit quality of the unimpaired trade receivables is good. The Group has no reason to believe that the above trade receivables will not be fully recovered.

OTHER DEBTORS AGEING

As at 30 June 2010, the analysis of other receivables for the Gerard Lighting Group that were past due but not impaired is as follows:

	Neither past due or impaired	< 30 days \$000's	> 30 < 60 days \$000's	> 60 < 90 days \$000's	Total \$000's
2010	1,121	48	143	-	1,312

The credit quality of the unimpaired trade receivables is good. The Group has no reason to believe that the above other receivables will not be fully recovered.

11 INVENTORIES

Raw Materials	19,031	-
Work in progress	2,687	-
Finished goods	46,161	-
	<u>67,879</u>	<u>-</u>

During the period ended 30 June 2010 the write-down of inventories to net realisable value amounted to \$829,000. The write-down is included in the cost of materials and consumables used. Movement in the allowance for impairment loss is as follows:

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Notes to the Financial Statements

	CONSOLIDATED	
	2010	2009
	\$'000	\$'000
Opening balance	-	-
Effect of common control transaction (note 21)	6,598	-
Charge for the period	1,201	-
Amounts written off as non recoverable	(829)	-
As at 30 June	<u>6,970</u>	<u>-</u>
12 OTHER FINANCIAL ASSETS		
Current		
Change in fair value - open forward currency contracts	<u>154</u>	<u>-</u>
Non Current		
Investments in outside entities - at cost	438	-
Provision for impairment	(408)	-
	<u>30</u>	<u>-</u>
13 PROPERTY, PLANT AND EQUIPMENT		
Plant and Equipment		
Opening net carrying amount	-	-
Effect of common control transaction (note 21)	17,263	-
Additions	201	-
Transfers from capital WIP	1,042	-
Disposals	(245)	-
Depreciation and amortisation	(1,425)	-
Impairment losses	-	-
Closing net carrying amount	<u>16,836</u>	<u>-</u>
Tooling		
Opening net carrying amount	-	-
Effect of common control transaction (note 21)	2,870	-
Additions	504	-
Disposals	(198)	-
Depreciation and amortisation	(448)	-
Impairment losses	-	-
Closing net carrying amount	<u>2,728</u>	<u>-</u>
Leased plant and equipment		
Opening net carrying amount	-	-
Effect of common control transaction (note 21)	472	-
Depreciation and amortisation	(80)	-
Closing net carrying amount	<u>392</u>	<u>-</u>
Capital Works in Progress		
Opening net carrying amount	-	-
Effect of common control transaction (note 21)	334	-
Additions	1,328	-
Transfers to plant and equipment	(1,042)	-
Closing net carrying amount	<u>620</u>	<u>-</u>

Gerard Lighting Group Limited

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Notes to the Financial Statements

	CONSOLIDATED	
	2010 \$'000	2009 \$'000
Land and Buildings		
Opening net carrying amount	-	-
Effect of common control transaction (note 21)	1,948	-
Additions	66	-
Depreciation and amortisation	(61)	-
Closing net carrying amount	<u>1,953</u>	<u>-</u>
Total - carrying amount		
Opening net carrying amount	-	-
Effect of common control transaction (note 21)	22,887	-
Additions	2,098	-
Disposals	(443)	-
Depreciation and amortisation	(2,014)	-
Closing net carrying amount	<u>22,528</u>	<u>-</u>
Summary		
Opening value at cost	-	-
Effect of common control transaction (note 21)	54,096	-
Additions at cost	2,098	-
Disposals at cost	(1,628)	-
Closing value at cost	54,566	-
Accumulated depreciation and amortisation	(32,038)	-
Closing net carrying amount	<u>22,528</u>	<u>-</u>
14 INTANGIBLE ASSETS AND GOODWILL		
Opening Net Carrying		
Brand names	-	-
Product development	-	-
Other	-	-
Goodwill	-	-
	<u>-</u>	<u>-</u>
Movements current period		
Effect of common control transaction (note 21)	79,694	-
Additions	670	-
	<u>80,364</u>	<u>-</u>
Closing Net Carrying		
Brand names	22,100	-
Product development	670	-
Goodwill	57,594	-
	<u>80,364</u>	<u>-</u>

Brand Names

On acquisition of LCL Group the Gerard Lighting Group secured the exclusive rights to and ownership of the Crompton Lighting, Sylvania Lighting (and derivations) and Concord Lighting Australasia brand names for use in Australia and New Zealand. These brands are highly regarded on a global basis. "Sylvania" remains as one of the ten biggest lighting brands on a global scale. Material brand equity is considered to exist in relation to the global brands Sylvania Lighting, Concord Lighting and Crompton Lighting.

The Directors are of the opinion that the brand names acquired have an indefinite life. Under AIFRS intangibles with indefinite useful lives must be tested annually for impairment. The following describes the key assumptions applied by management in the valuation of the brands Sylvania Lighting, Concord Lighting and Crompton Lighting. Values attributed to the brand names acquired are set out below:

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CONSOLIDATED	
2010	2009
\$'000	\$'000

A "relief from royalty" discounted cash flow model was used to calculate the capitalised value of the royalty stream associated with each of the brands acquired. Value in use has been determined using cash flow projections based on financial forecasts approved by senior management covering a five year period. Key assumptions include royalty rates in the range of 1.5% to 2% and brand maintenance costs of 5%. A pre tax discount rate of 13.5% was adopted. This rate approximates the Group's pre tax WACC. Cash flows beyond the five year period have been extrapolated using a 3% growth rate.

	Brand Name Valuation
Sylvania Lighting / Concord Lighting (<i>incl. derivations</i>)	15,400
Crompton Lighting (<i>incl. derivations</i>)	6,700
	<u>22,100</u>

Goodwill

Goodwill resulting from the acquisitions has been allocated to the business or group of businesses units that are expected to benefit from the synergies of the combination. Under AIFRS intangibles with indefinite useful lives must be tested annually for impairment.

For the purpose of testing goodwill for impairment the Directors have determined that the Group has two CGU's being the Australian operations and the overseas operations. \$56.6 million of the total goodwill balance of \$57.6 is attributable to the Australian operations.

The recoverable amount of each CGU has been determined based on a value in use calculation. Value in use has been determined using cash flow projections based on financial forecasts approved by senior management covering a five year period. Cash flows beyond the five year period have been extrapolated using a 3% growth rate.

The discount rate applied to the cash flow projections has been determined in accordance with the following parameters: the consolidated entities weighted average cost of capital, market returns as referenced to the ASX all ordinaries index, the volatility in comparable listed companies share prices and their correlation coefficient to the ASX all ordinaries index. The parameters used in calculating the discount rate will vary year on year reflecting market risks and changing returns.

For the period ended 30 June 2010 the discount rate applied was 13.5% which approximates the Group's pre tax WACC. The Directors believe the pre tax discount rate appropriately reflects the current business risk applicable to the Group's CGU's and the markets in which they operate.

The Directors believe the forecast growth rates and the discount rate applied are both reasonable and justified. Accordingly the Directors have concluded that there is no impairment in 2010 to the goodwill figure reported and as detailed above.

Product development

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. Expenditure is amortised over the products useful life up to a maximum of 5 years.

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	CONSOLIDATED	
	2010	2009
	\$'000	\$'000
Movements current period - at cost		
Opening balance	-	-
Capitalised during the period	670	-
Closing balance	670	-
Closing Net Carrying Amount		
At Cost	670	-
Accumulated amortisation	-	-
	670	-
15 PAYABLES		
Current		
Trade creditors	34,634	-
Trade creditors related parties (note 21)	842	-
Deferred income	2,039	-
Other creditors and accruals	26,306	-
	63,821	-

Trade and other payables are non-interest bearing and are normally settled on 30 - 60 day terms. Due to the short term nature of these payables their carrying value is assumed to be their fair value.

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 20.

16 PROVISIONS

Consolidated	Employee entitlements	Warranty	Total
	\$'000	\$'000	\$'000
Opening balance	-	-	-
Effect of common control transaction (note 19)	9,497	877	10,374
Provision made during the period	4,155	789	4,944
Provisions used during the period	(3,610)	(731)	(4,341)
Closing balance	10,042	935	10,977
Current	8,701	935	9,636
Non current	1,341	-	1,341
	10,042	935	10,977

17 EMPLOYEE BENEFITS

On 18 March 2010 Gerard Lighting Group Limited established a share option programme that entitles Directors to purchase shares in the Company. Any options granted under the Option Plan are subject to vesting periods and performance hurdles as set by the Board. Options may not be exercised more than 5 years after the date on which they were granted and lapse if an option holder ceases to be a Director.

The terms and conditions of the grants are as follows. All options are to be settled by physical delivery of shares, while the purchase of shares will be settled in cash.

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	CONSOLIDATED		
	2010 \$'000	2009 \$'000	
Grant date / employees entitled	Number of instruments	Vesting conditions	Contractual life of options
Option grant to Directors and key management on 19 March 2010	10,000,000	5 year's service and continued employment as at the vesting date.	5 Years
Total share options	<u>10,000,000</u>		

The number and weighted average exercise price (WAEP) of share options is as follows:

	2010 No.	2010 WAEP	2009 No.	2009 WAEP
Outstanding at the beginning of the period	-	-	-	-
Granted during the period	<u>10,000,000</u>	<u>\$1.000</u>	-	-
Outstanding at the end of the period	<u>10,000,000</u>	<u>\$1.000</u>	-	-
Exercisable at the end of the period	-	-	-	-

No options were forfeited or lapsed under the Option Plan during the period:

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using the Black-Scholes model, incorporating the probability of the relative total shareholder return vesting condition being met, with the following inputs:

	Directors 2010	Directors 2009
Fair value of share options and assumptions		
Fair value at grant date ⁽ⁱ⁾	3,300,000	-
Share price (initial listing price)	\$1.00	-
Exercise price	\$1.00	-
Expected volatility (weighted average volatility)	50%	-
Option life (expected weighted average life)	5 years	-
Expected dividends	5.20%	-
Risk-free interest rate (based on government bonds)	5.17%	-

	Consolidated	
	2010 \$'000	2009 \$'000
Employee expenses		
Share options granted in 2010	<u>73</u>	-
Total expense recognised as employee costs	<u>73</u>	-
Total intrinsic value of liability for vested benefits	-	-

(i) Options vest over the period 1 July 2010 to 30 July 2015

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	CONSOLIDATED	
	2010 \$'000	2009 \$'000
18 INTEREST BEARING LIABILITIES		
Current		
<i>Secured</i>		
Finance lease and hire purchase liabilities	172	-
Bank bills	3,600	-
Trade finance	4,675	-
<i>Unsecured</i>		
Loans other	1,948	-
	<u>10,395</u>	<u>-</u>
Non-current		
<i>Secured</i>		
Finance lease and hire purchase liabilities	240	-
Bank bills	76,000	-
	<u>76,240</u>	<u>-</u>

Interest rate and liquidity risk

Details regarding interest rate risk and liquidity risk is disclosed in Note 20.

Terms and debt repayment schedule

	Currency	Wtd Avg. interest rate	Year of maturity	2010	Consolidated		2009
				2010 \$'000	2010 \$'000	2009 \$'000	2009 \$'000
				Face value	Carrying amount	Face value	Carrying amount
Bank Bills - Fixed	\$AUD	9.47%	2013	46,000	46,000	-	-
Bank Bills - Fixed	\$AUD	9.53%	2012	20,000	20,000	-	-
Bank Bills - Variable	\$AUD	8.37%	2013	13,600	13,600	-	-
Trade finance - Variable	\$INR	14.40%	2011	837	837	-	-
Trade finance - Variable	\$AED	7.10%	2011	3,838	3,838	-	-
Finance lease/hire purchase liabilities	\$AUD	7.21%	2012	412	412	-	-
Loan - Kingston	\$AED	0.00%	At call	1,646	1,646	-	-
Loan - Other	\$MYR	0.00%	At call	302	302	-	-
Total interest-bearing liabilities				<u>86,635</u>	<u>86,635</u>	<u>-</u>	<u>-</u>

The Group's banking facilities are provided by St George Bank. Facilities are secured by a first ranking fixed and floating charge over the Group's assets.

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Finance lease liabilities	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
	2010	2010	2010	2009	2009	2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Consolidated						
Less than one year	191	19	172	-	-	-
Between one and five years	248	8	240	-	-	-
More than five years	-	-	-	-	-	-
	<u>439</u>	<u>27</u>	<u>412</u>	<u>-</u>	<u>-</u>	<u>-</u>

19 ISSUED CAPITAL AND RESERVES	Notes	CONSOLIDATED	
		2010 Thousands	2009 Thousands
Share capital			
On issue 1 July		-	-
Issued in connection with corporate restructure	i	87,000	-
Issued for cash	ii	85,000	-
Conversion of debt to equity	iii	5,000	-
On issue 30 June - fully paid		<u>177,000</u>	<u>-</u>
		<u>\$'000</u>	<u>\$'000</u>
Share capital issued during the period	ii & iii	90,000	-
Costs directly attributable to the issue of shares		(5,189)	-
Deferred tax asset in relation to share issue costs		1,557	-
Increase in share capital as reflected in the statement of changes in equity		<u>86,368</u>	<u>-</u>

(i) On 31 December 2009 GLG 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. As a result of the restructure the Gerard family shareholders were allotted 87 million shares in Gerard Lighting Group Limited.

(ii) Issued in accordance with a Prospectus dated 6 April 2010.

(iii) Conversion of the balance of a subordinated debt owed by Gerard Lighting Group Limited to Gerard Corporation Pty Limited. The debt was converted into fully paid ordinary shares issued at \$1.00 per share being a value consistent with shares issued under the Prospectus detailed in (ii) above.

Fully paid ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on the shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

Equity reserve

The equity reserve arose as a consequence of a corporate restructure whereby Gerard Lighting Group Limited became the holding company for the Gerard Lighting Group. The reserve is directly attributable to transactions recorded at book value that occurred between Gerard Lighting Holdings Pty Limited (the holding company of the Gerard Lighting Group up until 31 December 2009) and Gerard Lighting Group Limited to effect the restructure.

Reserve for own shares

The reserve for own shares is used to record the value of equity benefits provided to Directors as part of their remuneration. Refer to Note 17 for further details of these plans.

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20 FINANCIAL INSTRUMENTS

Financial risk management objectives

The Group's principal financial instruments comprise bank loans and overdrafts, finance and operating leases and cash and short-term deposits. The main purpose of these instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and payables, which arise directly from its operations.

The Group manages its exposure to key financial risks including interest rate and credit risks in accordance with the Group's financial risk management policy. The objective of the policy is to support delivery of the Group's financial targets while protecting future financial securities.

The Group also enters into a small number of derivative transactions from time to time principally to manage interest rate risks and foreign currency risk arising from the Group's operations and its sources of finance. The main risks arising from the Group's financial instruments are cash flow, interest rate risk and credit risk.

The Board reviews and agrees policies for managing each of these risks and they are detailed below.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial instrument, financial liability and equity instrument are disclosed in Note 1 Summary of Significant Accounting Policies.

Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The Group's exposure to movements in interest rate movements and foreign currency fluctuations is detailed in sensitivity analyses contained within this note.

Interest rate risk

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

As at 30 June 2010, the Group has no interest rate derivative financial instruments. The Group uses a combination of fixed and variable rate commercial bills to minimise its exposure to unfavourable movements in interest rates.

Liquidity risk

The following are the contractual maturities of financial liabilities including estimated interest payments.

Period ended 30 June 2010	Note	<1year \$'000	>1-<5 years \$'000	> 5 years \$'000	Carrying amount \$'000	Contractual cash flows \$'000	Wtd. Avg. effective interest rate %
CONSOLIDATED							
<i>Fixed rate</i>							
Bank Bills	18	6,224	76,076	-	66,000	82,300	9.49%
Finance lease and hire purchase	18	191	248	-	412	439	7.21%
Trade and other payables	15	63,821	-	-	63,821	63,821	-
		<u>70,236</u>	<u>76,324</u>	<u>-</u>	<u>130,233</u>	<u>146,560</u>	
<i>Floating rate</i>							
Bank Bills	18	4,641	10,920	-	13,600	15,561	8.37%
Trade finance	18	4,833	-	-	4,675	4,833	8.40%
		<u>9,474</u>	<u>10,920</u>	<u>-</u>	<u>18,275</u>	<u>20,394</u>	
<i>Derivative financial liabilities</i>							
Forward exchange contracts	12	154	-	-	-	154	-
		<u>79,864</u>	<u>87,244</u>	<u>-</u>	<u>148,508</u>	<u>167,108</u>	

Any other financial instruments of the Group that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

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As at balance date the Group had unused credit facilities for its immediate use as follows:

	Total Facility \$'000	Debt usage \$'000	Cash \$'000	Facility available \$'000
Bank bill facility	80,500	79,600	-	900
Multi option facility	18,500	-	-	18,500
Trade finance facility	6,243	4,675	-	1,568
	<u>105,243</u>	<u>84,275</u>	<u>-</u>	<u>20,968</u>
Cash and equivalents	-	-	14,690	14,690
	<u>105,243</u>	<u>84,275</u>	<u>14,690</u>	<u>35,658</u>

Sensitivity analysis

The table below shows the effect on profit after tax (PAT) at balance date if interest rates had moved by 0.25% higher or 0.25% lower. These movements have been selected as they are considered reasonable, giving the current economic climate and the current levels of short- and long-term Australian interest rates. It is assumed within this calculation that all other variables have been held constant and that the borrowings are in \$AUD. It also includes the impact any interest rate derivatives that the Group may have in place.

	Consolidated Profit After Tax Higher / (lower)	
	2010 \$'000	2009 \$'000
If interest rates were to increase by 0.25% (25 basis points), profit after tax (PAT) would increase/(decrease) by:	(147)	-
If interest rates were to decrease by 0.25% (25 basis points), profit after tax (PAT) would increase/(decrease) by:	147	-

Credit risk

The Group trades with a large number of customers across the business operations and it is Group policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In certain circumstances where a customer requests credit the Group takes security over certain assets of the customer.

As identified in Note 10 Trade and Other Receivables, the current level of impairment provision represents less than 3% of the receivables balance, indicating that the balances are actively and effectively managed.

There are no significant concentrations of credit risk within the Group.

Foreign currency risk

The Group's exposure to foreign currency risk at balance date was as follows, based on notional amounts:

	30-June-2010				30-June-2009			
	Total \$'000	USD \$'000	Euro \$'000	NZD \$'000	Total \$'000	USD \$'000	Euro \$'000	NZD \$'000
\$AUD								
Trade receivables	103	103	-	-	-	-	-	-
Trade payables	7,008	4,435	2,033	540	-	-	-	-
Gross balance sheet exposure	6,905	4,332	2,033	540	-	-	-	-
Estimated forecast sales	-	-	-	-	-	-	-	-
Estimated forecast purchases	3,915	1,911	1,704	300	-	-	-	-
Gross exposure	10,820	6,243	3,737	840	-	-	-	-
Forward exchange contracts	5,095	4,155	940	-	-	-	-	-
Net exposure	<u>5,725</u>	<u>2,088</u>	<u>2,797</u>	<u>840</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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The following significant exchange rates applied during the period:

	Average rate		Reporting date - Spot rate	
	2010	2009	2010	2009
AUD to:				
USD	0.8942	-	0.8567	-
EURO	0.6734	-	0.7019	-
NZD	1.2684	-	1.2309	-

Sensitivity analysis

A variation of 10 percent in the value of the Australian dollar against the following currencies at 30 June would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Consolidated	
	10%	-10%
	\$'000	\$'000
30-June-2010		
USD	190	(232)
EURO	254	(311)
NZD	76	(93)
	520	(636)

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	Consolidated			
	2010		2009	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$'000	\$'000	\$'000	\$'000
Loans and receivables	80,077	80,077	-	-
Cash and cash equivalents	14,690	14,690	-	-
Investments in outside entities	30	30	-	-
Forward exchange contracts	154	154	-	-
Secured bank loans	(84,275)	(84,275)	-	-
Unsecured loans	(1,948)	(1,948)	-	-
Finance lease liabilities	(412)	(412)	-	-
Trade and other payables	(63,821)	(63,821)	-	-
	<u>(55,505)</u>	<u>(55,505)</u>	<u>-</u>	<u>-</u>

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21 RELATED PARTY DISCLOSURES

Corporate restructure

Gerard Lighting Group Limited (GLG) was incorporated as a proprietary company on 11 December 2009. On 31 December 2009 GLG 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 GLG. The company changed its status to that of a public company on 9 March 2010.

The substance of the transactions were evaluated with reference to Australian Accounting Standard AASB 3 Business Combinations and it has been determined that the transactions did not represent a business combination as outlined in that standard. The accounting treatment adopted for recognising the new group structure was 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 was undertaken at book value.

The effect of the common control transaction is that the assets and liabilities of Gerard Lighting Holdings Pty Ltd, the former holding company of the Gerard Lighting Group, were transferred to GLG as of 31 December 2009 at net book value. Refer also notes 6, 10, 11, 13, 14 and 16.

Refer also to note 19 for additional detail of the impact of the corporate restructure on issued capital and reserves.

Key management personnel compensation

The key management personnel compensation included in 'personnel expenses' (see note 5(c)) is as follows:

<i>In AUD</i>	Consolidated	
	2010	2009
	\$	\$
Short-term employee benefits	3,212,295	-
Other long term benefits	-	-
Post-employment benefits	155,515	-
Termination benefits	-	-
Share-based payments	72,950	-
	<u>3,440,760</u>	<u>-</u>

The key management personnel receive no compensation in relation to the management of the Company. The compensation disclosed above represents an allocation of the key management personnel's estimated compensation from the Group in relation to their services rendered to the Company.

Individual directors and executives compensation disclosures

Information regarding individual directors and executives compensation and some equity instruments disclosures as required by Corporations Regulations 2M.3.03 is provided in the remuneration report .

Apart from the details disclosed in this note, no director has entered into a material contract with the Company or the Group since the end of the previous financial period and there were no material contracts involving directors' interests existing at period end.

Loans to and from key management personnel and their related parties

Details regarding loans outstanding at the reporting date to key management personnel and their related parties, where the individual's aggregate loan balance exceeded \$100,000 at any time in the reporting period, are as follows:

Loans to key management personnel and their related parties

There were no loans to any key management personnel, their related entities or associates at the end of the financial period.

Loans from key management personnel and their related parties

Entity name	Director	Balance	Balance	Interest	Highest
		31-Dec-09	30-Jun-10	paid	balance in
		\$	\$	\$	period
Robert Gerard		18,131	-	-	18,131
Gerard Corporation Pty Ltd	Mr Robert Gerard, Mr Simon Gerard and Mr Gary Savage.	38,534,123	-	1,817,893	40,000,000

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Unsecured loans advanced from Mr Robert Gerard during the period ended 30 June 2010 amounted to \$18,131. During the period the balance outstanding on the loan was repaid. The loan was non interest bearing and repayable on demand.

Secured loans advanced from Gerard Corporation Pty Ltd during the period ended 30 June 2010 amounted to \$40 million. During the period, \$35 million of the balance outstanding on the loan was repaid in cash as set out in the Prospectus dated 1 April 2010. On 12 May 2010 the balance of the loan was converted to fully paid shares (refer to note 19). Under the terms of the loan agreement the balance accrued interest at the rate of 15% which was capitalised. The loan was due to mature on 29/01/2014, the agreement provided for break costs of \$1 million if the loan is terminated prior to maturity. The loan balance was subordinated to the interests of St George Bank Limited.

Details regarding the aggregate of loans made, guaranteed or secured by any entity in the Group from key management personnel and their related parties, and the number of individuals in each group, are as follows:

	Opening Balance \$	Closing Balance \$	Interest paid \$	Number in group at 30 June
Total for key management personnel 2010	18,131	-	-	1
Total for key management personnel 2009	-	-	-	-
Total for other related parties 2010	38,534,123	-	1,817,893	1
Total for other related parties 2009	-	-	-	-
Total for key management personnel and their related parties 2010	<u>38,552,254</u>	<u>-</u>	<u>1,817,893</u>	<u>2</u>
Total for key management personnel and their related parties 2009	-	-	-	-

Key management personnel and director transactions

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with the Company or its subsidiaries in the reporting period. On 19 March 2010 the Board adopted a policy governing transactions with related parties. The policy requires (i) all proposed related party transactions need to be approved by the Board and (ii) all related party transactions must be conducted on an arm's length basis.

The value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

	Note	Transactions value for the period ended		Balance outstanding as at:	
		30-Jun-10 \$	30-Jun-09 \$	30-Jun-10 \$	1-Jan-10 \$
(i) Directors					
Mr Robert Gerard, Mr Simon Gerard and Mr Gary Savage.					
Operating expenses incurred by Gerard Corporation Pty Ltd on behalf of Gerard Lighting Pty Ltd.	<i>i</i>	512,807	-	45,611	45,847
Freight and transport costs paid to Bell Total Logistics Pty Ltd.	<i>ii</i>	3,136,687	-	535,553	497,007
Packaging costs paid to Custom Cartons Pty Ltd.	<i>iii</i>	636,834	-	272,091	102,297
Property rentals paid to Bankstown Property Trust.	<i>iii</i>	13,855	-	-	-
Property rentals paid to Property International Trust.	<i>iii</i>	(2,841)	-	(3,125)	-
Property rentals paid to Gerard Land Pty Ltd.	<i>iii</i>	236,434	-	4,197	44,492
Purchase of wines and the provision of entertainment services from Tapestry Vineyards.	<i>iii</i>	8,796	-	5,308	6,125
Helicopter charter services from True North Pty Ltd.	<i>iv</i>	(18,252)	-	(20,077)	-
Boat charter services from Reel Chase Pty Ltd.	<i>iv</i>	5,000	-	2,750	10,500
Lease of machinery from True North Corporation Pty Ltd.	<i>v</i>	158,851	-	-	-
(ii) Key management person					
Edwin Sargeant	<i>vi</i>	164,131	-	-	3,031
Total and current liabilities		<u>4,852,302</u>	<u>-</u>	<u>842,308</u>	<u>709,299</u>

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	Note	Transactions value for the		Balance owing as at:	
		30-Jun-10	30-Jun-09	30-Jun-10	1-Jan-10
		\$	\$	\$	\$
(i) Directors					
Mr Robert Gerard, Mr Simon Gerard and Mr Gary Savage.					
Operating expenses incurred by Gerard Lighting Pty Ltd and recharged at cost to Gerard Corporation Pty Ltd .					
	vii	<u>225,316</u>	<u>-</u>	<u>225,316</u>	

Notes

i. Operating costs incurred by Gerard Corporation Pty Limited on behalf of the consolidated group are recharged at the cost incurred. Costs recharged include but are not limited to: utilities, vehicle lease costs and payroll costs. Gerard Corporation Pty Ltd is controlled by the Gerard family.

ii. Approximately 90% of the amount paid to Bell Total Logistics was reimbursement of their direct external costs incurred in providing freight forwarding and distribution services. Bell Total Logistics Pty Ltd is a wholly owned subsidiary of Gerard Corporation Pty Ltd, an entity controlled by the Gerard family.

iii. A wholly owned subsidiary of Gerard Corporation Pty Ltd, an entity controlled by the Gerard family.

iv. A wholly owned subsidiary of True North Corporation No. 2 Pty Ltd, an entity ultimately controlled by Robert Gerard.

v. True North Corporation Pty Ltd is owned by Gerard Lighting Investments No. 1 Pty Ltd (51%) and Gerard Lighting Investments No. 2 Pty Ltd (49%). Both these entities are controlled by the Gerard family.

vi. The Group leases premises owned by Edwin Sargeant and a non related third party. The lease terms and conditions are commercial in nature

vii. The amount owing by Gerard Corporation Pty Ltd is comprised of: sale of product and operating costs incurred by Gerard Lighting Pty Limited and recharged at the cost incurred. Costs recharged include but are not limited to payroll costs and the use of entertainment facilities . Gerard Corporation Pty Ltd is controlled by the Gerard family.

Options and rights over equity instruments

The movement during the reporting period in the number of options over ordinary shares in Gerard Lighting Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at 1 January 2010	Granted as compensation	Exercised	Other changes*	Held at 30 June 2010	Vested during the period	Vested and exercisable at 30 June 2010
Directors							
Richard Allert AO, FCA	-	500,000	-	-	500,000	-	-
Simon Gerard	-	5,000,000	-	-	5,000,000	-	-
Graham Walters AM, FCA	-	500,000	-	-	500,000	-	-
Gary Savage FCA	-	2,000,000	-	-	2,000,000	-	-
Graham Ellis	-	2,000,000	-	-	2,000,000	-	-
Executives							
Ben Mills, <i>EGM Pierlite</i>	-	-	-	-	-	-	-
Mark West, <i>EGM Sylvania</i>	-	-	-	-	-	-	-
Michael Cotterill, <i>EGM Crompton</i>	-	-	-	-	-	-	-
Craig Hewitt, <i>EGM Moonlighting</i>	-	-	-	-	-	-	-
Phil Eaton, <i>EGM Inlite</i>	-	-	-	-	-	-	-
Edwin Sargeant, <i>EGM Austube</i>	-	-	-	-	-	-	-

Gerard Lighting Group Limited

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Movements in shares

The movement during the reporting period in the number of ordinary shares in Gerard Lighting Group Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at 1 January 2010	Corporate restructure	Purchases	Received on exercise of options	Sales	Held as at 30 June 2010
Directors						
Robert Gerard AO	-	92,000,000	119,647	-	-	92,119,647
Richard Allert AO, FCA	-	-	100,000	-	-	100,000
Simon Gerard	-	-	110,000	-	-	110,000
Graham Walters AM, FCA	-	-	106,000	-	-	106,000
Gary Savage FCA	-	-	52,000	-	-	52,000
Michael Crompton MAICD	-	-	120,000	-	-	120,000
Graham Ellis	-	-	44,000	-	-	44,000
Executives						
Ben Mills, <i>EGM Pierlite</i>	-	-	124,000	-	-	124,000
Mark West, <i>EGM Sylvania</i>	-	-	10,000	-	-	10,000
Michael Cotterill, <i>EGM Crompton</i>	-	-	100,000	-	-	100,000
Craig Hewitt, <i>EGM Moonlighting</i>	-	-	10,000	-	-	10,000
Phil Eaton, <i>EGM Inlite</i>	-	-	60,000	-	-	60,000
Edwin Sargeant, <i>EGM Austube</i>	-	-	22,000	-	-	22,000

Gerard Lighting Group Limited

30 June 2010

Notes to the Financial Statements

22 COMMITMENTS AND CONTINGENCIES

Operating lease commitments – Group as lessee

The Group has entered into commercial leases on premises, certain motor vehicles and items of small machinery where it is not in the best interest of the Group to purchase these assets.

These leases have an average life of between 4 and 10 years with renewal terms included in the contracts. Renewals are at the option of the specific entity that holds the lease. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

	CONSOLIDATED	
	2010	2009
	\$'000	\$'000
Within one year	7,834	-
After one year but not more than five years	17,817	-
More than five years	13,761	-
Total minimum lease payments	<u>39,412</u>	<u>-</u>

Capital commitments

At 30 June 2010 the Group has no material or significant capital commitments.

Contingencies

Legal claims

There were no material or significant legal claims at 30 June 2010.

Guarantees

The Group issues bank guarantees to satisfy security bonds necessarily required in relation to commercial leases for property it occupies. As at 30 June 2010 the amount of outstanding guarantees is \$4,417,000.

23 EVENTS AFTER BALANCE SHEET DATE

On 19 July 2010 the Gerard Lighting Group Limited announced its intention to acquire Frend Lighting Pty Ltd. As at the date of this report the share sale agreement has not been executed however the transaction is scheduled to complete by 30 September 2010. On completion Frend Lighting Pty Ltd will become a wholly owned subsidiary of Gerard Lighting Group Ltd. Under the terms of the share sale agreement the purchase price is \$9 million and will result in goodwill of approximately \$7.9 million. The acquisition is to be funded through a combination of cash and bank finance.

On 2 August 2010 the Group announced a joint venture White Lite Pty Limited. White Lite will be owned equally by Gerard Lighting Pty Ltd, a wholly-owned subsidiary of GLG, and Jeta Investments Pty Ltd, majority owner of White-Lite (NSW) Pty Ltd, a NSW-based manufacturer of quality emergency lighting and exit signs. The joint venture is effective from 30th July 2010.

Gerard Lighting Group Limited

30 June 2010

Notes to the Financial Statements

24 AUDITORS' REMUNERATION

	2010	2009
	\$	\$
Audit services		
Audit and review of financial reports (KPMG Australia)	390,000	-
Audit and review of financial reports (overseas KPMG firms)	39,971	-
	<u>429,971</u>	-
Other auditors		
Audit and review of financial reports (non KPMG firms)	27,201	-
	<u>457,172</u>	-
Services other than statutory audit		
KPMG Australia:		
Tax compliance services	68,174	-
Tax advice	125,000	-
Due Diligence services rendered in connection with listing on ASX (KPMG related practice)	440,000	-
Transactional services rendered in connection with listing on ASX (KPMG related practice)	220,769	-
	<u>853,943</u>	-
Other auditors:		
Tax compliance services (non KPMG firms)	22,025	-
	<u>875,968</u>	-

25 GROUP ENTITIES

Parent and ultimate controlling party

Gerard Lighting Group Limited (GLG) was incorporated as a proprietary company on 11 December 2009. On 31 December 2009 GLG 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 GLG on the Australian Stock Exchange. The company changed its status to that of a public company on 9 March 2010.

Parent entity	Country of incorporation	Ownership interest	
		2010	2009
Gerard Lighting Group Limited	Australia		
Significant subsidiaries			
Pierlite Australia Pty Limited	Australia	100%	N/A
Sylvania Lighting Australasia Pty Limited	Australia	100%	N/A
Crompton Lighting Pty Limited	Australia	100%	N/A
Moonlighting Pty Limited	Australia	100%	N/A
Inlite Pty Limited	Australia	100%	N/A
Austube Pty Limited	Australia	100%	N/A
Gerard Lighting NZ	New Zealand	100%	N/A

Gerard Lighting Group Limited

30 June 2010

Notes to the Financial Statements

26 DEED OF CROSS GUARANTEE

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly-owned subsidiaries listed below are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports, and directors'

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up. The subsidiaries subject to the Deed are:

Gerard Lighting Pty Limited	Sylvania Lighting Australasia Pty Limited
Gerard Lighting Acquisitions Pty Limited	Crompton Lighting Pty Limited
Lighting Corporation Pty Limited	Moonlighting Pty Limited
Pierlite Australia Pty Limited	

A consolidated income statement and consolidated balance sheet, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 30 June 2010 is set out as follows:

Summarised income statement	Consolidated	
	2010	2009
	\$000	\$000
Revenue	154,455	-
Materials and consumables used	(91,668)	-
Operating expenses	(46,843)	-
Finance income	33	-
Finance costs	(6,075)	-
Profit before tax	9,902	-
Income tax expense	(2,196)	-
Profit after tax	7,706	-
Other comprehensive income	-	-
Total comprehensive income for the period	7,706	-
Retained profits at beginning of period	4,446	-
Retained profits at end of period	12,152	-
Attributable to:		
Equity holders of the Company	12,152	-
Non controlling interest	-	-
Profit for the period	12,152	-

Gerard Lighting Group Limited

30 June 2010

Notes to the Financial Statements

Balance sheet	Consolidated	
	2010	2009
	\$000	\$000
Assets		
Current Assets		
Cash and cash equivalents	11,953	-
Trade and other receivables	72,226	-
Prepayments	1,677	-
Inventories	53,788	-
Total Current Assets	139,644	-
Non-current Assets		
Other financial assets	120,102	-
Loans to controlled entities	101,873	-
Deferred income tax assets	6,765	-
Property, plant and equipment	11,584	-
Intangible assets	77,934	-
Total Non-current Assets	318,258	-
Total Assets	457,902	-
Liabilities		
Current Liabilities		
Trade and other payables	58,306	-
Interest-bearing liabilities	3,772	-
Income tax payable	4,922	-
Provisions	13,628	-
Total Current Liabilities	80,628	-
Non-current Liabilities		
Trade and other payables	184,043	-
Interest-bearing liabilities	76,240	-
Provisions	1,177	-
Total Non-current Liabilities	261,460	-
Total liabilities	342,088	-
Net Assets	115,814	-
Equity		
Equity attributable to equity holders of the Company		
Issued capital	86,368	-
Reserves	17,294	-
Retained earnings	12,152	-
Equity attributable to equity holders of the Company	115,814	-
Non controlling interest	-	-
Total Equity	115,814	-

Gerard Lighting Group Limited

30 June 2010

Notes to the Financial Statements

27 PARENT ENTITY DISCLOSURES

As at, and throughout the financial period ending 30 June 2010 the parent entity of the Group was Gerard Lighting Group Limited.

	Consolidated	
	2010	2009
	\$000	\$000
Results of the parent entity		
Profit for the period	4,927	-
Other comprehensive income	-	-
Total comprehensive income	4,927	-
Financial position of the parent entity at period end		
Current assets	5,000	-
Total assets	113,074	-
Current liabilities	5,891	-
Total liabilities	5,891	-
Equity of the parent entity		
Share capital	86,368	-
Equity reserve	15,815	-
Other reserves	73	-
Retained earnings	4,927	-
	<u>107,183</u>	<u>-</u>

Parent entity contingencies

There were no material or significant legal claims at 30 June 2010.

Parent entity guarantees in respect of debts of its subsidiaries

The parent entity has entered into a Deed of Cross Guarantee with the effect that the company guarantees debts in respect of its subsidiaries. Further details of the Deed of Cross Guarantee are disclosed in note 26.

Gerard Lighting Group Limited

30 June 2010

Directors Declaration

In accordance with a resolution of the directors of Gerard Lighting Group Limited, we state that:

(1) In the Opinion of the Directors of Gerard Lighting Group Limited, (the company):

(a) the financial statements and notes and the Remuneration report in the Directors' report are in accordance with the Corporations Act 2001, including:

(i) giving true and fair view of the Group's financial position as at 30 June 2010 and of its performance for the period ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(b);

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

(2) There are reasonable grounds to believe that the Company and the group entities identified in note 26 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Class Order 98/1418.

(3) The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial period ended 30 June 2010.

On behalf of the board



Simon Gerard

Managing Director



Robert Gerard

Non-Executive Chairman

Adelaide, 24 August 2010.



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

Report on the financial report

We have audited the accompanying financial report of the Group comprising Gerard Lighting Group Limited (the company) and the entities it controlled at the year's end or from time to time during the financial year, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 27 and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the 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. In note 1(b), the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Group's financial position and of its performance.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.



Auditor's opinion

In our opinion:

- (a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(b).

Report on the remuneration report

We have audited the Remuneration Report included on pages 51 to 53 for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Gerard Lighting Group Limited for the year ended 30 June 2010, complies with Section 300A of the Corporations Act 2001.

KPMG

KPMG

Paul Cenko
Partner

Adelaide

24 August 2010



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Gerard Lighting Group Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2010 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Paul Cenko
Partner

Adelaide

24 August 2010

Gerard Lighting Group Limited

30 June 2010

Remuneration Report - Audited

The Directors of the Group present the Remuneration Report prepared in accordance with S300A of the Corporation Act 2001 for the Group for the period ending 30 June 2010.

This Remuneration Report discloses the remuneration for key management personnel of the Group including Directors and executives having authority and responsibility for planning, directing and controlling the activities of the Group.

This Remuneration Report forms part of the Directors Report for the period ending 30 June 2010 and includes the transferrable disclosure requirements of AASB 124.

Remuneration Policy

The Remuneration and Nomination Committee is responsible for determining and reviewing compensation arrangements for Directors and senior executives. The Group's remuneration policy is to ensure that remuneration is appropriate to reflect the duties, responsibilities and skill of senior executives and so as to attract, retain and motivate such executives with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The compensation structures are designed to take into account: the capability and experience of the key management personnel, the key management personnel's ability to control the relevant business units performance and the Group's performance including: earnings, return on investment and the growth in share price.

Compensation packages include a mix of fixed and performance based payments. The performance based component is dependent on the achievement of certain business and profit objectives. These objectives are agreed at the beginning of the year. All compensation arrangements are reviewed annually.

The Remuneration and Nomination Committee recommends any changes to the remuneration of non-executive directors for consideration of the full Board within the overall limits approved by shareholders. Non-executive directors do not take part in any profit sharing or bonus arrangements.

In accordance with best practice corporate governance, the structure of non-executive Director and senior executive remuneration is separate and distinct.

Non Executive Directors' benefits

The Directors, other than the Managing Director or any other Executive Director, are entitled to receive remuneration for their services, as the Directors decide, but the maximum aggregate sum paid must not exceed the amount approved from time to time by Gerard Lighting in general meeting. Any change to the maximum aggregate sum needs to be approved by Shareholders. As at the date of this report it has been determined that such remuneration will not exceed \$700,000. Directors' fees are presently \$611,250 per annum.

As part of their remuneration, 500,000 Options with a fair value of \$165,000 have been issued to each of Messrs Allert and Walters.

Other than a benefit payable to Mr Crompton, no retirement benefits, apart from superannuation contributions already made, are payable to a Non-Executive Director upon retirement. Mr Crompton is entitled to receive a termination payment of \$100,000 on ceasing to be a Director. The Board considers that the payment of a retirement benefit to Mr Crompton to be appropriate as the payment was agreed with Mr Crompton on his appointment as a Non-Executive Director at a time when Gerard Lighting Pty Ltd was a privately owned group.

No Director has, since the end of the previous financial period, received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by directors shown in the Group's financial statements) by reason of a contract made by the Company or a related entity with the director or with a firm of which he is a member, or with an entity in which he has a substantial financial interest.

Executive Directors

To support the strategic objectives of the Gerard Lighting Group, the Group has established a total remuneration strategy which seeks to align the interests of its Executive Directors with Shareholders. The remuneration strategy has been developed with the following aims:

- to retain Executive Directors who will be responsible for the Company's growth;
- to align the interests of those Executive Directors with the interests of Shareholders;
- to reward high performance by the Executive Directors;
- to encourage Share ownership by the Executive Directors;
- to motivate the Executive Directors to outperform; and
- to encourage the Executive Directors to focus on long term Company growth.

The remuneration strategy is based on a combination of fixed remuneration and variable (at risk) remuneration for the Executive Directors. The variable component of the Executive Directors' remuneration packages consists of an annual short term incentive (STI) and a long term incentive (LTI) element. The STI component will initially be in the form of cash and the LTI component will initially be in the form of Options. Future grants under the LTI may be in the form of Options, performance rights or a combination of both. The broad details of the incentive plans are set out below:

Short term incentive plan (STI Plan)

Participants in the STI Plan have the opportunity to receive up to a specified percentage of their annual fixed remuneration in the form of a cash bonus. The payment of the STI will depend on the participant achieving specified performance hurdles.

The available percentage and performance hurdles are set by the Board at the beginning of the performance period, and are specific to each individual's role, responsibilities and key performance indicators (KPIs). The KPIs include certain financial and non-financial measures as appropriate to each individual, and at the discretion of the Board. The final payment of the STI will be determined depending on the participant's level of performance against the performance hurdles.

Long term incentive plan (LTI Plan)

Participation in the LTI Plan will be subject to offers of participation being made by the Board (subject, where appropriate, to Shareholder approval). The basis of the LTI is the provision of Options to the Executive Directors, which will vest after a specific performance period. The initial grant is subject to a five year performance period, which aligns with the Group's five year growth strategy.

It is proposed that the fair value of the Options granted to the Executive Directors will be an appropriate percentage of their targeted total reward mix as determined by the Board. The number of any additional Options to be granted to the Executive Directors will be determined by the Board at the start of the performance period and will be determined with reference to each Executive Director's role and responsibilities.

Gerard Lighting Group Limited

30 June 2010

Remuneration Report - Audited

Key Management Personnel

It is the policy of the Gerard Lighting Group to remunerate employees in appropriate ways that recognise the market's value of individual skills, the need to attract and retain essential key skills for the growth and development of the Company and to provide sufficient incentive to ensure alignment with shareholder expectations.

The Remuneration & Nomination Committee recognises that the Group operates in a very competitive environment and that its performance depends on the quality of its people. To continue to grow, the Group must be able to attract, motivate and retain highly skilled executives. The guiding principles of the Group's remuneration policy are to:

- provide competitive rewards to attract and retain executive talent;
- apply Key Performance Indicators (KPIs) to deliver results across the Group and to a significant portion of the total reward;
- link rewards to executives to the creation of value to shareholders;
- ensure remuneration arrangements between executives are equitable and limit severance payments on termination to pre-established contractual arrangements that do not commit the Group to making unjustified payments in the event of non-performance.

REMUNERATION OF DIRECTORS AND SPECIFIED EXECUTIVES - AUDITED

	Short Term			Post Employment	Share based payments	Total ⁽ⁱ⁾	Related % performance based	Related % option based
	Salary & Fees	Cash Bonus	Non Monetary benefits	Superannuation	Shares/Options ⁽ⁱⁱ⁾	\$		
	\$	\$	\$	\$	\$	\$		
Non Executive Directors								
Robert Gerard AO ^(iv)	162,692	-	-	-	-	162,692	-	-
Richard Allert AO, FCA	41,535	-	-	3,738	3,650	48,923	-	7%
Graham Walters AM, FCA	33,486	-	-	3,014	3,650	40,150	-	9%
Michael Crompton MAICD	25,512	-	-	2,296	-	27,808	-	-
	<u>263,225</u>	<u>-</u>	<u>-</u>	<u>9,048</u>	<u>7,300</u>	<u>279,573</u>		
Executive Directors								
Simon Gerard	526,250	250,000	22,318	7,212	36,470	842,250	30%	4%
Gary Savage FCA	177,799	125,000	-	11,538	14,590	328,927	38%	4%
Graham Ellis (alternate to Gary Savage)	154,006	125,000	16,955	17,767	14,590	328,318	38%	4%
	<u>858,055</u>	<u>500,000</u>	<u>39,273</u>	<u>36,517</u>	<u>65,650</u>	<u>1,499,495</u>		
Specified Executives ⁽ⁱⁱⁱ⁾								
Ben Mills, <i>EGM Pierlite</i>	269,185	25,000	26,365	12,500	-	333,050	8%	-
Mark West, <i>EGM Sylvania</i>	119,941	175,000	13,104	7,562	-	315,607	55%	-
Michael Cotterill, <i>EGM Crompton</i>	113,988	212,500	13,282	9,553	-	349,323	61%	-
Craig Hewitt, <i>EGM Moonlighting</i>	95,148	50,000	-	9,002	-	154,150	32%	-
Phil Eaton, <i>EGM Inlite</i>	73,229	105,000	-	59,777	-	238,006	44%	-
Edwin Sargeant, <i>EGM Austube</i>	152,500	107,500	-	11,556	-	271,556	40%	-
	<u>823,991</u>	<u>675,000</u>	<u>52,751</u>	<u>109,950</u>	<u>-</u>	<u>1,661,692</u>		
	<u>1,945,271</u>	<u>1,175,000</u>	<u>92,024</u>	<u>155,515</u>	<u>72,950</u>	<u>3,440,760</u>		

(i) All amounts disclosed are in relation to the six month period ending 30 June 2010.

(ii) The fair value of the options is calculated at the date of grant using the Black Scholes option-pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options recognised in this reporting period.

(iii) Specified executives were employed by the Group for the entire period.

(iv) Includes salary paid by a subsidiary company for the period prior to listing. This component of salary, paid by the subsidiary company, is not recurring.

Analysis of bonuses included in remuneration

Details of the vesting profile of the short-term incentive cash bonuses awarded as remuneration to each director of the Company and each of the six named Group executives are detailed below.

	Short term incentive		
	remuneration (A)	% vested in period	% forfeited in period (B)
Directors			
Simon Gerard	250,000	100%	Nil
Gary Savage FCA	125,000	100%	Nil
Graham Ellis (alternate to Gary Savage)	125,000	100%	Nil
Executives			
Ben Mills, <i>EGM Pierlite</i>	25,000	100%	Nil
Mark West, <i>EGM Sylvania</i>	175,000	100%	Nil
Michael Cotterill, <i>EGM Crompton</i>	212,500	100%	Nil
Craig Hewitt, <i>EGM Moonlighting</i>	50,000	100%	Nil
Phil Eaton, <i>EGM Inlite</i>	105,000	100%	Nil
Edwin Sargeant, <i>EGM Austube</i>	107,500	100%	Nil

(A) Amounts included in remuneration for the financial period represent the amount that vested in the financial period based on achievement of personal goals and satisfaction of specified performance criteria. No amounts vest in future financial years in respect of the bonus schemes for the 2010 financial period.

(B) The amounts forfeited are due to the performance or service criteria not being met in relation to the current financial period.

Service Contracts

Service contracts exist for senior executives including the Managing Director. They are unlimited in term but capable of termination by the Group on twelve months notice in the case of the Managing Director and six months notice in the case of executives who are direct reports to the Managing Director. The Group retains the right to terminate a contract immediately, by making payments equal to the notice period, in lieu of notice. In addition, should termination be as a result of redundancy, a further payment of six months of fixed remuneration (base salary plus superannuation) is payable to the Managing Director, and six months to all but one of the Managing Directors direct reports who receives a payment equivalent to twelve months. The Managing Director has also entered into a separate restraint deed with the Group.

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Remuneration Report - Audited

Executives who are direct reports to the Managing Director may terminate their employment by giving three months' notice. Each of the key executives has also entered into separate restraint deeds with the Company.

The service contracts typically outline the components of remuneration paid to executives, but do not prescribe how remuneration levels are viewed each year to take account of cost-of-living changes, any change in the scope of the role performed by the executive and any changes required to meet the principles of the remuneration policy.

Options and rights over equity instruments granted as compensation

	Number of options granted during 2010	Grant date	Fair value per option at grant date (\$)	Exercise price per option \$	Expiry date	Number of options vested during 2010
Directors						
Richard Allert AO, FCA	500,000	19-Mar-10	0.33	1.00	31-Dec-15	-
Simon Gerard	5,000,000	19-Mar-10	0.33	1.00	31-Dec-15	-
Graham Walters AM, FCA	500,000	19-Mar-10	0.33	1.00	31-Dec-15	-
Gary Savage FCA	2,000,000	19-Mar-10	0.33	1.00	31-Dec-15	-
Graham Ellis (alternate to Gary Savage)	2,000,000	19-Mar-10	0.33	1.00	31-Dec-15	-

All options refer to options over ordinary shares of Gerard Lighting Group Limited, which are exercisable on a one-for- one basis under the DSOP plan.

No options have been granted since the end of the financial period. The options were provided at no cost to the recipients.

All options expire on the earlier of their expiry date or termination of the individual's employment. The options are exercisable five years from grant date. Continuing employment is the only condition attaching to the ability to exercise options. For options granted in the current period, the earliest exercise date is 1 August 2015.

Exercise of options granted as compensation

During the reporting period no options were exercised.

Analysis of options and rights over equity instruments granted as compensation

As at reporting date options have only been issued to Directors. Details of vesting profile of the options granted as remuneration are detailed below.

	Options granted Number	Options granted Date	% vested in period	Financial years in which grant vests
Richard Allert AO, FCA	500,000	19-Mar-10	Nil	2016
Simon Gerard	5,000,000	19-Mar-10	Nil	2016
Graham Walters AM, FCA	500,000	19-Mar-10	Nil	2016
Gary Savage FCA	2,000,000	19-Mar-10	Nil	2016
Graham Ellis (alternate to Gary Savage)	2,000,000	19-Mar-10	Nil	2016

Analysis of movements in options

The movement during the reporting period, by value, of options over ordinary shares in the Company held by each key management person and each of the six named Group executives is detailed below.

	Value of options granted in period \$
Richard Allert AO, FCA	165,000
Simon Gerard	1,650,000
Graham Walters AM, FCA	165,000
Gary Savage FCA	660,000
Graham Ellis (alternate to Gary Savage)	660,000

As of the date of this report the option plan has only been offered to key management personnel as detailed above.

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Shareholder Information as at 16 August 2010

1. Distribution of equity security holders

Size of holdings	Ordinary shares	
	Number of Holders	Number of Shares
1 - 1,000	16	13,125
1,001 - 5,000	455	1,352,511
5,001 - 10,000	148	1,388,042
10,001 - 100,000	175	5,218,530
100,001 and over	26	169,027,792
	<u>820</u>	<u>177,000,000</u>

The number of shareholders holding less than a marketable parcel of shares is 2.

The only shares of the Company on issue are ordinary shares. There are no restricted securities within the meaning of the Listing Rules of the ASX.

2. Twenty Largest Shareholders

	Number of Ord. Shares	%
1. GERARD LIGHTING INVESTMENTS NO 1 PTY LTD	46,919,603	26.5%
2. GERARD LIGHTING INVESTMENTS NO 2 PTY LTD	45,080,397	25.5%
3. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	17,699,352	10.0%
4. NATIONAL NOMINEES LIMITED	16,425,599	9.3%
5. CITICORP NOMINEES PTY LIMITED	9,850,000	5.6%
6. ANZ NOMINEES LIMITED <CASH INCOME A/C>	7,717,606	4.4%
7. J P MORGAN NOMINEES AUSTRALIA LIMITED	7,522,229	4.2%
8. AMP LIFE LIMITED	3,745,728	2.1%
9. CHINA FAITH CAPITAL RESOURCES LIMITED	3,000,000	1.7%
10. COGENT NOMINEES PTY LIMITED	2,876,818	1.6%
11. AUSTOCK NOMINEES PTY LTD <CUSTODIAN A/C>	1,900,000	1.1%
12. CITICORP NOMINEES PTY LIMITED <CWLTH SMALL CO FD 9 A/C>	1,350,359	0.8%
13. UBS NOMINEES PTY LTD	1,206,012	0.7%
14. RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LTD <PISELECT A/C>	860,275	0.5%
15. COGENT NOMINEES PTY LIMITED <SMP ACCOUNTS>	747,536	0.4%
16. METAL MANUFACTURES LIMITED	500,000	0.3%
17. CITICORP NOMINEES PTY LIMITED <CWLTH BANK OFF SUPER A/C>	282,640	0.2%
18. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	220,000	0.1%
19. JAG SUPER PTY LTD <JAG SUPERANNUATION FUND A/C>	200,000	0.1%
20. RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <BKCUST A/C>	200,000	0.1%
	<u>168,304,154</u>	<u>95.1%</u>

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Shareholder Information as at 16 August 2010

3. Substantial Shareholders

The Company's substantial shareholders as disclosed in substantial shareholder notices given to the Company are:

Name	Notes	Number of shares in which a relevant interest is held	%
1. GERARD LIGHTING INVESTMENTS NO 1 PTY LTD	(i)	46,919,603	26.5%
2. GERARD LIGHTING INVESTMENTS NO 2 PTY LTD	(i)	45,080,397	25.5%
3. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED		17,919,352	10.1%
4. COMMONWEALTH BANK OF AUSTRALIA (ACN 123 123 124) and its subsidiaries		11,482,999	6.5%
5. AMP LIMITED (ACN 079 354 519) and its related bodies corporate		7,370,082	4.2%

(i) The notices lodged with the company indicate that these shareholders are party to a Shareholders Deed dated 17 March 2010, under which each party holds pre-emptive rights over, and therefore a relevant interest in, shares held by the other parties to the Deed.

4. Voting Rights

At a general meeting, every member present in person or by proxy or attorney, or in the case of a corporation by a representative duly authorised under the seal of that corporation, has one vote on a show of hands and one vote for each ordinary share held by the member on a poll.

Convertible preference shares do not carry any voting rights until they have been converted into ordinary shares.

Options to subscribe for shares in the Company carry no voting entitlements unless and until the options are exercised and the shares the subject of the options are issued.

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Corporate Information

Directors

	Appointed
Robert Gerard AO (Chairman)	
Richard Allert AO, FCA (Deputy Chairman - Independent Non Executive Director)	18 March 2010
Simon Gerard (Managing Director)	18 March 2010
Graham Walters AM, FCA (Independent Non Executive Director)	16 December 2009
Michael Crompton MAICD (Independent Non Executive Director)	18 March 2010
Gary Savage FCA (Executive Director)	18 March 2010
Graham Ellis (Chief Financial Officer, alternate to Gary Savage)	24 December 2009 19 March 2010

Company Secretaries

Gary Savage FCA (<i>Joint</i>)	17 March 2010
Mark Pearson (<i>Joint</i>)	17 March 2010

Registered Office

101 Port Wakefield Road
Cavan, SA 5094
www.gerardlighting.com.au

Share Register

Computershare Investor Services Pty Limited
Level 5, 115 Grenfell Street
Adelaide SA 5000

GPO Box 1903
Adelaide SA 5001

Auditors

KPMG
151 Pirie Street
Adelaide SA 5000

Bankers

St George Bank
Level 1, 60 Phillip Street,
Parramatta NSW 2150

Lawyers

Norman Waterhouse Lawyers
Level 15, 45 Pirie Street,
Adelaide SA 5000

GPO Box 639,
Adelaide SA 5004