

Prospectus

GERARD
LIGHTING

Gerard Lighting Group Limited
ABN 16 141 079 594
Initial public offering of ordinary shares

Lead Manager and Underwriter

 **Austock**
Securities



Important notices

This is an important document and should be read in its entirety.

Offer

The Offer contained in this Prospectus is an invitation to acquire Shares in Gerard Lighting Group Limited.

Lodgement and listing

This Prospectus is dated 19 March 2010 and was lodged with the ASIC on that date. Gerard Lighting will apply to ASX for admission of Gerard Lighting to the official list of ASX and quotation of its Shares on ASX. None of ASIC nor ASX or their officers take any responsibility for the content of this Prospectus or for the merits of the investment to which this Prospectus relates.

Note to Applicants

The information in this Prospectus is not financial product advice and does not take into account your investment objectives, financial situation or particular needs.

It is important that you read this Prospectus carefully and in its entirety before deciding whether to invest in Gerard Lighting. In particular, you should consider the risk factors that could affect Gerard Lighting. You should carefully consider these risks in light of your personal circumstances (including financial and tax issues) and seek professional guidance from your accountant, stockbroker or other professional adviser before deciding whether to invest in Shares. Key risk factors that should be considered by prospective investors are set out on pages 16 and 17 and in Section 9. There may be risk factors in addition to these that should be considered in light of your personal circumstances.

You should also consider the assumptions underlying the Forecast Financial Information and the risk factors that could affect Gerard Lighting's business, financial condition and results of operations.

No offering where offering would be illegal

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of the Shares in any jurisdiction outside Australia and New Zealand. The distribution of this Prospectus outside Australia and New Zealand may be restricted by law and persons who come into possession of this Prospectus outside Australia and New Zealand should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. For details of selling restrictions that apply to the Shares in certain jurisdictions outside of Australia, please refer to Section 10.12 for further information.

The Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States, and may not be offered or sold in the United States, or to, or for the account or benefit of a US Person, except in a transaction exempt from the registration requirements of the US Securities Act and applicable United States state securities laws.

Disclaimer

No person is authorised to give any information or to make any representation in connection with the Offer described in this Prospectus, which is not contained in this Prospectus. You should rely only on information in this Prospectus. Except as required by law, and only to the extent so required, neither Gerard Lighting nor any other person warrants or guarantees the performance of Gerard Lighting or the repayment of capital or any return on investment made pursuant to this Prospectus.

Forecast Financial Information and forward looking statements

This Prospectus includes Forecast Financial Information based on the best estimate assumptions of Gerard Lighting.

The basis of preparation and presentation of the Forecast Financial Information, to the extent relevant, is consistent with the basis of preparation and presentation for the Historical Financial Information. The Forecast Financial Information presented in this Prospectus is unaudited.

The Historical Financial Information and the Forecast Financial Information in this Prospectus should be read in conjunction with, and they are qualified by reference to, the information contained in Section 7.

This Prospectus also contains forward looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'expects', 'intends' and other similar words that involve risks and uncertainties. The forward looking statements in this Prospectus are based on Gerard Lighting's current expectations about future events.

The Forecast Financial Information and forward looking statements are subject to various risk factors, uncertainties and assumptions that could cause Gerard Lighting's actual results, performance or achievements to differ materially from those expressed in any forward looking statement made by, or on behalf of, Gerard Lighting and the Forecast Financial Information.

Exposure Period

The Corporations Act prohibits Gerard Lighting from processing Applications during the Exposure Period, being the seven day period after the date of lodgement of this Prospectus with ASIC. The Exposure Period may be extended by ASIC by up to a further seven days. The purpose of the Exposure Period is to enable the Prospectus to be examined by market participants prior to the raising of funds. Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be conferred on any Applications received during the Exposure Period. During the Exposure Period, this Prospectus will be made generally available to Australian and New Zealand residents, without the Application Forms, at Gerard Lighting's website, www.gerardlighting.com.au.

Expiry Date

No Shares will be offered on the basis of this Prospectus later than the Expiry Date, being 13 months after the date of this Prospectus.

Trading in Shares

Applicants trading in Shares prior to receiving a holding statement do so at their own risk. Gerard Lighting disclaims all liability, whether in negligence or otherwise, to persons who trade Shares before receiving their holding statement.

Obtaining a copy of this Prospectus

A paper copy of this Prospectus is available free of charge to any person in Australia or New Zealand during the Offer Period by calling the Gerard Lighting Offer Information Line on 1800 103 943 (within Australia) or +61 3 9415 4108 (outside Australia) between 8.30am and 5.30pm AEDT/AEST (as applicable), Monday to Friday.

This Prospectus is also available to Australian and New Zealand resident investors in electronic form at www.gerardlighting.com.au. This Prospectus is only available in electronic form to Australian and New Zealand residents accessing the website from Australia or New Zealand. Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus.

Applications for Shares may only be made on the appropriate Application Form attached to or accompanying this Prospectus in its paper copy form, or in its soft copy form which must be downloaded in its entirety from www.gerardlighting.com.au. The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus. By making an Application, you declare that you were given access to the Prospectus, together with an Application Form.

Defined terms and abbreviations

Defined terms and abbreviations used in this Prospectus are explained in Section 11. Unless otherwise stated or implied, references to times in this Prospectus are to Australian Eastern Daylight Time (AEDT) or Australian Eastern Standard Time (AEST), as applicable.

Unless otherwise stated or implied, references to dates or years are calendar year references.

All financial amounts contained in this Prospectus are expressed in Australian dollars unless otherwise stated.

Any discrepancies between totals and sums and components in tables contained in this Prospectus are due to rounding.

Photographs and diagrams

Photographs and diagrams in this Prospectus do not necessarily depict assets or equipment owned or used by Gerard Lighting. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the date of this Prospectus.

Privacy

By completing an Application Form, you are providing personal information to Gerard Lighting and the Share Registry, which is contracted by Gerard Lighting to manage Applications. Gerard Lighting and the Share Registry, on Gerard Lighting's behalf, collect, hold and use your personal information to process your Application, service your needs as an investor, provide facilities and services that you request and carry out appropriate administration. Gerard Lighting and tax laws require some of the information to be collected. If you do not provide the information requested, your Application may not be able to be processed efficiently, if at all. Gerard Lighting and the Share Registry may disclose your personal information for purposes related to your investment to their agents and service providers including those listed below or as otherwise authorised under the *Privacy Act 1988* (Cth) and the *Privacy Act 1993* (NZ):

- the Share Registry for ongoing administration of the Share register;
- the Lead Manager in order to assess your Application;
- printers and other companies for the purposes of preparation and distribution of documents and for handling mail;
- market research companies for the purpose of analysing Gerard Lighting's shareholder base; and
- legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering, and advising on, the Shares and for associated actions.

You may request access to your personal information held by or on behalf of Gerard Lighting. You can request access to your personal information or obtain further information about Gerard Lighting's privacy practices by contacting the Share Registry or Gerard Lighting. Gerard Lighting aims to ensure that the personal information it retains about you is accurate, complete and up to date. Please contact Gerard Lighting or the Share Registry if any of the details you have provided change.

In accordance with the requirements of the Corporations Act, information on the Share register will be accessible by members of the public.

Gerard Lighting website

Any references to documents included on Gerard Lighting's websites (www.gerardlighting.com.au or www.gerardoffer.com.au) are provided for convenience only, and none of the documents or other information on the website is incorporated by reference.

Questions

If you have any questions in relation to the Offer, please contact the Gerard Lighting Offer Information Line on 1800 103 943 (within Australia) or +61 3 9415 4108 (outside Australia) between 8.30am and 5.30pm AEDT/AEST (as applicable), Monday to Friday.

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Key offer information

Key dates

Key dates	Date
Prospectus Date	Friday, 19 March 2010
Exposure Period ends (unless extended by ASIC)	Friday, 26 March 2010
Offer opens	Monday, 29 March 2010, 9.00am (AEDT)
Offer closes	Monday, 19 April 2010, 5.00pm (AEST)
Issue and allotment of Shares under the Offer	Wednesday, 5 May 2010
Expected despatch of holding statements and any refund payments (if required)	Friday, 7 May 2010
Shares expected to commence trading on a normal settlement basis	Wednesday, 12 May 2010

Note: This timetable is indicative only. Gerard Lighting reserves the right to vary the dates and times of the Offer, including to close the Offer early, or withdraw the Offer, to extend the Closing Date or to accept late Applications, either generally or in particular cases, without notifying any recipient of this Prospectus or any Applicants. Investors are encouraged to submit their Applications as soon as possible after the opening of the Offer as the Offer may close at any time without notice.

Key Offer statistics

Offer Price	\$1.00
Total number of Shares available under the Offer	85 million
Total number of Shares on issue following the Offer ¹	177 million
Total proceeds from the Offer ²	\$85 million
Market capitalisation ²	\$177 million
FY2010 forecast final dividend per Share (fully franked) ³	2.0 cents
FY2010 forecast dividend yield ⁴	4.0%

Selected Financial Information – See Section 7 for further details

	Historical FY2009	Forecast FY2010	Forecast FY2011
Pro forma revenue ⁵	368,997	364,097	399,850
Pro forma EBIT ⁵	26,365	30,997	35,543
Pro forma NPAT ^{5,8}			18,400
Pro forma earnings per Share ^{6,8}			10.4
Pro forma dividend per Share (fully franked) ⁶			5.2

Key investment metrics

EV/pro forma FY2011 forecast EBIT ⁷	7.2x
Price/pro forma FY2011 forecast earnings per Share ^{6,8}	9.6x
Pro forma FY2011 forecast dividend yield ⁴	5.2%

Notes:

- Includes the number of Shares available under this Prospectus plus Existing Shares retained by the Existing Shareholders.
- At the Offer Price.
- DPS based on 177 million Shares on issue following the Offer.
- DPS divided by Offer Price. FY2010 forecast dividend yield has been annualised.
- Please refer to Section 7 for further information, including reconciliation to the statutory results.
- Basic pro forma EPS and DPS based on 177 million Shares on issue following the Offer. FY2011 pro forma DPS is based on a dividend payout ratio of 50% of NPAT, being the midpoint of the Group's dividend policy to distribute between 40% and 60% of NPAT. Refer to Section 7.12 for further information.
- EV represents enterprise value being the market capitalisation of Gerard Lighting at the Offer Price (\$177 million) plus pro forma net debt (\$79 million).
- FY2010 comparative not presented as pro forma FY2010 forecast NPAT includes net interest expense based on actual and estimated financing costs to 31 March 2010 on current debt facilities and forecast expense on expected debt following the Offer. Refer to Section 7 for further information.

Letter from the Chairman



19 March 2010

Dear Investor,

On behalf of the Directors, it is my pleasure to invite you to become a shareholder of Gerard Lighting Group Limited.

The Gerard family has a long and proud history in the electrical and lighting industries dating back to 1920 when Alfred Gerard founded the Clipsal business in Australia. The family commenced operations in the lighting industry during the 1980s with the acquisition of the Pierlite brand. In early 2008, we completed the acquisition of ASX listed Lighting Corporation Limited to become the largest manufacturer and distributor of lighting products in Australia. Today Gerard Lighting is the company behind Australia's most impressive and comprehensive group of major lighting brands.

Gerard Lighting has developed a strong track record of earnings growth and profitability. We believe that the Group is now well positioned to continue its growth, both organically and through possible acquisitions and technical innovation.

People are a critical factor driving the success of a company and this is certainly the case for Gerard Lighting. We are fortunate to have a highly competent and experienced management team under the leadership of Simon Gerard. In my role as Chairman I will continue to provide Gerard Lighting with the benefit of my lifetime experience in both the lighting and electrical industries.

A listing on ASX will provide the Company with access to public equity markets, flexibility for future growth and provides an investment opportunity for employees and investors in the market leader in the Australian lighting industry. The gross proceeds of the Offer will be \$85 million (based on an Offer Price of \$1.00) and will be used to repay debt, fund working capital and to pay the Offer fees and expenses. In support of the Company and its future growth plans, the Listing has been structured so that the Gerard Family Shareholders (who are not selling any shares under the Prospectus) retain approximately 52% of the issued shares in Gerard Lighting, with the balance being held by the public.

This Prospectus contains detailed information about Gerard Lighting, its operations and growth prospects, details of the Offer and describes some of the key risks associated with an investment in Gerard Lighting. Further information on the key risks of investing in Gerard Lighting is provided in Section 9. We encourage you to read the Prospectus in detail.

To apply for Shares, you will need to fill out and return the Application Form accompanying this Prospectus. If you have any questions about the Offer, please call the Gerard Lighting Offer Information Line on 1800 103 943 (within Australia) or +61 3 9415 4108 (outside Australia) between 8.30am and 5.30pm AEDT/AEST (as applicable), Monday to Friday. This Offer is expected to close at 5.00pm AEST time on Monday, 19 April 2010.

The Board and Senior Management Team are excited about the future for Gerard Lighting. On behalf of the Board, I look forward to welcoming you as a Shareholder.

Yours faithfully



Robert Geoffrey Gerard AO
Chairman

A long and successful history

The Gerard family has a long and successful history in the electrical and lighting industry – founded the Clipsal electrical accessories business in 1920, which was sold to Schneider Electric by the Gerard family and its partner in 2003.

1920

Clipsal brand name was born when Mr Alfred Gerard developed the "clips all" size of adjustable conduit fittings suitable for all sizes of imported metal conduit.



1920–76

Under the leadership of Alfred's son, Geoff Gerard, the company initiated several manufacturing breakthroughs.

Established during the 1950s, Pierlite is now positioned as a market leader in Australasia for the design, manufacture and distribution of architectural and industrial commercial lighting systems.

1950–60



Proven track record

Gerard Lighting's origins trace back to the formation of Pierlite during the 1950s, which was acquired by the Gerard family in the late 1980s.

Today the Gerard Lighting Group has a team of over 1,400 employees globally, representing a significant asset and a substantial competitive advantage to the Group.

2010

Today Gerard Lighting Group has revenues in excess of \$365 million and employs more than 1,400 staff.

The IPO of Gerard Lighting will mark a new and exciting chapter in Gerard Lighting's history and enable the Group to further grow its brands and reputation to enhance shareholder value.

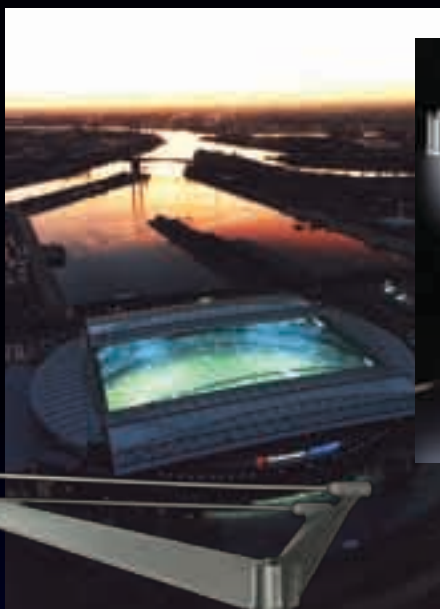


2003

The Gerard family sold its interest in the Clipsal business in 2003 and retained non electrical accessories businesses such as Pierlite.

In 1976, Geoff's son, Robert Gerard AO, took over the business with plans to make Clipsal one of the biggest electrical accessory brands in the world. Photograph courtesy of Newspix / News Ltd.

1976



2008

Gerard Lighting acquired Lighting Corporation Limited in early 2008 to become the largest lighting manufacturer and supplier in Australia.

Gerard Lighting's brand portfolio is the envy of the lighting industry incorporating Pierlite, Sylvania, Crompton, Moonlighting, Inlite and Austube – all of which are leading lighting businesses in their respective market segments.

2007

In 2007, Gerard Lighting Pty Ltd was established as the head company of the lighting business.

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A family of diverse and trusted brands



Gerard Lighting Group holds a diverse product and business portfolio across all significant market segments – from high volume commodity lighting products to high value, high margin architectural lighting products.

The Company is one of Australia's few large manufacturers of lighting products and operates from the largest facility of its type in Australia.



Pierlite designs and distributes a diverse range of light fittings for the industrial and commercial markets.

In Australia, it distributes Philips branded lamps and holds exclusive agency agreements with a number of prestigious international lighting companies including Hoffmeister, Lithonia, DOT Downlights, Simes and Disano. The Hoffmeister, Lithonia and Disano agencies also extend to New Zealand.



SLA markets a large range of lighting fixtures for roadways, architectural, industrial, commercial, decorative and residential applications as well as a diverse range of lighting sources.

Owns highly regarded brand names such as Sylvania Lighting (and derivations) and Concord Lighting and Lumiance for use in Australia and New Zealand. Sylvania is the exclusive distributor for Siteco in Australia and New Zealand.

Also incorporates the CSE business which designs and manufactures electrical equipment for hazardous and arduous locations in Australia.





Crompton has been operating since 1887 and is one of the largest lighting brands in Australia.

Its operations consist of sourcing lamps and lighting products, primarily from China and Europe and distributing lighting products under its own brand and other brands such as Expo Light, Auvlux Lights Australia, Lightstar, Bug Zapper and Insect-o-Cutter.

Moonlight is a value added reseller of lighting and fixtures for project lighting in the commercial and industrial sectors of the building industry.

It is the exclusive Australian distributor of the Trilux, Holophane, Troll, Luxo, OptiLED, Light Tape, Luxit, Goccia and Atomis ranges and owns the brands Cellite, Regal Lighting, Aero, Sun Lighting and Select Lighting.

INLITE

Inlite is a high end project based light distributor focused on commercial architectural projects in the architectural and specification market.

Austube®

Austube designs and manufactures individually specified tubular lighting systems to the middle to upper end of the commercial market.

It also offers an array of accessories such as downlights, emergency systems, motion and light level sensors, as well as integral audio, video, data and power cabling.



Established relationships

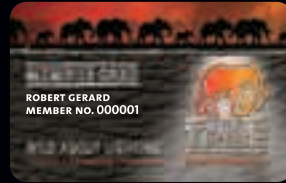
Gerard Lighting's relationships within the electrical industry is a significant and respected strategic asset of the Group.

Gerard family members stretching four generations have been providing goods and services to electrical contractors and wholesalers for over 50 years.



Solid relationships

Philips



Customers

Gerard Lighting supplies its products through electrical wholesalers, retailers and electrical contractors.

Gerard Lighting's recently launched contractor loyalty program, The TRIBE, has a target membership of in excess of 2,000 registered electrical contractors.



Suppliers

Over many years the Gerard Lighting Group has established strategic relationships with industry leaders including Philips, Havells, Osram, Vossloh Schwabe and TridonicAtco.

Gerard Lighting Group has invested considerable resources in establishing strategic relationships with manufacturers across China, India, Indonesia and Malaysia.

International distribution network already established

Pierlite is established internationally with offices, including engineering and manufacturing facilities, located in Asia, India and the Middle East.



Gerard Lighting and its franchise operations distribute its products in Australia, New Zealand, East Africa, the United Kingdom, India, the Middle East, Indonesia, Malaysia, Pakistan, Mozambique and Italy.

Further international expansion is planned in key markets in India and the Middle East where manufacturing facilities and operations have already been established.



Global network

A specialist investment sector not otherwise offered by other listed Australian companies

Gerard Lighting Group is the leader in the Australian lighting industry, with approximately 25% to 30% of the \$1.5 billion Australian lighting market.

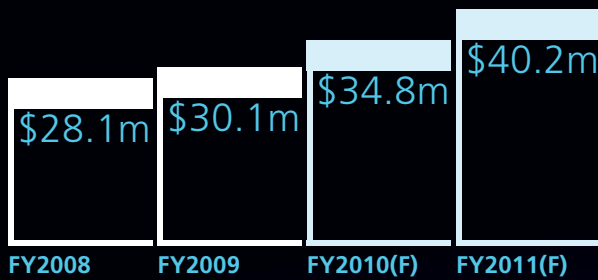


Unique opportunity

In Australia, lighting product costs are estimated to have grown from approximately 1% to approximately 2.5% of total construction costs principally due to energy efficiency requirements and increased popularity of intelligent lighting products and integrated lighting control systems.

Global concerns around climate change, rising energy costs and the emergence of Government initiatives aimed at improving the efficiency of lighting products, is expected to drive future revenue growth in the lighting industry.

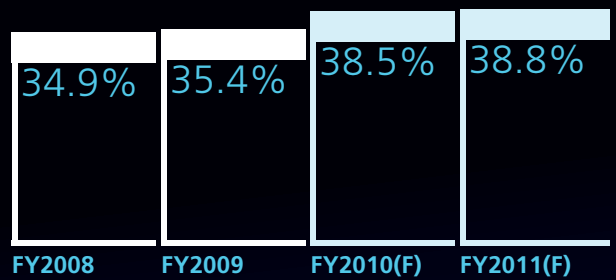
Pro Forma EBITDA



Note: FY2008 and FY2009 are pro forma historical amounts. FY2010(F) and FY2011(F) are pro forma forecast amounts

Refer to Section 7 for further information

Pro Forma Gross Sales Margin



Note: FY2008 and FY2009 are pro forma historical figures. FY2010(F) and FY2011(F) are pro forma forecast figures

Refer to Section 7 for further information

Gross Sales Margin calculated as gross profit divided by sales for each respective period

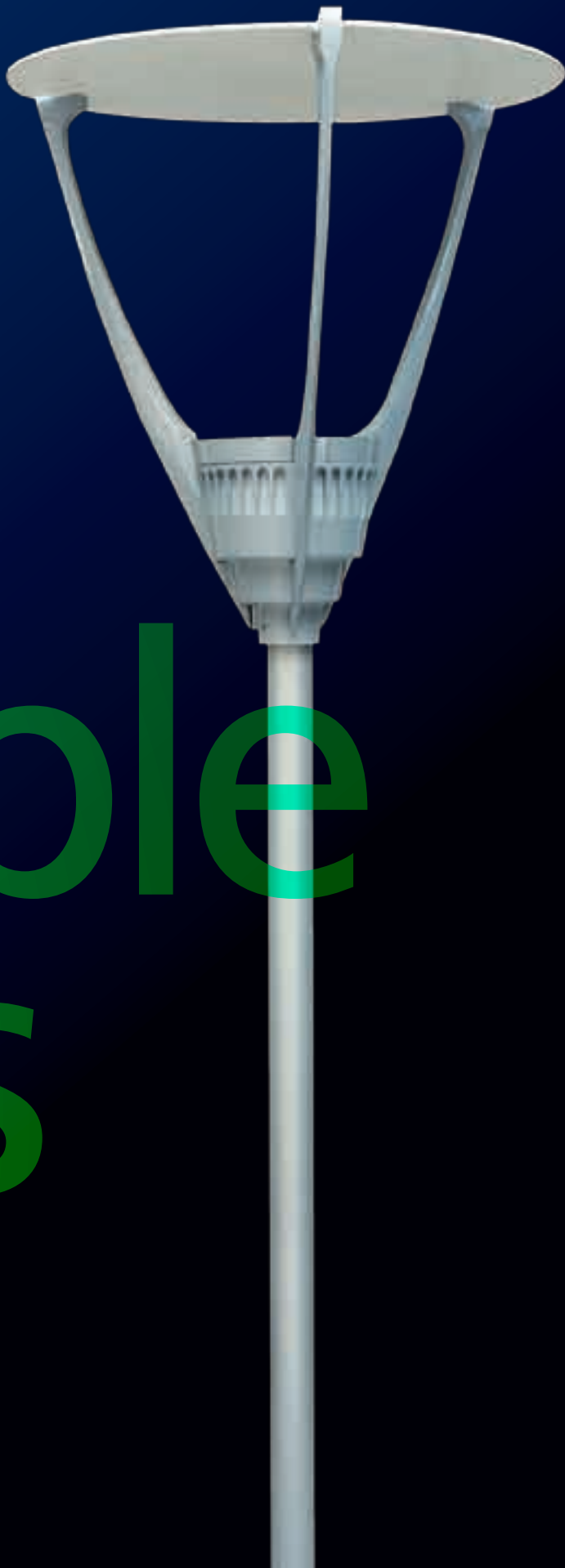


Research and development in energy efficient lighting solutions and intelligent lighting products

Gerard Lighting is well positioned to benefit from the change in the lighting industry towards “smarter more efficient lighting solutions”. The Company’s ability to deliver innovative lighting solutions is founded on its research and development teams, based in Adelaide, Sydney and Gosford.

Gerard Lighting’s continued investment in research and development in the areas of energy efficient lighting solutions and intelligent lighting products supports the Group’s position as the Australian market leader.

Sustainable solution



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Intelligent Lighting Products (iLP)

It is Gerard Lighting's objective to source 20% of revenue from technology related products within the next five years. The Company continues to invest in developing energy efficient light solutions through advanced optical systems, using energy efficient components such as LED and more effective electronic control systems.

Core to Gerard Lighting's intelligent lighting strategy is to develop products that are compatible with recognised systems.

Global Energy Consumption

Lighting accounts for some 19% of global electricity consumption.

The focus on energy management, and the role of intelligent lighting, is increasingly causing growth in the demand for efficient lighting products and an increase in the home integration/automation market.

Key investment risks

You should consider the key risks associated with an investment in Gerard Lighting before deciding whether to invest.

Potential investors should be aware that there are risks associated with investing in Gerard Lighting, including risks associated with the Gerard Lighting business and risks associated with investing in the stock market generally.

Some risks are beyond the control of Gerard Lighting, its Directors and management and may have a material impact on the financial position or performance of Gerard Lighting.

Before deciding whether to apply for Shares, potential investors should read this Prospectus in its entirety and carefully consider the assumptions underlying the Forecast Financial Information and the risk factors that could affect the future performance of Gerard Lighting.

Key risks

Some of the risks of investing in Gerard Lighting include but are not limited to:

- Gerard Lighting may face aggressive competition or its competitive position may deteriorate.
- Gerard Lighting’s performance is linked to the building industry. If the rate of activity in this sector is less than forecast by the Company, Group revenues may be adversely affected. Changes in the timing and/or quantum of project based sales may adversely impact the Group’s performance.
- Significant customers such as electrical wholesalers may materially reduce their support for Gerard Lighting which would negatively impact the Group’s financial performance.
- Technological change introduced by a competitor could result in that competitor gaining a significant competitive advantage over Gerard Lighting.
- Loss or change to product distribution arrangements could negatively impact the Group’s financial performance.
- Deterioration of key supplier relationships or delays in supply may result in Gerard Lighting potentially suffering inventory shortages, a reduction in revenue and a loss of market share.
- Adverse movements in foreign exchange rates may result in a loss of relative competitiveness and may reduce the profitability of the industry as a whole.
- Adverse movements in interest rates could increase the financial risk of the business.
- Under performance of overseas operations will negatively impact the Group’s performance.
- Gerard Lighting may lose key management personnel and may not be able to recruit equally qualified and experienced replacements.
- Effective management of future growth including acquisition growth will impact the achievability of the Group’s future growth plans.
- Unforeseen regulatory changes or litigation could adversely affect Gerard Lighting’s operations.
- The termination or non-renewal of a lease of one of Gerard Lighting’s manufacturing and/or assembly facilities may have an adverse effect on Gerard Lighting’s business.
- The achievement of Gerard Lighting’s business objectives is dependent on Gerard Lighting having sufficient ongoing debt funding available.

The above list of risks is not exhaustive. Further information concerning risks associated with an investment in Gerard Lighting is set out in Section 9.



Investment overview

1



Investment overview

1.1 Business overview

Gerard Lighting Group is the largest lighting manufacturer and distributor in the combined Australian and New Zealand markets with sales representing approximately 25% to 30% of the total Australian lighting market and generating revenues in excess of approximately \$365 million per annum. The business is vertically integrated incorporating research, design, manufacture, global sourcing, importation and distribution.

Gerard Lighting delivers products across the value chain from commodity fixtures for residential, commercial and industrial use to high margin, customised lighting products for use in major infrastructure and architectural projects. Its key brands and businesses are shown below.

The Gerard Lighting Group was founded by the Gerard family. The family has a long and successful history in the electrical and lighting industries. Most notably, the Gerard family were the founders of the Clipsal business in Australia which began in 1920 and became one of the biggest electrical accessory brand names in the world. In 2003 the family sold its interest in the Clipsal business to Schneider Electric but retained a number of other non-electrical accessories businesses. One of those businesses retained by the Gerard family was Pierlite.

Pierlite was established during the 1950s initially specialising in adverse and hazardous lighting. Under the ownership of the Gerard family from the late 1980s, Pierlite has grown organically and through acquisition of businesses such as Moonlighting, Aluminium Louvre Company and CSE. Pierlite established a strategic alliance with Philips in March 2003.



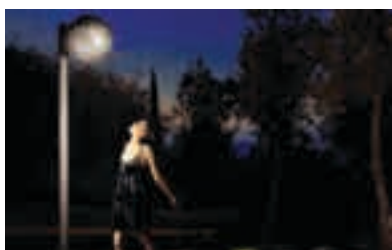
In 2007, Gerard Lighting Pty Ltd was established as the head company of the Gerard Lighting Group. In early 2008, Gerard Lighting acquired ASX listed Lighting Corporation Limited to form the combined Gerard Lighting Group. In 2009, the Gerard Lighting Group was restructured and Gerard Lighting was established as the head company.

It is Gerard Lighting's strategic objective to become the number one lighting group in the region around the Indian Ocean. Already the market leader in the combined Australian and New Zealand markets, Gerard Lighting has a growing profile and attractive market position with plans to continue to grow its footprint and presence in both countries.

The Gerard Lighting Group has operations in all Australian States and New Zealand and also has a presence in India, Indonesia, Malaysia and the Middle East. Gerard Lighting also has franchise operations in United Kingdom, Pakistan, East Africa, Mozambique and Italy. The Gerard Lighting Group has over 1,400 employees globally.

Approximately 80% of products sold carry brands that are wholly owned by the Gerard Lighting Group or are subject to exclusivity agreements. Total sales are split approximately 55% wholesale and 38% project or specification and 7% retail. Gerard Lighting Group's in house teams manage the research, design, manufacture, global sourcing, importation and distribution of its products.

Gerard Lighting has enjoyed notable growth in recent years under the leadership of the Gerard family. EBIT has increased from \$24 million in FY2008 to \$31 million forecast in FY2010. Gerard Lighting is forecasting FY2011 sales of \$400 million and FY2011 projected EBIT of \$36 million, representing an increase of 8% and 35% on FY2009 respectively. See Section 7 for further details.



Investment overview

1.2 Summary Financial Information

The following table summarises Gerard Lighting's historical income statements for FY2008, FY2009 and first half FY2010, forecast income statement for FY2010 and FY2011 and other operating data for the same periods. See Section 7 for further details.

Summary Financial Information

Year to 30 June (\$'000's)	Pro forma historical			Pro forma forecast		Statutory forecast	
	FY2008	FY2009	1HFY2010	FY2010	FY2011	2HFY2010	FY2011
Sales	369,740	368,997	181,194	364,097	399,850	182,903	399,850
Gross profit	129,025	130,763	71,256	140,273	155,155	69,017	155,155
Operating expenses	(100,891)	(100,651)	(53,342)	(105,496)	(114,921)	(52,154)	(114,921)
EBITDA	28,134	30,112	17,914	34,777	40,234	16,863	40,234
Depreciation and amortisation	(3,830)	(3,747)	(1,778)	(3,800)	(4,691)	(2,022)	(4,691)
EBIT	24,304	26,365	16,136	30,977	35,543	14,841	35,543
NPAT				10,622	18,400	5,530	18,400
EPS (cents)				6.0	10.4	3.1	10.4
DPS (cents)				2.0	5.2	2.0	5.2



1.3 Key growth opportunities

Gerard Lighting's long term business strategy is to protect and grow its core business while extending its capabilities into aligned market segments, distribution channels and selected geographic locations. The Group has a successful track record and will seek to continue its growth through the following key areas:

- product innovation – the delivery to its customers of innovative lighting solutions and new products is expected to be a key driver of future sales growth. Gerard Lighting invests in product design and innovation through its extensive in house research and development team in Australia;
- lower costs of production – Gerard Lighting is constantly evaluating its production and product sourcing costs. Complementing its Australian manufacturing facility, Gerard Lighting has invested in its Indian manufacturing facility. It has also established production 'partners' throughout Indonesia and China. Gerard Lighting believes there is significant opportunity for gross margin improvement through pursuing cost reduction initiatives;

- intelligent Lighting Products (iLP) – technology is a fundamental driver of competition in the lighting industry. Gerard Lighting aims to grow its revenue from technology related products through its iLP strategy which is focused on compatible technology, centralised research and development and being an early adopter of technology in the market. Its focus on iLP is also driven by increased awareness of energy management as consumers seek to gain energy savings through their lighting systems. This trend is expected to drive further revenue growth in the lighting industry;
- international expansion – Gerard Lighting believes there is an opportunity to leverage from its international Pierlite brand to grow in selected markets in India, the Middle East, Indonesia and Malaysia where Gerard Lighting already has operations and can expand its sales from a low base;
- acquisition growth – Gerard Lighting has demonstrated an ability to make acquisitions and integrate and extract operational synergies. The Group will consider growth by acquisition as the lighting industry consolidates and will continue to evaluate and pursue potential acquisition targets that fit strategically and satisfy the Group's financial objectives.

See Section 5.6 for further details.

1.4 Dividend policy

Subject to Gerard Lighting Group's forecast earnings being achieved, available distributable profits and other relevant factors, the first dividend the Directors intend to declare is expected to be 2.0 cents per Share in respect of the second half of FY2010. This dividend is expected to be paid in November 2010 and is expected to be fully franked for Australian tax purposes.

Beyond FY2010, Gerard Lighting's current dividend policy is to distribute between 40% and 60% of NPAT. In respect of future years, subject to available profits and the financial position of Gerard Lighting, an interim dividend is expected to be payable annually in May, with a final dividend payable annually in November. Gerard Lighting intends to attach imputation credits to dividends to the fullest extent possible.

Notwithstanding the intentions set out in this Section, no guarantee can be given about the level or payment of dividends, the level of imputation or franking of such dividends or the payout ratios as these matters depend upon the future profits of Gerard Lighting and its financial and taxation position at that time. Refer to Section 7.12 for further discussion of dividend policy.

Investment overview

1.5 Purpose of the Offer and use of proceeds

The purpose of the Offer is to:

- raise capital to repay debt;
- list Gerard Lighting on ASX, which will provide Gerard Lighting with additional financial flexibility to pursue growth opportunities and access to public capital markets; and
- provide a listed market for Shares and an opportunity for employees and members of the public to invest in Gerard Lighting.

The proceeds of the Offer will be applied to:

- repay a portion of the debt provided by St George Bank (and pay associated fees);
- repay debt provided by Gerard Corporation (an entity controlled by members of the Gerard family), including payment of associated fees;
- fund working capital; and
- pay the fees and expenses of the Offer.

The Directors believe that on completion of the Offer, Gerard Lighting will have sufficient working capital (including cash flow from its operations and arranged funding sources) to fund its business objectives as stated in this Prospectus.

1.6 Enquiries

This Prospectus and information about the Offer is available in electronic form at www.gerardlighting.com.au.

All enquiries in relation to this Prospectus should be directed to the Gerard Lighting Offer Information Line on 1800 103 943 (within Australia) or +61 3 9415 4108 (outside Australia) between 8.30am and 5.30pm AEDT/AEST (as applicable), Monday to Friday.

If you are uncertain in relation to any matter or are uncertain as to whether Gerard Lighting is a suitable investment for you, you should seek professional advice from your stockbroker, solicitor, accountant or other independent professional adviser.

Key questions

2



Key questions

General

Who is the issuer of this Prospectus?	Gerard Lighting Group Limited, a company incorporated in Australia (ABN 16 141 079 594).	Section 5
What does Gerard Lighting Group do?	It is the leader in the manufacture and distribution of lighting products in Australia and New Zealand.	Section 5
What is the Offer?	The Offer is an initial public offering of 85 million fully paid ordinary shares in Gerard Lighting, representing approximately 48% of the issued capital of Gerard Lighting following the Offer.	Section 3
Where will the Shares be listed?	Application will be made to ASX to list the Shares on ASX (under the code GLG).	Section 3
What is the purpose of the Offer?	The purpose of the Offer is to: <ul style="list-style-type: none"> – repay debt (and pay associated fees); – provide Gerard Lighting with additional financial flexibility to pursue growth opportunities; – list Gerard Lighting on ASX and improve access to capital markets; and – provide a listed market for the Shares and an opportunity to invest in Gerard Lighting. 	Section 3
How will the proceeds of the Offer be used?	The proceeds of the Offer will be applied to: <ul style="list-style-type: none"> – repay a portion of the debt provided by St George Bank (and pay associated fees); – repay debt provided by Gerard Corporation (an entity controlled by members of the Gerard family), including payment of associated fees; – fund working capital; and – pay the fees and expenses of the Offer. 	Section 3
What is the Offer Price?	\$1.00 per Share.	Section 3
What is being offered to investors under the Offer?	85 million Shares are being offered to investors.	Section 3
Is the Offer underwritten?	The Offer has been fully underwritten by the Lead Manager. For details of the Underwriting Agreement, see Section 10.8.	Section 10.8

When will dividends on the Shares be paid?	<p>Subject to Gerard Lighting Group's forecast earnings being achieved, available distributable profits and other relevant factors, the first dividend is expected to be paid in November 2010.</p> <p>In future years, subject to available profits and the financial position of Gerard Lighting, an interim dividend is expected to be payable annually in May, with a final dividend payable annually in November.</p> <p>Beyond FY2010, Gerard Lighting's current dividend policy is to distribute between 40% and 60% of NPAT. Further, Gerard Lighting intends to attach imputation credits to dividends to the fullest extent possible.</p> <p>Notwithstanding Gerard Lighting's intentions, no guarantee can be given about future dividends, or the level of franking or imputation of such dividends or the payout ratios as these matters depend upon the future profits of Gerard Lighting and its financial and taxation position at the time.</p>	Section 7
What is the forecast yield on the Shares?	The Directors intend to declare a dividend of 2.0 cents per Share in respect of the second half of FY2010, which is equivalent to a dividend yield based on this half year dividend of 4.0% (annualised) based on an issue price of \$1.00 per Share. Payment of this dividend is subject to Directors' forecasts being achieved and other relevant factors.	Section 7
What are the tax implications of investing in the Shares?	A discussion of certain Australian tax consequences of participating in the Offer and investing in Shares for Australian tax residents is set out in Section 10.13. Investors should consider the tax consequences of the Offer and investing in Shares in light of their own particular circumstances and seek advice from their tax adviser.	Section 10

Applying

Am I eligible to participate in the Offer?	The Offer is open to Australian and New Zealand residents and to Foreign Institutional Investors.	Section 3
How can I apply?	You may apply for Shares by submitting a valid Application Form.	Section 3
What are the key dates of the Offer?	<ul style="list-style-type: none"> – The Offer opens at 9.00am AEDT on Monday, 29 March 2010 and closes at 5:00pm AEST on Monday, 19 April 2010 (based on the indicative timetable, which is subject to change). – Shares are expected to be quoted on ASX under the code GLG on Wednesday, 12 May 2010 (based on the indicative timetable, which is subject to change). <p>These dates are indicative only. Gerard Lighting and the Lead Manager reserve the right to vary the times and dates of the Offer, including to close the Offer early, to extend the closing date or accept late Applications, either generally or in particular cases, without notifying any recipient of this Prospectus or any Applicants.</p>	Section 3

Key questions

What is the minimum and maximum Application size under the Offer?	<p>Applicants must apply for a minimum value of \$2,000 and in multiples of \$500 thereafter.</p> <p>The value of Shares that may be applied for under the Offer is not subject to a maximum amount. However, the Lead Manager, in consultation with Gerard Lighting, reserves the right to reject any Application or to allocate a lesser amount of Shares than that applied for, in their absolute discretion.</p>	Section 3
Is there any brokerage, commission or stamp duty payable by the Applicants?	No brokerage, commission or stamp duty is payable by Applicants on Shares allotted under the Offer.	Sections 3 and 10
When will I receive confirmation that my Application has been successful?	<p>It is expected that holding statements will be despatched to successful Applicants by standard post on or around Friday, 7 May 2010 (based on the indicative timetable, which is subject to change).</p> <p>All enquiries in relation to this Prospectus should be directed to the Gerard Lighting Offer Information Line on 1800 103 943 (within Australia) or +61 3 9415 4108 (outside Australia) between 8.30am and 5.30pm AEDT/AEST (as applicable), Monday to Friday.</p>	Section 3

More information

Who are the advisers to the Offer?	<ul style="list-style-type: none"> – Austock Securities Limited is the Lead Manager to the Offer. – Johnson Winter & Slattery is the Australian legal adviser to the Offer. – KPMG is the tax adviser to the Offer. – KPMG Transaction Services (Australia) Pty Ltd has prepared the Investigating Accountant Report. 	Section 10
Where can I find more information?	<p>For further information please call the Gerard Lighting Offer Information Line on 1800 103 943 (within Australia) or +61 3 9415 4108 (outside Australia) between 8.30am and 5.30pm AEDT/AEST (as applicable), Monday to Friday.</p> <p>This Prospectus and information about the Offer are also available in electronic form at www.gerardlighting.com.au.</p> <p>If you are uncertain in relation to any matter or are uncertain as to whether Gerard Lighting is a suitable investment for you, you should seek professional advice from your stockbroker, solicitor, accountant or other independent professional adviser.</p>	
Contact details	For further contact details, see the Corporate Directory.	Corporate Directory

Details of the Offer

3



Details of the Offer

3.1 Description of the Offer

The Offer is for 85 million Shares. The Offer will represent approximately 48% of the total Shares on issue following completion of the Offer, with the remaining approximately 52% held by the Gerard Family Shareholders.

All Shares under the Offer will be issued at the Offer Price, being \$1.00.

The Offer will be managed by the Lead Manager and Gerard Lighting. The Offer has been fully underwritten by the Lead Manager. For details of the Underwriting Agreement and the fees payable in relation to the underwriting, see Section 10.8.

All Shares offered for issue under the Offer will be issued subject to the disclosures in this Prospectus and will rank equally with each other and with the Existing Shares.

The total number of Shares on issue at Listing will be 177 million Shares.

3.2 Purpose of the Offer and use of funds

The gross proceeds of the Offer will be approximately \$85 million. The majority of the gross proceeds of the Offer will be used to repay debt provided by St George Bank and by Gerard Corporation and to fund working capital. The fees and expenses of the Offer will be deducted from the gross proceeds of the Offer.

It is expected that listing will benefit Gerard Lighting and will:

- provide access to public capital markets;
- provide a listed market for Shares; and
- provide an opportunity to invest in Gerard Lighting.

Source and uses of funds

Source of funds

Issue of New Shares under the Offer	\$85 million
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Uses of funds

Repayment of a portion of debt provided by St George Bank	\$35 million
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Repayment of debt provided by Gerard Corporation, including payment of associated fees	\$35 million
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Retained to fund working capital	\$8.6 million
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Pay fees and expenses of the Offer (including fees relating to revised finance facilities)	\$6.4 million
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3.3 Shareholders

As at the Prospectus Date, the Gerard Family Shareholders own 100% of Gerard Lighting and will do so until the issue of Shares under this Offer. The ownership structure of Gerard Lighting immediately before and after the issue of Shares under the Offer is shown in the table below.

Shareholder	Pre Offer Shares ¹	%	Post Offer Shares	%
Gerard Lighting Investments No. 1 Pty Ltd	46,919,603	51.0	46,919,603	26.5
Gerard Lighting Investments No.2 Pty Ltd	45,080,397	49.0	45,080,397	25.5
New Shareholders under the Offer	Nil	Nil	85,000,000	48.0
Total	92,000,000	100.0	177,000,000	100.0

Note:

1. Includes Shares to be issued pursuant to the debt to equity conversion described in Section 10.1.

Further information regarding the Gerard Family Shareholders is set out in Section 10.2.

3.4 How to apply for Shares under the Offer

3.4.1 Who may apply

The Offer is open to Australian and New Zealand residents (including Institutional Investors and professional investors) and to Foreign Institutional Investors. However, it is not open to any US Person or any person acting for the account, or for the benefit of, a US Person.

3.4.2 How to apply

If you wish to apply for Shares under the Offer you must complete the Application Form in accordance with the instructions set out on the form. Applicants must apply for a minimum of \$2,000 worth of Shares and in multiples of \$500 worth of Shares thereafter.

Your completed Application Form must be returned along with your Application Monies (subject to Section 3.4.5) to the Share Registry. Completed Application Forms and your Application Monies should be sent to the Share Registry using the reply paid envelope accompanying this Prospectus, or be mailed to:

**Gerard Lighting Group Limited
C/- Computershare
Investor Services Pty Ltd
GPO Box 1326
ADELAIDE SA 5001**

3.4.3 Application Monies

Your Application Monies can be paid by cheque, bank draft or money order. Cheques, bank drafts or money orders must be drawn on an Australian financial institution in Australian dollars and made payable to 'Gerard Lighting Share Offer Account'. Receipts for payment will not be issued.

If paying by cheque, you should ensure that sufficient funds are held in the relevant account to cover the amount of the Application Monies. If the amount received (or the amount for which a cheque clears in time for allocation) is less than the amount specified on the Application Form, you may be taken to have applied for such lower dollar amount of Shares for which your cleared Application Monies will pay (and to have specified that amount on your Application Form) or your Application may be rejected.

Application Monies received under the Offer will be held in a special purpose bank account until Shares are issued to successful Applicants. Applicants under the Offer whose Applications are not accepted, or who are allocated a lesser dollar amount of Shares than the amount applied for, will be mailed a refund (without interest) of all or part of their Application Monies, as applicable on or about Friday, 7 May 2010 (based on the indicative timetable, which is subject to change). Interest will not be paid on any monies refunded and any interest earned on Application Monies pending the allocation or refund will become an asset of Gerard Lighting.

3.4.4 Closing Date for receipt of Applications

Subject to Section 3.4.5, completed Applications and Application Monies must be received by the Share Registry, no later than 5:00pm AEST on Monday, 19 April 2010, unless the Lead Manager and Gerard Lighting elect to close the Offer early, extend the Offer or accept late Applications either generally or in particular cases. The Offer may be closed at any earlier date and time, without further notice. Applicants are therefore encouraged to submit their Applications as early as possible.

3.4.5 Application procedure – Institutional Investors

Gerard Lighting, in consultation with the Lead Manager, may, in its absolute discretion, accept Applications from Institutional Investors on the basis that the Application Monies are provided after the Closing Date, in accordance with arrangements advised by the Lead Manager.

Details of the Offer

3.4.6 Allocation policy under the Offer

If the value of Applications in the Offer is greater than the value of Shares available in the Offer, Applications will be scaled back.

Gerard Lighting has absolute discretion regarding the scaling and allocation of Shares to Applicants in the Offer, including giving priority to Gerard Lighting's employees, customers and suppliers and their associates.

In the event of an oversubscription, the allocation of Shares between Applicants will be determined by the Lead Manager and Gerard Lighting at their discretion, having regard to a range of factors including:

- Gerard Lighting's desire to establish a wide spread of Institutional Investors and other Shareholders;
- Gerard Lighting's desire for an informed and active market in Shares following Listing;
- Gerard Lighting's desire to give some preference (where appropriate) to employees, customers and suppliers of Gerard Lighting and their associates; and
- such other factors as the Lead Manager and Gerard Lighting consider appropriate in their absolute discretion having regard to the nature and extent of oversubscriptions and other circumstances existing at the time.

The Lead Manager and Gerard Lighting reserve the right to make allocations other than on the basis of a pro rata scale back of Applications.

The Lead Manager and Gerard Lighting will endeavour to give priority to employees, customers and suppliers of Gerard Lighting and their associates (to the extent known to the Lead Manager and Gerard Lighting), although a fixed number of Shares has not been allocated to employees, customers and suppliers of Gerard Lighting and their associates. The extent and nature of any such priority will depend on the nature and extent of oversubscriptions and other circumstances existing at the time.

3.4.7 Acceptance of Applications

An Application is an offer by the Applicant to Gerard Lighting to subscribe for Shares, for all or any part of the Application Amount specified in and accompanying the Application Form, at the Offer Price on the terms and conditions set out in this Prospectus including any supplementary or replacement Prospectus and the Application Form (including the conditions regarding quotation on ASX in Section 3.6). To the extent permitted by law, the offer by an Applicant is irrevocable. An Application may be accepted in respect of the full amount of Shares specified in the Application Form or any part of the amount of Shares specified in the Application Form, without further notice to the Applicant. Acceptance of an Application will give rise to a binding contract.

From Thursday, 6 May 2010 (based on the indicative timetable, which is subject to change), Applicants will be able to call the Gerard Lighting Offer Information Line on 1800 103 943 (within Australia) or +61 3 9415 4108 (outside Australia) between 8.30am and 5.30pm AEDT/AEST (as applicable), Monday to Friday, to find out details of their allocations.

If you sell Shares before receiving a holding statement, you do so at your own risk, even if you obtained details of your holding from the Gerard Lighting Offer Information Line or confirmed your allocation through your stockbroker.

3.5 Underwriting

The Shares offered under this Prospectus have been fully underwritten by the Lead Manager at the Offer Price. A summary of the Underwriting Agreement, including fees payable to the Lead Manager and termination provisions, is set out in Section 10.8.

3.6 ASX listing

Gerard Lighting will apply within seven days after the date of this Prospectus for admission to the official list of ASX and quotation of the Shares on ASX.

All contracts formed on acceptance of Applications under the Offer will be conditional on the quotation of the Shares on ASX. If the Shares are not admitted to quotation within three months after the date of this Prospectus, Application Monies will be refunded to Applicants as soon as practicable (without interest).

Based on the indicative timetable (which is subject to change), it is expected that the Shares will be issued to successful Applicants on Wednesday, 5 May 2010.

ASX takes no responsibility for this Prospectus or the investment to which it relates. Admission to the official list of ASX and quotation of the Shares on ASX are not to be taken as an endorsement by ASX of Gerard Lighting.

3.7 Commencement of trading on ASX

Subject to ASX admitting Gerard Lighting to the official list of ASX and quotation of the Shares on ASX, it is expected that the Shares will be quoted on ASX on or about Wednesday, 12 May 2010 (based on the indicative timetable, which is subject to change).

Following the issue of Shares, successful Applicants will receive a holding statement setting out the number of Shares issued to them under the Offer. It is expected that holding statement will be despatched by standard post on or about Friday, 7 May 2010 (based on the indicative timetable, which is subject to change).

It is the responsibility of Applicants to determine their allocation prior to trading in Shares. Applicants trading in Shares prior to receiving a holding statement do so at their own risk. Gerard Lighting, the Share Registry and the Lead Manager disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial holding statement, whether on the basis of a confirmation of allocation provided by any of them or by the Gerard Lighting Offer Information Line.

3.8 Selling Shares on ASX – CHESS

Gerard Lighting intends to apply to participate in ASX's Clearing House Electronic Subregister System (CHESS), in accordance with the Listing Rules and the ASTC Settlement Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on ASX under which transfers are effected in an electronic form.

When the Shares become Approved Financial Products (as defined in the ASTC Settlement Rules), holdings will be registered in one of two subregisters, an electronic CHESS subregister or an issuer sponsored subregister. The Shares of a Shareholder, who is a participant in CHESS or a person sponsored by a participant in CHESS, will be registered on the CHESS subregister. All other Shares will be registered on the issuer sponsored subregister.

Following settlement, Shareholders will be sent a holding statement that sets out the number of Shares that they have been allocated. This statement will also provide details of a Shareholder's Holder Identification Number (HIN) for CHESS holders or, where applicable, the Securityholder Reference Number (SRN) of issuer sponsored holders. Shareholders will be required to quote their HIN or SRN, as applicable, in all dealings with a stockbroker or the Share Registry. Holding statements are expected to be despatched on Friday, 7 May 2010 (based on the indicative timetable, which is subject to change). Certificates will not be issued to Shareholders. Shareholders will subsequently receive statements showing any changes to their Shareholding.

Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker, in the case of a holding on the CHESS subregister, or through the Share Registry in the case of a holding on the issuer sponsored subregister. Gerard Lighting or the Share Registry may charge a fee for these additional issuer sponsored statements.

3.9 Brokerage, commission and stamp duty

No brokerage, commission or stamp duty is payable by Applicants on Shares allotted under the Offer.

Fees are payable in relation to the Offer by Gerard Lighting to the Lead Manager. Details of the fees payable to the Lead Manager are set out in Section 10.8.1.

Details of the Offer

3.10 Discretion regarding the Offer

Gerard Lighting, in consultation with the Lead Manager, has the right to vary any of the dates or times set out in this Prospectus relating to the Offer, without notice to any recipient of this Prospectus or any Applicant. This includes, although is not limited to, varying the length of the Offer Period.

Gerard Lighting, in consultation with the Lead Manager, reserves the right not to proceed with the Offer at any time before the allocation of Shares to Applicants in the Offer. If the Offer is cancelled, all Application Monies, or the relevant Application Monies, will be refunded (without interest). Gerard Lighting and the Lead Manager also reserve the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications either generally or in particular cases, reject any Application, or allocate to any Applicant, fewer Shares than applied for.

3.11 Electronic Prospectus

The Offer constituted by this Prospectus is available electronically only to Australian and New Zealand residents accessing and downloading or printing the electronic version of this Prospectus within Australia or New Zealand. Australian and New Zealand residents may view this Prospectus online at www.gerardlighting.com.au.

Applicants using the Application Form attached to the electronic version of this Prospectus must be resident in Australia or New Zealand. The electronic version of this Prospectus is not available to persons outside Australia and New Zealand. In particular, it is not available in the United States.

Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus. During the Offer Period, a paper copy of the Prospectus (including an Application Form) will be provided on request free of charge by calling the Gerard Lighting Offer Information Line on 1800 103 943 (within Australia) or +61 3 9415 4108 (outside Australia) between 8.30am and 5.30pm AEDT/AEST (as applicable), Monday to Friday.

Industry overview

4



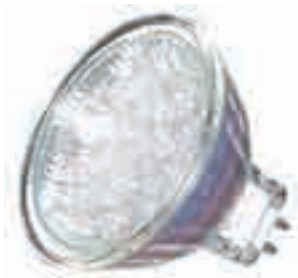
Industry overview

4.1 Introduction

Gerard Lighting is a leading supplier of lighting products in Australia and New Zealand with operations also in India, Indonesia, Malaysia and the Middle East. Lighting manufacturers and distributors, such as Gerard Lighting, supply products that are classified into two broad categories:

- Components (lamps/light bulbs)
 - comprising the outer glass bulb or tube and electrical elements, which may be coated to achieve particular performances; and

Sylvania, LED MR16



- Light fixtures and light control gear
 - comprising the complete lighting units including the lamp and parts designed to distribute the light, position and protect the lamp, connect to the power supply and control the operation of the lamp.

Sylvania, Lynx DL



4.2 Lighting technology

There are numerous types of light sources including, among others, incandescent, fluorescent, halogen, mercury vapour, metal halide and LEDs. The most common light sources work in the following manner:

- Incandescent lamps work by electricity passing through a tungsten filament.
- Halogen lamps also work by electricity passing through a tungsten filament, but they contain halogen gas inside the globe which reacts with the tungsten. Halogen globes are more expensive but last up to five times as long as standard incandescent light globes. Halogen globes are also more energy efficient.
- Fluorescent lamps work by electricity creating an arc in an inert gas contained in a glass tube. Compact fluorescent lamps use around 20% of the electricity used by an incandescent lamp to produce the same amount of light. In addition, a compact fluorescent lamp can last between four to 10 times longer than the average incandescent lamp.
- LEDs work by passing a current through a semiconductor material (largely composed of silicon). LEDs are more energy efficient than both incandescent and some fluorescent lamps.

Technology is a fundamental driver of growth and competition in the lighting market. More recently, technology in the lighting industry has been tied to increasing global concerns around the environment, resulting in the development of more energy efficient lighting products and lighting control systems. Technology related products include:

- LED technology that continues to improve its efficiency as technology advancements are rapidly occurring. This has expanded the scope in which LED technology can be used from small fittings to large industrial street lighting. LED fixtures, through the use of intelligent features, can give users greater control throughout all lighting occasions from home to work space.
- Sensors that combine with intelligent fixtures allow unused or low usage lighting to be switched off or dimmed to save energy. Sensors can now incorporate the use of daylight where fixtures that detect a certain level of light will dim or turn off in relation to the amount of light in the space. This is just one example of the many uses of sensor technology to improve efficiency, and allow fixtures to stand alone without the need for separate control units.
- Lighting control systems that can monitor and report on the health and energy consumption of every fixture within a building, promoting the responsible use of light and energy. Lighting control has advanced to the point where 'smart phones' have the capacity to be used as a control through the use of dedicated application software.
- New emergency lighting systems that utilise the latest in battery technology reducing hazardous waste and decreasing energy consumption. Efficient LED emergency lighting has emerged in recent times and its usage is on the rise.

'Intelligent lighting' is increasingly being demanded by consumers as they seek to reduce energy consumption. The combination of lighting controls makes fixtures, lamps and control gear 'intelligent'.

4.3 Australian demand

Gerard Lighting's principal market is Australia. Australia's estimated demand for lighting products was \$1.5 billion in FY2009 with the industry growing by an annual average rate of 4.4% per annum for the five years to FY2009. In Australia, lighting fixtures and control gear is the largest product segment comprising 85% of total demand with lighting components representing the remaining 15%.

The demand for lighting products is heavily influenced by building and construction activity and to a lesser extent roadway infrastructure spending. Key demand segments are summarised below.

Notably, demand for lighting components (such as lamps) is less sensitive to construction cycles than lighting fixtures and light control gear. Around 90% of lamps sold are replacement sales and therefore largely uncorrelated to economic cycles.

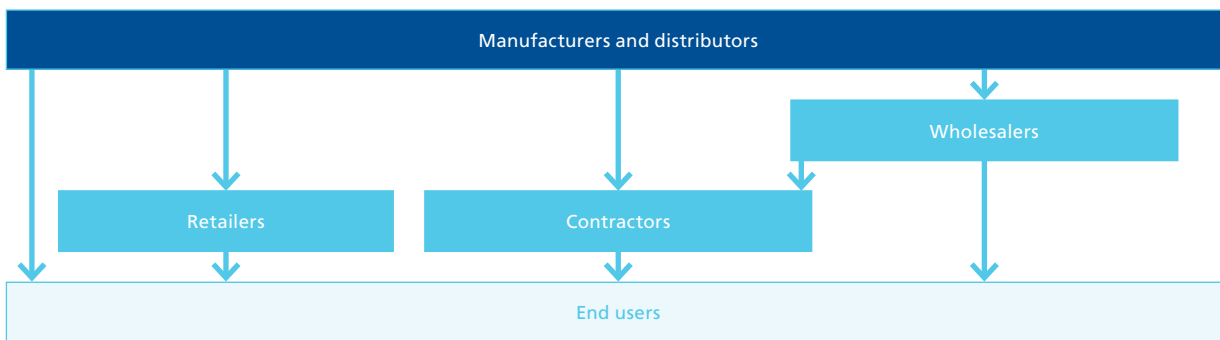
Gerard Lighting participates in every significant sector of the Australian industry with a focus on the commercial, infrastructure and wholesaler markets.

	Commercial Building & Construction	Residential Building & Construction	Infrastructure (Roadways)	Electrical & Lighting Wholesalers
Principal products	Fluorescent lighting fixtures, emergency lighting, floodlighting and industrial lighting fixtures.	Lighting fixtures for both internal and exterior applications.	Road light fixtures and lamps.	Lamps and commodity fixtures.
Drivers	Economic conditions, building codes, trends in architecture and refurbishment cycles.	Household formation rates, population levels, housing affordability, large scale developments, home renovation levels, consumer tastes.	Road construction.	Similar to residential building & construction.

Industry overview

4.4 Australian industry structure

Manufacturers and distributors of lighting products distribute products to wholesalers, retailers, electrical contractors and in some cases direct to the end user. Wholesalers and retailers, in some instances, also attempt to source product directly from overseas. Key sectors in the Australian lighting industry are as follows:



Manufacturers and distributors

The Australian manufacture and importation of lighting products is fragmented. Gerard Lighting is the market leader with sales representing approximately 25% to 30%¹ of the \$1.5 billion Australian lighting market. The next largest participant is estimated to hold less than 10% of the Australian market.

The major participants are Gerard Lighting, Australian subsidiaries of international companies (Philips Lighting, OSRAM Australia, Zumtobel and Legrand) and Australian owned manufacturers and distributors (Davis Lighting, Eye Lighting). A large number of other small to medium size companies also operate in the Australian market.

Wholesalers

The electrical wholesale sector in Australia is highly concentrated with the top four wholesale groups estimated to have 90% market share. Wholesalers sell product primarily to electrical contractors and, to a lesser extent, to end users.

Retailers

This sector sells a large proportion of its product direct to the end user, principally residential. This sector is highly competitive and has a low level of concentration. Electrical contractors tend to have accounts with one of the major retail outlets for convenience but tend to purchase the majority of their product through wholesale channels.

Contractors

Australian legislation requires that all electrical installations be done by licensed electrical contractors. Traditionally contractors have purchased the majority of their product from wholesalers.

End users

This sector includes various levels of government and those customers who specify, purchase, install and maintain their own lighting.

Note:

1. Based on gross sales (before rebates and settlement discounts) and excludes overseas sales.

While the barriers to entry are not high, Gerard Lighting prides itself on:

- being a wholly Australian owned company with long established relationships with electrical contractors;
- being able to supply and support all of the lighting components for major applications;
- reliable and timely supply from a nationwide distribution system;
- recognised brands; and
- access to new lighting technologies,

which it sees as a competitive advantage.

4.5 Key industry trends

The demand for energy efficient lighting products is increasingly driven by:

- global concerns about climate change and possible legislation to reduce carbon emissions;
- anticipated increases in electricity pricing which is in turn being driven by infrastructure upgrades, possible carbon pricing and other environmental costs;
- the emergence of several initiatives aimed at improving the efficiency of lighting products. These initiatives include the introduction of Minimum Energy Performance Standards (MEPS), 'Greenlight Australia' and the National Standby Strategy.

Lighting presents an opportunity to significantly reduce energy consumption.

Lighting accounts for some 19% of global electricity consumption. The focus on energy management, and the role of intelligent lighting, is increasing, causing growth in the demand for efficient lighting products and an increase in the home integration/automation market.

Technology is a driver of growth and competition in the lighting market. Product differentiation and competitive advantage is often derived through design, innovation and product features. Technological changes are also impacting lighting costs as older less efficient technologies are phased out by comparatively more expensive new technologies.

Gerard Lighting is well positioned to benefit from the change in the lighting industry towards 'smarter more efficient lighting solutions'.

Gerard Lighting's continued investment in research and development in the areas of energy efficient lighting solutions and intelligent lighting products supports the Group's position as the Australian market leader.

4.6 Australian regulation

The Commonwealth Government's policy and strategy in respect of the lighting industry is largely captured within the 'Greenlight Australia' initiative. This initiative outlines energy reduction targets proposed by the lighting industry and identifies lighting technologies to be gradually phased out (certain technologies have been phased out effective from 1 November 2009). 'Greenlight Australia' is aimed at improving the efficiency of all lighting equipment (lamps, ballasts, transformers and fixtures) in the commercial, industrial, residential and public lighting sectors.

The manufacture and supply of lighting products are regulated by State Government Acts that refer back to relevant Australian Standards (e.g. AS/NZS 3820 for essential safety of manufactured electrical products). Most lighting products are considered medium to low risk by the regulators, some, such as portable fixtures and fluorescent ballasts are high risk where Test Reports and Approval, prior to sale, are necessary. State Government legislation also requires Minimum Energy Performance Standards (MEPS). The Commonwealth Government coordinates this through the National Appliance and Equipment Efficiency Program. Under this program specific standards have been developed to enforce minimum performance levels and labelling.

Industry overview

In addition to Commonwealth and State legislation, the Lighting Council Australia was established in 2007 as a self regulating body to assist industry participants with compliance, regulation and lighting standards. The Lighting Council's key objective is to encourage the use of appropriately designed and manufactured high quality lighting systems and components in the commercial, outdoor, industrial and domestic sectors.

4.7 Australian industry outlook

The outlook for manufacturers and distributors of lighting products in Australia will be influenced by the following factors:

- the level of Australian commercial, residential and infrastructure building and construction activity;
- the drive for increased energy efficiency; and
- lighting costs as a proportion of total building costs.

Total Building Commencements is a leading indicator of building and construction activity in Australia. Information extracted from BIS Shrapnel Forecast Building Commencement tables indicates that an increase in FY2010 of 7% over FY2009 and a further increase of 12% for 1HFY2011 compared to 2H of FY2010. This suggests building and construction activity in Australia can expect a partial recovery in FY2011 compared to FY2010. Lighting demand tends to occur in the latter stages of building and construction activity, particularly for major projects

Global concerns around climate change, rising energy costs and the emergence of Government initiatives aimed at improving the efficiency of lighting products, is expected to drive future revenue growth in the lighting industry. In particular, this trend is anticipated to drive increased demand for efficient lighting products and an increase in the home integration/ automation market.

In Australia, lighting costs are estimated to have grown from approximately 1% to approximately 2.5% of total construction costs, principally due to energy efficiency requirements and increased popularity of intelligent lighting products and integrated lighting control systems.

The increase in the proportionate cost brings Australia closer to Europe and North America where lighting represents between 3% to 5% of total construction costs.

Company overview

5



Company overview

5.1 Introduction

Gerard Lighting's origins trace back to the formation of Pierlite during the 1950s, which was acquired by the Gerard family in the late 1980s. Pierlite initially specialised in adverse and hazardous lighting. Under the ownership of the Gerard family, the Gerard Lighting Group, with Pierlite as its first business, grew both organically and via the acquisition of businesses including Moonlighting, Aluminium Louvre Company, and CSE.

During 2003 Pierlite established a strategic alliance with Philips. Under a new distribution arrangement entered into in 2010, Pierlite continues to be a major distributor of Philips branded lamps to the Australian trade sector.

During FY2007, the Gerard Lighting Group embarked on a strategy of sourcing higher volume commodity lines from low cost manufacturing locations. It was at this time that Gerard Lighting Pty Ltd was established as the head company of the lighting business. In early 2008 Gerard Lighting Pty Ltd acquired ASX listed Lighting Corporation Limited to become the largest manufacturer, supplier and distributor of lighting products in Australia and New Zealand combined. This was a substantial acquisition for the Gerard Lighting Group that more than doubled its annual revenues.

Today the Gerard Lighting Group has a team of over 1,400 employees globally, representing a significant asset and a substantial competitive advantage to the Group. As the leading participant in the market, the Gerard Lighting Group has successfully assembled the most experienced team of lighting professionals operating in Australia and New Zealand. Each of Gerard Lighting's Executive Management Team (see Section 6.2) has over 20 years' experience in the lighting and electrical industry, complementing the Gerard family's long history in the electrical industry. Gerard Lighting considers that the cumulative experience of the broader management team represents a significant competitive advantage to Gerard Lighting.



1920 Alfred Gerard

Clipsal brand name was born when Mr Alfred Gerard developed the 'clips all' size of adjustable conduit fittings suitable for all sizes of imported metal conduit.



1920–2003 Clipsal

Under the leadership of Alfred's son, Geoff Gerard, the company initiated several manufacturing breakthroughs.

In 1976 Geoff's son, Robert Gerard AO, took over the business with plans to make Clipsal one of the biggest electrical accessory brands in the world.

The Gerard family sold its interest in the Clipsal business in 2003 and retained non-electrical accessories businesses such as Pierlite.



1950s Pierlite

Established during the 1950s.

The Pierlite logo depicted by the sun and the moon, two dominant sources of light control, demonstrates Pierlite's vision to strive to create innovative and energy conscious lighting systems.

Pierlite is now positioned as a market leader in Australasia for the design, manufacture and distribution of architectural and industrial commercial lighting systems

Gerard Lighting Group is represented in all capital cities, states and territories in Australia and New Zealand. Under the Pierlite brand, Gerard Lighting’s offshore strategic investments include India, the Middle East, Indonesia and Malaysia (see Section 5.5 for further information on the Group’s offshore operations). In addition, the Gerard Lighting Group has franchised operations in the United Kingdom, Pakistan, East Africa, Mozambique and Italy.

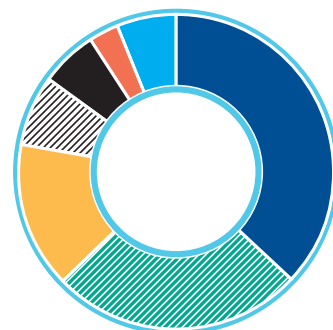
5.2 Gerard Lighting’s key brands and businesses

Gerard Lighting is the company behind Australia and New Zealand’s most comprehensive group of major lighting brands. The brand portfolio boasts a diverse range of businesses of varying sizes servicing all segments of the lighting industry, incorporating Pierlite, Sylvania, Crompton, Moonlighting, Inlite and Austube, all of which are leading lighting businesses in their respective market segments.

The FY2009 revenue contribution for each of the key businesses is shown to the right.

FY2009 revenue contribution

Pierlite	37%
Sylvania	26%
Crompton	15%
Moonlighting	7%
Inlite	6%
Austube	3%
Other	6%



**2007
Gerard Lighting**

In 2007, Gerard Lighting Pty Ltd was established as the head company of the lighting business.

**2008
Acquired LCL**

Gerard Lighting acquired Lighting Corporation Limited in early 2008 to become the largest lighting manufacturer and supplier in Australia.

Gerard Lighting’s brand portfolio is the envy of the lighting industry incorporating Pierlite, Sylvania, Crompton, Moonlighting, Inlite and Austube – all of which are leading lighting businesses in their respective market segments.



Today the Gerard Lighting Group has annual revenues in excess of \$365 million and employs more than 1,400 staff.

**2010
Initial public offering**

The IPO of Gerard Lighting will mark a new and exciting chapter in Gerard Lighting’s history and enable the Group to further grow its brands and reputation to enhance shareholder value.

Company overview

The Group's operations range from design through to product distribution, from commodity to high end architectural products and are conducted in Australia, New Zealand and the Asia Pacific region. The following table provides a brief description of Gerard Lighting's key businesses and brands:

Brand/Business	Business description
	<ul style="list-style-type: none"> – Designs and distributes a diverse range of light fittings for the industrial and commercial markets. – Customer sales are supported by an extensive distribution network with warehousing facilities in New Zealand, and every major city in Australia. – Holds exclusive agency agreements in Australia with a number of prestigious international lighting companies including Hoffmeister, Lithonia, DOT Downlights, Simes and Disano. The Hoffmeister, Lithonia and Disano agencies also extend to New Zealand. – Is a major distributor of Philips branded lamps to the Australian trade sector.
	<ul style="list-style-type: none"> – Markets a large range of lighting fixtures for roadways, architectural, industrial, commercial, decorative and residential applications as well as a diverse range of lighting sources. – Owns highly regarded brand names such as Sylvania Lighting (and derivations) and Concord Lighting and Lumiance for use in Australia and New Zealand. Sylvania is the exclusive distributor for Siteco (formerly Siemens Lighting) in Australia and New Zealand. – Also incorporates the CSE business which designs and manufactures electrical equipment for hazardous and arduous locations in Australia.
	<ul style="list-style-type: none"> – Has been operating since 1887 and is one of the largest lighting brands in Australia. – Operations consist of sourcing lamps and lighting products, primarily from China and Europe and distributing lighting products under its own brand and other brands such as Expo Light, Auvlux Lights Australia, Lightstar, Bug Zapper and Insect-o-Cutter. – Has extensive distribution channels through electrical wholesalers, lighting retailers, lighting specialists and hardware stores. – Exclusively distributes TridonicAtco lighting control equipment into the electrical wholesale market.

Brand/Business


INLITE

Austube®

GERARD
 L I G H T I N G

Business description

- Value added reseller of lighting and fixtures for project lighting in the commercial and industrial sectors of the building industry.
 - Is the exclusive Australian distributor of the Trilux, Holophane, Troll, Luxo, OptiLED, Light Tape, Luxit, Goccia and Atomis ranges.
 - Owns the brands Cellite, Regal Lighting, Aero, Sun Lighting and Select Lighting.
-
- Is a high end project based light distributor focused on commercial architectural projects in the architectural and specification market.
 - Its products are sold to specification and require a high level of technical sophistication, with no commodity products in its range.
 - Exclusive distributor in Australia of Delta, Light Dark, Prisma, Agabecov, Martini, Prandina, Marset, Meyer and Marc Pro.
-
- Established in 1994, Austube designs and manufactures tubular lighting systems to the middle to upper end of the commercial market.
 - Working closely with engineers, architects and key specifiers, it markets individually specified products through wholesalers and distributors.
 - Also offers an array of accessories such as downlights, emergency systems, motion and light level sensors, as well as integral audio, video, data and power cabling.
-
- Is one of the few large manufacturers of lighting products remaining in Australia.
 - Operates from the largest facility of its type in Australia.
-

Company overview

5.3 Business model

Gerard Lighting is a vertically integrated business incorporating research and development, manufacture and importation, marketing and distribution.

Underpinning the business model is the concept of independent businesses each with separate sales representation, account management, sales strategies, marketing strategy and product development strategies. The 'back office' is structured around the core principles of support functions and cost effective services provided to each of the businesses.

5.3.1 Manufacturing

Gerard Lighting manufactures and/or assembles approximately 50% of its product locally at leased facilities at Padstow, Gosford and Seven Hills (all in New South Wales). The Padstow facility is the largest of its type in Australia. The Group's design capability and the ability to manufacture product locally provides the Group with considerable flexibility in responding to customer requirements.

5.3.2 Supply chain

Approximately 35% to 40% of Gerard Lighting's product is sourced from overseas from low cost manufacturing countries, Europe and a small portion from North America. The remainder is sourced locally.

Gerard Lighting Group has invested considerable resources in establishing strategic relationships with manufacturers across China, India, Indonesia and Malaysia. These strategic relationships are now proving advantageous, minimising the impact on the Group from continued competition from low cost imported commodity product sourced and distributed by traders. Gerard Lighting's commodity supply chain is diversified to the extent that no single manufacturer exposes the Gerard Lighting Group to any significant level of dependency.

5.3.3 Key supply arrangements

The Gerard Lighting Group's top 10 suppliers account for 70% of product/components purchased and the top 20 suppliers account for 77% of the total product/component requirement. The Gerard Lighting Group has established strong relationships with many of its suppliers, over many years, and the high volumes of product ordered assists the Gerard Lighting Group in negotiating attractive buying terms.

Over many years the Gerard Lighting Group has established strategic relationships with industry leaders including:

- **Philips**
Global lighting company – the Gerard Lighting Group is a significant distributor of Philips' lamps to the trade sector and a significant OEM customer.
- **Havells**
Global lighting company – Sylvania has exclusive access to Sylvania Lighting International branded product.
- **Osram**
Global lamp and control gear supplier – strategic partner to the Gerard Lighting Group.
- **Vossloh Schwabe**
Global control gear supplier – strategic partner to the Gerard Lighting Group.
- **TridonicAtco**
Member of the Zumtobel Group – the Gerard Lighting Group has been appointed as the national distributor of TridonicAtco control gear.

Gerard Lighting's strategic partners are all highly regarded global lighting brands. These 'strategic partners' are regarded as technology leaders and invest heavily in research and development.

5.3.4 Finished goods and components

'Own' brand product comprises approximately 70% of total sales. To complement its own brands the Group has secured exclusive and non-exclusive distribution agreements for a range of highly regarded European and North American brands.

Through its design, manufacturing, sourcing and distribution capabilities Gerard Lighting is one of the few participants in the lighting industry who is able to offer a complete lighting solution.

5.4 Customer relationships

Gerard Lighting supplies its products through the traditional distribution channels for electrical products principally being electrical wholesalers, retailers and electrical contractors.

The relationship with electrical contractors is a significant and respected strategic asset of the Group. Electrical contractors are a critical customer group to Gerard Lighting as they have the ability to demand branded product from the wholesale channels. The Gerard Lighting Group and its management team have well established and long term respected relationships with a large portion of the electrical contracting community in Australia and New Zealand (both large and small).

Gerard Lighting's relationship with its customers continues to evolve and grow due to:

- Continued investment over decades by the Gerard family and Gerard Lighting sales representatives.
- Mutually beneficial incentive programs, which recognise and reward long term relationships with the Group.
- A suite of well established, trusted brands that produce a high degree of loyalty amongst the electrical contracting community.

The Group has recently introduced a contractor loyalty program, known as The TRIBE, to help differentiate itself from competition based purely on price and to give its members a sense of community and belonging.

- Reward loyalty
- Training and professional development
- Social and networking functions

Gerard Lighting's contractor loyalty program, The TRIBE



Company overview

5.5 Geographical presence

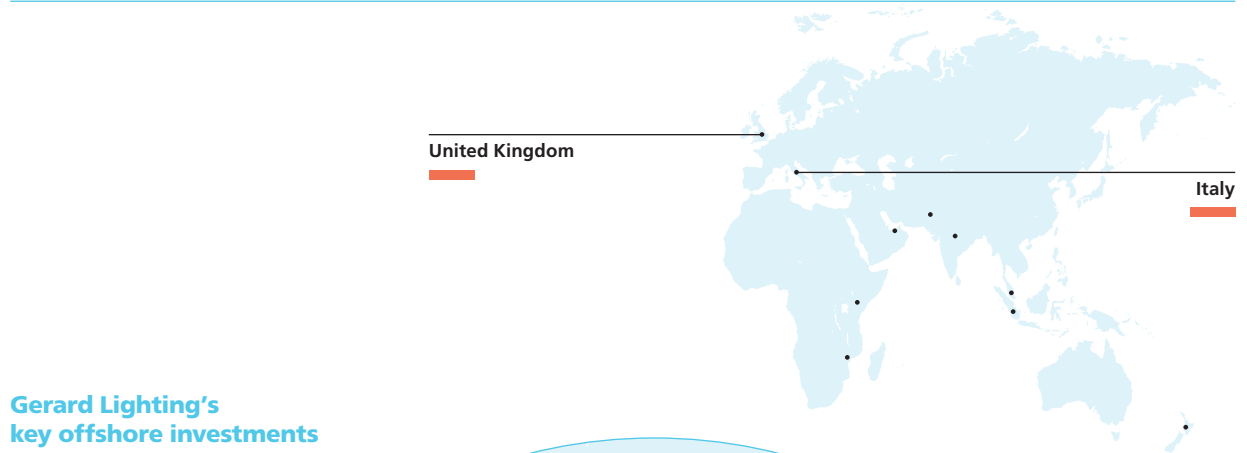
The Gerard Lighting Group's lighting distribution and partnership network is Australasia's largest. Gerard Lighting's six major brands are well positioned with sales representation and warehousing operations in cities across Australia and New Zealand.

Pierlite is established internationally with offices, including engineering and manufacturing facilities, located in Asia, India and the Middle East. Gerard Lighting has already established franchise agreements for the Pierlite brand in the United Kingdom, Pakistan, East Africa, Mozambique and Italy.

Gerard Lighting's Australasian distribution

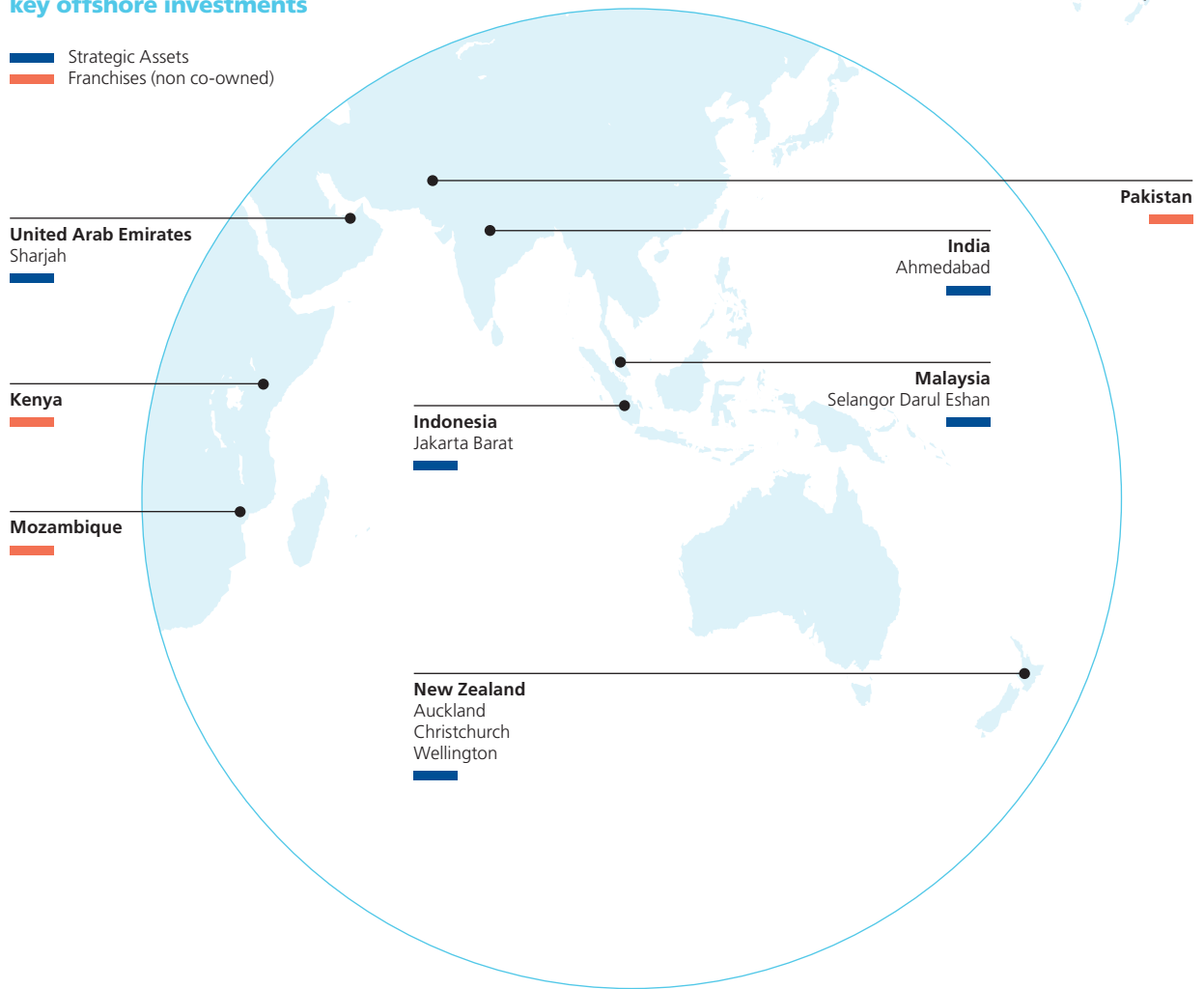
- Pierlite
- Sylvania
- Crompton
- Moonlighting
- Inlite
- Austube





Gerard Lighting's key offshore investments

- Strategic Assets
- Franchises (non co-owned)



Company overview

A brief summary of Gerard Lighting's key offshore investments follows:

Pierlite India (100%)

First controlled by members of the Gerard family in 1999 and acquired by Gerard Lighting in November 2009, Pierlite India's headquarters is located in Ahmedabad with branches in Mumbai, New Delhi, Jaipur, Pune, Hyderabad, Bangalore and Chennai. It employs a team of over 30 sales professionals and works with major architectural firms, lighting consultants and large corporations. The business is supported by more than 50 channel partners spread across the country to ensure fast and efficient supply.

Pierlite Indonesia (50%)

Established in new headquarters in Jakarta, Pierlite Indonesia serves the entire country with a wide choice of lighting products including industrial and commercial fluorescent lighting, flood lighting, architectural street lighting, landscape lighting and more. Hazardous area lighting is a priority in this region and Pierlite Indonesia is well placed with its engineering expertise to support this technically challenging field.

Pierlite Malaysia (80% Pierlite Indonesia; 40% effective Group ownership)

Pierlite Malaysia is based in Petaling Jaya. Established in 2008 after operating as an agent, Pierlite Malaysia is anticipating strong growth in the oil and petroleum industry. With 30 distributors currently appointed throughout the country, Pierlite Malaysia offers a complete hazardous area lighting solution with the CSE range of 'explosion proof' lighting fittings.

Pierlite Middle East (60%)

Located in the Sharjah Airport Free Zone, Pierlite Middle East is within close proximity to Dubai. The region includes GCC (Gulf Cooperation Council) countries, Levant, North, West and Central Africa, Iran, Iraq and select countries in central Asia.

Pierlite Middle East established manufacturing operations in 2008. The facilities have been designed to accommodate all sales, production and design requirements for the region, allowing for expansion into further Gulf regions.

5.6 Growth strategy

Gerard Lighting has a proven track record of delivering growth in revenues and as a result has become the leader in the combined Australian and New Zealand lighting market. The long term business strategy is to protect and grow the core business while extending and enhancing the Group's capabilities within aligned market segments, distribution channels and selected geographic locations. The Gerard Lighting Group's long term strategy includes the following key components.

5.6.1 Product innovation

A key component to ongoing sales growth is the continual introduction of innovative products. Core to the Group's ability to deliver innovative lighting solutions is an extensive research and development team, based in Adelaide, Sydney and Gosford. These dedicated engineering teams who specialise in lighting, electronic and electrical design are leaders in their fields of expertise.

Research and development will continue to remain a high priority, with the Group aiming to continually invest in support of product design and innovation.

5.6.2 Lower costs of production

Import competition in the Australian lighting industry is strong with imports accounting for a large proportion of the local market (estimated to account for over 53% of domestic demand in FY2009). It is estimated that imported product is up 8% in FY2009 in real terms compared with industry imports in the previous financial year.

A continuing strategy of Gerard Lighting is to constantly evaluate costs associated with production and product sourcing. The Group has already made a significant investment in its manufacturing facility in India and in establishing a network of 'partners' throughout Indonesia and China. Gerard Lighting believes there is significant opportunity to grow gross margins through pursuing cost reduction initiatives.

5.6.3 intelligent Lighting Products (iLP)

Technology is a fundamental driver of growth and competition in the lighting market. It is Gerard Lighting's objective to source 20% of revenue from technology related products within the next five years.

As part of its intelligent lighting products (iLP) strategy, Gerard Lighting is aiming to:

- develop lighting control systems that are compatible with common technology already in the market place;
- leverage from economies of scale through a centralised electronics research and development function; and
- introduce innovative new products by commercialising emerging technology.



Company overview

Rising energy costs and increased consumer awareness in relation to energy efficiency also represents a significant growth opportunity for Gerard Lighting. Gerard Lighting continues to invest in developing energy efficient lighting solutions through:

- advanced optical systems, utilising materials that can achieve high performance using fewer lamps and lowering power consumption;
- using energy efficient components such as new technology control gear, LED (SSL) lamps and others; and
- energy savings achieved through more effective lighting control systems. Core to Gerard Lighting's intelligent lighting strategy is to develop products that are compatible with recognised systems.

5.6.4 International expansion

Gerard Lighting has made an investment in both Asia and India and believes an opportunity exists to grow its sales markets in offshore locations such as India, the Middle East, Indonesia and Malaysia where there are ready markets and where Gerard Lighting is already represented. Part of the Group's growth strategy is to leverage off its international brand Pierlite and expand its sales penetration from a relatively low base.

5.6.5 Acquisition

The Australian lighting industry is undergoing a degree of consolidation with larger participants expanding their footprint via acquisition and wholesalers and manufacturers becoming more vertically integrated.

Gerard Lighting has demonstrated an ability to make acquisitions, integrate operations and extract operational synergies.

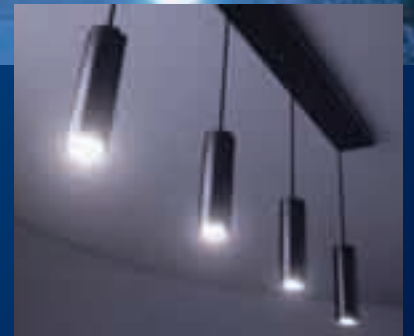
The Group is constantly evaluating potential acquisition targets that fit strategically and satisfy the Group's financial objectives. Given the level of fragmentation within the industry further consolidation through acquisition represents a significant opportunity to Gerard Lighting.

5.7 Risk factors

When making an assessment of Gerard Lighting's business, you should have regard to the information concerning risks contained in Section 9.

Board, Management and Corporate Governance

6



Board, Management and Corporate Governance

6.1 Board of Directors

Robert Gerard AO Chairman

Robert Gerard is the current Executive Chairman of Gerard Corporation and the former Chairman and Managing Director of Gerard Industries Pty Ltd (Clipsal) from 1976 to 2003. Robert's affiliations include: director of the Australian Made Campaign, director of the Order of Australia Association Foundation Limited, Chairman of the South Australian State Award Committee and Deputy Chairman of the World Fellowship Australasian Region of the Duke of Edinburgh Award. He is the Honorary Consul for Austria in South Australia and Honorary Consul for the Republic of South Africa in Adelaide.

Simon Gerard Managing Director and Chief Executive

Prior to his appointment as Gerard Lighting's Managing Director in early 2006, Simon Gerard held the position of Executive General Manager of Clipsal Australia, Australia's leading manufacturer of electrical accessories and automation products.

Simon holds a Bachelor of Management and an Associate Diploma in Business from the University of South Australia. Simon is a member of the board of directors of Lighting Council Australia.

Rick Allert AO FCA Deputy Chairman, Independent Non-Executive Director, Chairman of the Nomination and Remuneration Committee

Rick Allert is Chairman of Tourism Australia and Chairman of AXA Asia Pacific Holdings Limited.

He is a director of Genesee & Wyoming Australia Pty Ltd, Chairman of The Aboriginal Foundation of South Australia Inc., Chairman of Australia Council's Major Performing Arts Board, as well as a member of the Australia Council for the Arts and a member of the Australian Forces Entertainment Board.

Rick's former appointments include Chairman of Coles Group Limited, Chairman of Southcorp Limited, Chairman of the AustralAsia Railway Corporation, Chairman of Voyages Hotels & Resorts Pty Ltd, President of the National Heart Foundation of Australia, member of the Review of Business Taxation (Ralph Committee) and Deputy Chairman of Adelaide Football Club Ltd.



Robert

Simon

Rick

Graham Walters AM FCA
Independent
Non-Executive Director,
Chairman of the Audit
and Risk Committee

Graham Walters is Non-Executive Chairman of Westpac’s South Australian Executive Committee and is a director of a number of companies including, Australian Rail Track Corporation Ltd (Chairman Audit Committee), Elders Ltd (until 31 March 2010), MasterSuper (Chairman), Adelaide Development Company Ltd, Bio Innovation SA and Adelaide Festival Corporation. He is also a member of the Business & Advisory Committee of the Salvation Army (South Australia).

Graham’s former appointments include director of Elders Insurance Ltd, President of The Royal Automobile Association of South Australia Inc, and Chairman of Minelab Electronics Pty Ltd.

Mr Walters is a Fellow of the Institute of Chartered Accountants and has extensive experience in accounting, audit and risk management including having formerly held roles as Managing Partner and Chairman of KPMG South Australia and as a member of the National Board of KPMG.

Michael Crompton
Independent
Non-Executive Director

Michael Crompton has over 20 years’ experience in the electrical industry and has held the positions of General Manager of MM Cables Energy Products, General Manager of Crompton Lighting and Managing Director of Sylvania Lighting and has been a director of Lighting Council Australia. Michael holds a Bachelor of Science Honours Degree in Management Sciences from the University of Manchester Institute of Science & Technology (United Kingdom), is an Associate Member of the Chartered Institute of Management Accountants and a Senior Associate of the Financial Services Institute of Australia.

Gary Savage FCA
Executive Director,
Company Secretary (Joint)

Gary Savage joined Gerard Lighting at the end of July 2009. Gary previously spent 30 years with KPMG, 13 years as a partner. Gary has significant experience in the provision of advice in the areas of assurance, risk management, acquisition and vendor due diligence, investigating accountant reports, corporate governance and general business management. Gary holds Bachelor of Commerce (Honours) Degree from the University of Pretoria and is a Fellow of the Institute of Chartered Accountants in Australia.

Graham Ellis
Alternate Director
to Gary Savage,
Chief Financial Officer

Graham Ellis has 23 years’ experience in the electrical accessories industry, the last 17 years in the lighting industry with the Gerard Lighting Group. Graham’s experience includes major development of the operational systems and accounting functions with broad knowledge of the AS400 system Movex and previously BPCS, and involvement in business developments of new markets and strategies of the corporation. Graham holds a Bachelor of Arts (Accountancy) Degree and is a member of CPA Australia and the Australian Institute of Company Directors.



Board, Management and Corporate Governance

Mark Pearson

Company Secretary (Joint)

Mark Pearson has held positions as chief financial officer and company secretary of several publicly listed companies, most recently Lighting Corporation Limited until its acquisition by Gerard Lighting. Since Gerard Lighting acquired Lighting Corporation Limited, Mark has been serving Gerard Lighting in the role of Group General Manager – Business Integration. Mark is a Chartered Accountant and holds post graduate qualifications at Masters level in Business Management (MBA), Finance (MFin) and Business Law (MBL).

6.2 Executive Management Team

Ben Mills

Executive General Manager Pierlite

Ben Mills has 22 years' experience within the lighting industry and joined Pierlite in May 1989. During this time Ben has held management positions in product, export, state, national sales and marketing, culminating in his appointment to Executive General Manager in 2001. Ben is a member of the Illuminating Engineering Society of Australia and New Zealand.

Mark West

Executive General Manager
Sylvania Lighting

Mark West has 23 years' experience within the electrical industry comprising eight years' experience in testing and certification of electrical products as a Systems Engineer and Supervisor and 15 years lighting experience with Concord Lighting and Sylvania Lighting. Mark was appointed Executive General Manager of Sylvania Lighting in 2008. Mark holds a Master of Business Administration and a Master of Management from the Macquarie Graduate School of Management. He is a member of Lighting Council Australia and various sub committees advising the Australian Federal Government on energy efficiency.

Michael Cotterill

Executive General Manager
Crompton Lighting

Michael Cotterill has over 24 years' experience within the lighting industry, having joined Crompton in 1983. Michael performed many roles within the business including Purchasing Manager and National Sales and Marketing Manager. Michael was appointed Executive General Manager of Crompton Lighting in 2005.

Edwin Sargeant

Executive General Manager Austube

Edwin Sargeant started in the lighting industry 21 years ago. Edwin co-founded Austube in 1994, which was sold to Lighting Corporation Limited in 2006, where he has continued to work with the Group ever since. Edwin is a foundation member of Lighting Council Australia and a member of the Illuminating Engineering Society of Australia and New Zealand.

Craig Hewitt

Executive General Manager
Moonlighting

Craig Hewitt has over 30 years' experience in the electrical industry with 16 years of service within the Gerard Lighting Group. Craig commenced with Pierlite as a Product Development Manager (industrial/commercial products) before being promoted to the roles of New South Wales State Manager and followed by National Commercial Manager. Craig was appointed to the role of Executive General Manager for Moonlighting in 2007.

Phil Eaton

Executive General Manager Inlite

Phil Eaton has over 30 years' experience in the lighting industry with diversified experience in all areas of administration, sales, product management and marketing. He initially worked for several architectural lighting specialists before taking up a position with Philips Lighting where he worked for 16 years. Phil joined the Gerard Lighting Group after the acquisition of his own successful lighting business in 2001 and shortly after took up the position of Executive General Manager of Inlite.

Neil Walker

Executive General Manager Gerard Lighting (NZ)

Neil Walker has 20 years' diversified experience in the New Zealand electrical industry. Over the last 14 years, Neil has held positions of Northern Regional Manager for Clipsal New Zealand and Country Manager for HPM and was responsible for the integration of Legrand after their purchase of HPM. Neil joined Gerard Lighting (NZ) in July 2009. Neil is a qualified electrician and is a member of the New Zealand Illumination Engineering Society.

6.3 Corporate governance

The Board is responsible for the overall corporate governance of Gerard Lighting, including adopting the appropriate policies and procedures designed to ensure that Gerard Lighting is properly managed to protect and enhance Shareholder interests and that Directors, management and employees fulfil their functions effectively and responsibly. The Board has created a framework for managing Gerard Lighting including adopting relevant internal controls and a risk management process which it believes are appropriate for Gerard Lighting's business.

The main corporate policies and practices adopted by Gerard Lighting, some of which will take effect from Listing, are summarised below. In addition, many governance elements are contained in the Constitution of Gerard Lighting.

The Board, in establishing its corporate governance principles, has had regard to the ASX Corporate Governance Principles and Recommendations, and the reasons for any departure from these principles and recommendations are explained below.

6.3.1 Board appointment and composition

The Board is currently made up of six Directors, four of whom are Non-Executive Directors. The Board has determined that three of these Non-Executive Directors, namely Rick Allert, Graham Walters and Michael Crompton, are independent.

The Board considers an independent Director to be a Non-Executive Director who is not a member of Gerard Lighting's management and who is free of any business or other relationship that could materially interfere with the independent exercise of their judgement. The Board will consider the materiality of any given relationship on a case by case basis and

has adopted materiality guidelines to assist it in this regard. The Board reviews the independence of each Director in light of interests disclosed to the Board from time to time.

The Board considers that Graham Walters is an independent Director notwithstanding his position as Non-Executive Chairman of Westpac Banking Corporation's South Australian Executive Committee. While St George Bank (Gerard Lighting Group's principal financier) is a division of Westpac Banking Corporation, the Board does not consider that this position would affect Mr Walters' independence. The Board considers that Michael Crompton is an independent Director notwithstanding that he held an executive position with a subsidiary of Gerard Lighting and a period of only approximately one and a half years has elapsed since Mr Crompton held that position. The Board does not consider that this former position would affect Mr Crompton's independence.

While the Board does not currently comprise of a majority of independent Directors (as recommended by Recommendation 2.1 of the ASX Corporate Governance Principles and Recommendations), there are an equal number of independent and non-independent Directors and the Board is structured such that it comprises Directors from a variety of business and professional backgrounds who bring a range of commercial, operational, financial skills and experience relevant to the Company and the industry in which it operates. The Board considers that the current Board composition has a proper understanding of, and competence to deal with, the current and emerging issues of the business of Gerard Lighting, and can effectively review and challenge the performance of management and exercise independent judgement on relevant issues. In addition, the Board seeks to ensure that, at any point in time, its membership represents an appropriate balance between Directors

with experience and knowledge of the Group and Directors with an external perspective.

The Chairman, Robert Gerard is not considered an independent chairman. The Board considers this departure from Recommendation 2.2 of the ASX Corporate Governance Principles and Recommendations is appropriate given the Gerard Family Shareholders' interest in Gerard Lighting and Robert Gerard's considerable experience within the Company and the electrical industry.

The Board separates the role of Chairman and Managing Director. Details of the Directors, including their qualifications and experience are set out in Section 6.1.

6.3.2 Board responsibilities

The Board has adopted a charter to provide a framework for its effective operation. The Board's role and responsibilities, as set out in its charter, include to:

- enhance Shareholder value;
- oversee Gerard Lighting, including its control and accountability systems;
- appoint the Managing Director and succession planning;
- approve corporate strategy and goals and reviewing performance against those goals;
- monitor the integrity and consistency of management's control of risk;
- approve and monitor the progress of major capital expenditure, capital management and acquisitions and divestitures;
- approve business plans and budgets; and
- approve and monitor financial and other reporting.

The Board delegates management of Gerard Lighting's resources to the Senior Management Team, under the leadership of the CEO, to deliver the strategic direction and goals determined by the Board.

Board, Management and Corporate Governance

Directors are provided direct access to and may rely upon senior management and outside advisers and auditors. Board committees and individual Directors may seek independent professional advice at Gerard Lighting's expense in the performance of their duties.

6.3.3 Board committees

The Board discharges its duties in relation to certain specific functions through the following committees of the Board:

- Audit and Risk Committee; and
- Nomination and Remuneration Committee.

The Board has charters for each of its committees. The committees report back to the Board and do not have formal delegation of decision making authority. The Board and committee charters may be viewed on the Gerard Lighting website at www.gerardlighting.com.au.

Audit and Risk Committee

The primary role of the Audit and Risk Committee is to:

- oversee the process of financial reporting, internal control, financial and non-financial risk management and compliance and external audit;
- monitor Gerard Lighting's compliance with laws and regulations;
- encourage effective relationships with, and communication between, the Board, management and Gerard Lighting's external auditor; and
- evaluate the adequacy of processes and controls established to identify and manage areas of potential risk and to seek to safeguard Gerard Lighting's assets.

The committee currently consists of three Non-Executive Directors. The current members of the committee are:

- Graham Walters (Chairman);
- Rick Allert; and
- Michael Crompton.

The committee's charter provides that the committee will comprise all Non-Executive Directors, a majority of whom will be independent.

Members of management and the external auditors attend meetings of the committee by invitation. The committee may also have access to financial and legal advisers, in accordance with the Board's general policy.

Gerard Lighting has a policy that its external auditing firm must be independent. The committee will review and assess the independence of the external auditor on an annual basis.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee is responsible for matters relating to succession planning, recruitment and the appointment and remuneration of the Directors and the CEO, and overseeing succession planning, selection and appointment practices and remuneration packages for management and employees of Gerard Lighting.

The objectives of the committee include, to:

- review, assess and make recommendations to the Board on the desirable competencies of the Board;
- assess the performance of the members of the Board;
- oversee the selection and appointment practices for Directors and the Senior Management Team;
- develop succession plans for the Board and oversee the development of succession planning in relation to management; and
- assist the Board in determining appropriate remuneration policies (including short and long term incentive plans for the CEO).

In making recommendations to the Board regarding the appointment of Directors, the committee is to periodically assess the appropriate mix of skills, experience and expertise required on the Board, and assess the extent to which the required skills and experience are represented on the Board.

The committee may obtain information from, and consult with, management and external advisers, as it considers appropriate.

The committee consists of three Non-Executive Directors. The committee's charter provides that the majority of the committee members will be independent Directors. The current members of the committee are:

- Rick Allert (Chairman);
- Graham Walters; and
- Robert Gerard.

6.3.4 Risk management policies

The identification and proper management of Gerard Lighting's risks are an important priority of the Board. The Board establishes the policies for the oversight and management of material business risks and internal controls. These policies highlight the risks relevant to Gerard Lighting's operations, and Gerard Lighting's commitment to designing and implementing systems and methods appropriate to minimise and control its risk. The Audit and Risk Committee is responsible for monitoring risk management and establishing procedures which seek to provide assurance that major business risks are identified, consistently assessed and appropriately addressed.

6.3.5 Continuous disclosure policy

Gerard Lighting is committed to observing its disclosure obligations under the Corporations Act and the Listing Rules, to keep the market fully informed of information which is not generally available and which may have a material effect on the price or value of Gerard Lighting's securities. Gerard Lighting has adopted a policy to take effect from Listing which establishes procedures and protocols aimed at ensuring that Directors and management are aware of and fulfil their obligations in relation to the timely disclosure of material price sensitive information.

Pursuant to the policy, Gerard Lighting will immediately notify the market, by announcing to ASX, of any information (**Material Information**), concerning the business of Gerard Lighting, which a reasonable person would expect to have a material effect on the price or value of Gerard Lighting's securities (subject to applicable exceptions).

Gerard Lighting will not release Material Information to any other person until it has given the information to ASX and received an acknowledgement that ASX has released the information to the market.

The Board has appointed Gerard Lighting's company secretaries as its Disclosure Officers. The Disclosure Officers are charged with ensuring that Gerard Lighting complies with its continuous disclosure obligations.

The Board has also established protocols and procedures for reviewing information that may need to be disclosed. The Disclosure Officer in conjunction with the Chief Executive Officer, the Deputy Chairman and the Chairman of the Audit and Risk Committee will determine whether the information constitutes Material Information that must be disclosed.

6.3.6 Share trading guidelines

Gerard Lighting has adopted guidelines to take effect from Listing for dealing in securities which are intended to explain the prohibited conduct in relation to dealings in securities under the Corporations Act and to establish a best practice procedure in relation to dealings in Shares by Directors and senior employees (which includes executive general managers and group general managers, and their associates).

Subject to the overriding restriction that persons may not deal in Shares while they are in possession of material price sensitive information, Directors and senior employees will only be permitted to deal in Shares during certain 'window periods', such as following the annual general meeting, the release of Gerard Lighting's full and half year financial results or the release of a disclosure document offering Shares in Gerard Lighting.

Outside of these periods, Directors and senior employees must receive clearance for any proposed dealing in Shares.

All Directors must report all dealings in Shares without delay, and no later than the following business day, to the company secretary irrespective of whether the dealing occurs within or outside a 'window period'.

6.3.7 Code of conduct

The Board acknowledges the need for Directors, executives and employees to observe the highest standards of corporate practice and business conduct. Accordingly, the Board has adopted a formal Code of Conduct to be followed by all employees and officers. The key aspects of this code are to:

- act with honesty, integrity and fairness and in the best interest of Gerard Lighting;
- act in accordance with all applicable laws, regulations, policies and procedures; and
- use Gerard Lighting resources and property properly.

The Code of Conduct encourages all employees and other stakeholders to report any breaches of the Code to the Company, and seeks to protect the anonymity of the reporter.

The Code of Conduct is to be regularly reviewed and approved by the Board.

The Code of Conduct is available on the Gerard Lighting website at www.gerardlighting.com.au.

Board, Management and Corporate Governance

6.3.8 Communications with Shareholders

Gerard Lighting is committed to keeping Shareholders informed of all major developments affecting the Company's state of affairs relevant to Shareholders in accordance with all applicable laws. Information will be communicated to Shareholders through the lodgement of all relevant financial and other information with ASX and through publishing information on Gerard Lighting's website (www.gerardlighting.com.au). In particular, Gerard Lighting's website will contain information about Gerard Lighting, including media releases, key policies and the terms of reference of Gerard Lighting's Board committees. All relevant announcements made to the market and any other relevant information will be posted on Gerard Lighting's website soon after it has been released to ASX.

6.3.9 Deeds of access, indemnity and insurance

Gerard Lighting has entered into deeds of access, indemnity and insurance with each Director which confirm the Director's right of access to Board papers and require Gerard Lighting to indemnify the Director for a liability incurred as a Director or officer of Gerard Lighting or any of its related bodies corporate.

Please also refer to Section 10.5.14 for further details on the indemnities provided by Gerard Lighting to its Directors and senior executives.

6.3.10 Departures from ASX Corporate Governance Principles and Recommendations

Gerard Lighting has departed from the ASX Corporate Governance Principles and Recommendations as follows:

- As disclosed in Section 6.3.1, Gerard Lighting does not comply with Recommendation 2.1 of the ASX Corporate Governance Principles and Recommendations (majority of the board should be independent) and Recommendation 2.2 of the ASX Corporate Governance Principles and Recommendations (chair should be an independent director) for the reasons noted in Section 6.3.1.
- Messrs Allert and Walters have been issued Options to subscribe for Shares in Gerard Lighting. Recommendation 8.2 of the ASX Corporate Governance Principles and Recommendations state that companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives and an associated guideline suggests that non-executive directors should not receive options. The Board considers that the issue of Options to Messrs Allert and Walters is appropriate and is unlikely to adversely affect their independence. The issue of Options enables a company in the circumstances of Gerard Lighting to provide adequate remuneration to attract and retain experienced directors, such as Messrs Allert and Walters, without drawing on additional cash reserves of Gerard Lighting. Details of the Options issued to each of Messrs Allert and Walters are set out in Sections 10.14.1 and 10.14.2.

- Mr Crompton is entitled to receive a termination payment of \$100,000 on ceasing to be a Director. The ASX Corporate Governance Principles and Recommendations include a guideline that directors should not be provided with retirement benefits other than superannuation. The Board considers that the payment of a retirement benefit to Mr Crompton to be appropriate because the payment was agreed with Mr Crompton at the time of his appointment as a Non-Executive Director at a time when Gerard Lighting was a privately owned group.

Financial Information

7



Financial Information

7.1 Introduction

This Section contains a summary of the following historical and forecast financial information of Gerard Lighting, (together the **Financial Information**).

The Historical Financial Information comprises the:

- pro forma consolidated income statements of Gerard Lighting for the years ended 30 June 2008 (**FY2008**) and 30 June 2009 (**FY2009**) and the six months ended 31 December 2009 (**1H FY2010**), together with a reconciliation to the statutory audited and reviewed consolidated EBIT for FY2008, FY2009 and 1H FY2010 respectively (see Sections 7.3 and 7.11);
- pro forma consolidated historical statement of financial position of Gerard Lighting as at 31 December 2009 together with a reconciliation to the statutory reviewed consolidated statement of financial position of Gerard Lighting as at 31 December 2009 (see Section 7.5); and
- pro forma consolidated cash flow statements of Gerard Lighting for FY2008, FY2009 and 1H FY2010 (see Section 7.6).

The Forecast Financial Information comprises the:

- pro forma consolidated forecast income statements of Gerard Lighting for the years ended 30 June 2010 and 30 June 2011 (**FY2010** and **FY2011**, respectively) (see Section 7.3), together with a reconciliation of the statutory consolidated forecast NPAT of Gerard Lighting for FY2010 and FY2011 (see Sections 7.3 and 7.11); and
- pro forma consolidated cash flow statements of Gerard Lighting for FY2010 and FY2011 (see Section 7.6).

This Section also summarises the:

- basis of preparation of the Financial Information (see Section 7.2);
- Directors' best estimate assumptions underlying the Forecast Financial Information (see Section 7.9); and
- significant accounting policies relevant to the Financial Information (see Section 7.17).

The Financial Information has been reviewed by KPMG Transaction Services (Australia) Pty Ltd, whose Investigating Accountant Report is contained in Section 8. The information in this Section should also be read in conjunction with the risk factors set out in Section 9 and other information contained in this Prospectus.

7.2 Basis of preparation and presentation of the Financial Information

Gerard Lighting will use the proceeds from the issue of the Shares under the Offer to:

- fund the repayment of a part of existing core debt with St George Bank (comprising mezzanine and senior debt) (and pay associated fees);
- fund the repayment of a subordinated loan advanced by Gerard Corporation associated with the purchase of Lighting Corporation Limited in January 2008, including payment of associated fees;
- fund working capital; and
- pay the fees and expenses of the Offer.

The principal accounting policies adopted in the preparation of the Financial Information are set out in Section 7.17. These policies are in compliance with the recognition and measurement principles of Australian equivalents of International Financial Reporting Standards (AIFRS) and Australian Accounting Standards.

The Financial Information is presented in an abbreviated form and does not contain all the disclosures that are usually provided in an Annual Report prepared in accordance with the Corporations Act and therefore cannot be expected to provide as full an understanding of the financial performance, position and cash flows of Gerard Lighting as an Annual Report.

Preparation of Historical Financial Information

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 proposed Listing of Gerard Lighting. The substance of the transactions contemplated under the Offer have been evaluated with reference to Australian Accounting Standard *AASB 3 Business Combinations* and it has been determined that the 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.

In preparing the Historical Financial Information, adjustments were made to the audited consolidated results of Gerard Lighting Pty Ltd for the years ended 30 June 2008 and 30 June 2009 and the reviewed consolidated income statement for the six months ended 31 December 2009 considered appropriate to reflect Gerard Lighting Group's current operations and to eliminate certain non-recurring items. These non-recurring items primarily relate to impairment and write downs of non-core assets and investments of Gerard Lighting Pty Limited.

The reconciliation in Section 7.11 sets out items that have been deducted from or added, as appropriate, to statutory net profit (loss) for the purposes of calculating unaudited pro forma historical EBIT, which is a measure that the Directors and management find helpful in evaluating the day to day performance of Gerard Lighting Group because it excludes items that have little or no significance to the Gerard Lighting Group's day to day operations and better reflects the historical operating performance.

Due to Gerard Lighting Pty Ltd's:

- acquisition of Lighting Corporation Limited in January 2008; and
- divestment of ownership interests in Pierlite Italia SRL (formerly Luxalite), Pierlite Pakistan Pvt Ltd and Pierlite East Africa Ltd with effect from December 2009,

the financial performance reflected in the FY2008 and FY2009 audited consolidated statutory financial statements and reviewed consolidated 1H FY2010 income statements of Gerard Lighting Pty Ltd are not directly comparable between the pro forma consolidated historical income statements for the years ended 30 June 2008 and 30 June 2009 or the pro forma consolidated forecast income statements for the years ending 30 June 2010 and 30 June 2011.

To show the financial performance on a comparable basis, pro forma income statements for the years ended 30 June 2008 and 30 June 2009 and six months ended 31 December 2009 have been presented, including the results of Lighting Corporation Limited and excluding the results of Pierlite Italia SRL, Pierlite Pakistan Pvt Ltd and Pierlite East Africa Ltd as if the acquisitions and divestments respectively had taken place on 1 July 2007.

The pro forma historical income statements also contain an estimate of the incremental costs associated with being a public company and have been amended to eliminate interest and tax given the different corporate and funding structures following the Offer.

Preparation of Forecast Financial Information

The Directors believe they have prepared the Forecast Financial Information with due care and attention, and consider all best estimate assumptions when taken as a whole to be reasonable at the time of preparing this Prospectus.

The Forecast Financial Information has been prepared on the basis of numerous assumptions, including the key best estimate assumptions set out in Section 7.9. This information is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring, and is not intended to be a representation that the assumptions will occur.

The Forecast Financial Information and the best estimate assumptions on which it is based are by their very nature subject to significant uncertainties, contingencies and unexpected events and to a number of business, economic and competitive risks, many of which are outside the control of Gerard Lighting and its Directors. Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information, and that this may have a materially positive or negative effect on Gerard Lighting's actual financial performance or financial position. Investors are advised to review the key best estimate assumptions set out in Section 7.9, in conjunction with the sensitivity analysis set out in Section 7.10, the risk factors set out in Section 9 and other information set out in this Prospectus.

The basis of preparation and presentation of the Forecast Financial Information, to the extent relevant, is consistent with the basis preparation and presentation of the Historical Financial Information.

Financial Information

7.3 Summary of pro forma consolidated historical and forecast income statements

Set out below is a summary of Gerard Lighting's unaudited pro forma consolidated historical income statements for FY2008, FY2009 and 1H FY2010 and the pro forma consolidated forecast income statements for FY2010 and FY2011. The historical income statements have been presented before interest and income tax due to the different corporate and funding structure that will be in place after the Offer.

Year to 30 June (\$'000's)	Pro forma historical			Pro forma forecast		Statutory forecast	
	FY2008	FY2009	1HFY2010	FY2010	FY2011	2HFY2010	FY2011
Revenue	369,740	368,997	181,194	364,097	399,850	182,903	399,850
Gross profit	129,025	130,763	71,256	140,273	155,155	69,017	155,155
Operating expenses	(100,891)	(100,651)	(53,342)	(105,496)	(114,921)	(52,154)	(114,921)
EBITDA	28,134	30,112	17,914	34,777	40,234	16,863	40,234
Depreciation and amortisation	(3,830)	(3,747)	(1,778)	(3,800)	(4,691)	(2,022)	(4,691)
EBIT	24,304	26,365	16,136	30,977	35,543	14,841	35,543
Financing costs				(14,369)	(8,370)	(6,685)	(8,370)
Profit before tax				16,608	27,173	8,156	27,173
Income tax (expense)/benefit				(5,986)	(8,773)	(2,626)	(8,773)
Profit/(loss) for the period				10,622	18,400	5,530	18,400
Attributable to:							
Equity holders				11,338	19,178	5,818	19,178
Minority interests				(716)	(778)	(288)	(778)

Year to 30 June (\$'000's)	Summary reconciliation to statutory accounts				
	FY2008	FY2009	1HFY2010	FY2010	FY2011
Pro forma historical/forecast EBIT	24,304	26,365	16,136	30,977	35,543
Net adjustments ¹	(11,672)	(8,139)	(2,881)	(16,136)	–
Statutory historical/forecast EBIT	12,632	18,226	13,255	14,841	35,543
Interest and tax				(9,311)	(17,143)
Statutory forecast NPAT				5,530	18,400

1. Please refer to Section 7.11 for breakdown of net adjustments.

7.4 Key operating metrics

Set out below is a summary of Gerard Lighting's key historical operating metrics for FY2008, FY2009 and the key forecast operating metrics for the FY2010 and FY2011 pro forma forecasts.

Year to 30 June (\$000's)	Pro forma historical			Pro forma forecast	
	FY2008	FY2009	1HFY2010	FY2010	FY2011
Revenue growth		(0.2%)		(1.3%)	9.8%
Gross profit margin (% revenue)	34.9%	35.4%	39.3%	38.5%	38.8%
Operating expenses (% revenue)	27.3%	27.3%	29.4%	29.0%	28.7%
EBIT margin (% revenue)	6.6%	7.1%	8.9%	8.5%	8.9%
EBIT growth		8.5%		17.5%	14.7%
Return on funds employed (ROFE) ¹			8.8%	16.0%	17.8%

1. ROFE calculated as EBIT/(Total assets – current liabilities).

7.5 Pro forma consolidated statement of financial position

The unaudited pro forma consolidated statement of financial position at 31 December 2009 shown below has been extracted from the reviewed consolidated statutory half year financial statements of Gerard Lighting Group Pty Ltd as at 31 December 2009 and adjusted to reflect the following transactions as if they had occurred on 31 December 2009:

- the Offer of \$85 million Shares;
- \$35 million repayment to St George Bank to retire existing core debt;
- \$35 million repayment to Gerard Corporation to retire existing subordinated loan advanced to Gerard Lighting to complete the acquisition of Lighting Corporation Limited, including payment of associated fees;
- \$8.6 million will be retained by Gerard Lighting to fund working capital following payment of break and establishment fees of \$1.1 million in relation to its revised finance facilities;
- pay fees and expenses of the Offer, estimated at \$5.3 million (excluding fees relating to revised finance facilities), with this amount being allocated against contributed equity relating to New Shares being issued under this Offer (see note i. below);
- recognition of a deferred tax asset of \$1.5 million as a pro forma adjustment in respect of Share issue costs allocated against equity;
- New bank facilities totalling \$103 million.

Financial Information

As at 31 December 2009 (\$'000's)	Reviewed	Impact of the Offer and the new bank facilities	Other adjustments	Pro forma
Current Assets				
Cash and cash equivalents	8,969	8,630 ^{i,ii}	(13,750) ⁱⁱⁱ	3,849
Trade and other receivables	70,544	850 ⁱⁱ		71,394
Other assets	1,508			1,508
Inventories	69,936			69,936
Total Current Assets	150,957	9,480	(13,750)	146,687
Non-Current Assets				
Other financial assets	30			30
Deferred income tax assets	6,738	1,518 ⁱ		8,256
Property plant and equipment	22,887			22,887
Intangible assets	79,694			79,694
Total Non-Current Assets	109,349	1,518	–	110,867
TOTAL ASSETS	260,306	10,998	(13,750)	257,554
Current Liabilities				
Trade and other payables	58,856			58,856
Interest bearing liabilities	12,058	(8,458) ⁱ		3,600
Income tax payable	3,811			3,811
Provisions	7,920			7,920
Total Current Liabilities	82,645	(8,458)		74,187
Non-Current Liabilities				
Interest bearing liabilities	159,598	(61,542) ⁱ	(18,750) ^{iii,iv}	79,306
Provisions	1,576			1,576
Total Non-Current Liabilities	161,174	(61,542)	(18,750)	80,882
TOTAL LIABILITIES	243,819	(70,000)	(18,750)	155,069
NET ASSETS	16,487	80,998	5,000	102,485
Equity				
Contributed equity	–	81,248 ⁱ	5,000 ^{iv}	86,248
Retained earnings/(accumulated losses)	–	(250) ⁱⁱ		(250)
Minority interests	672	–		672
Other reserves	15,815			15,815
TOTAL EQUITY	16,487	80,998	5,000	102,485

Notes:

- Cash raised by Gerard Lighting under the Offer of Shares of \$85 million, less costs of the Offer of \$3.8 million (actual costs of \$5.3 million, excluding fees relating to revised finance facilities, offset by the tax effect of \$1.5 million). Under the new finance facilities the current and non-current portions of the bank debt are reclassified in accordance with the terms of the facility.
- Break costs and establishment fees of \$1.1 million paid in connection with the new finance facilities allocated between expense of \$0.25 million and prepayment of borrowing costs of \$0.85 million (the latter to be amortised over the term of the facility).
- Subsequent to 31 December 2009 and prior to the proposed commencement of trading on ASX, Gerard Lighting will repay an additional \$13.8 million of debt to St George Bank. This comprises a payment of \$11.8 million in January 2010 with the balance due on 31 March 2010.
- Represents the proposed conversion to equity of the remaining interest bearing loan due to Gerard Corporation. See Section 10.1 for details.

The pro forma statement of financial position is provided for illustrative purposes only and is not represented as being indicative of Gerard Lighting's view on its future financial position.

7.6 Pro forma consolidated historical and forecast cash flow statements

Set out in the table below is a summary of Gerard Lighting's pro forma historical cash flow for FY2008, FY2009 and 1HFY2010 and the pro forma unaudited forecast cash flow for FY2010 and FY2011. The historical cash flow statements have been presented before investing and financing activities due to the different capital and funding structure that will be in place after the Offer.

Year to 30 June (\$'000's)	Pro forma historical ⁱ			Pro forma forecast ⁱⁱ		Statutory forecast	
	FY2008	FY2009	1HFY2010	FY2010	FY2011	2HFY2010	FY2011
EBITDA	28,134	30,112	17,914	34,777	40,234	16,863	40,234
Other non-cash charges ⁱⁱⁱ	(3,890)	1,827	–	–	–	–	–
Changes in working capital	(11,265)	(8,809)	7,415	3,292	(4,034)	(4,123)	(4,034)
Change in other assets, liabilities and provisions	7,392	(64)	1,708	5,893	1,929	4,185	1,929
Capital expenditure (net of proceeds from disposals)	(3,410)	(3,263)	(1,527)	(3,737)	(3,801)	(2,210)	(3,801)
Operating cash flow before net interest costs and taxation	16,961	19,803	25,510	40,225	34,328	14,715	34,328
Net interest paid (including facility fees)				(15,183)	(8,370)	(7,534)	(8,370)
Income tax paid				(3,011)	(10,360)	(1,527)	(10,360)
Cash flow before dividends and debt repayment				22,031	15,598	5,654	15,598
Dividends paid				–	(8,477)	–	(8,477)
Cash flow available to repay debt and/or pay dividends				22,031	7,121	5,654	7,121

Notes:

- i. Pro forma historical income statements for FY2008, FY2009 and 1H FY2010 are reconciled to the audited and reviewed consolidated income statements for those years in Section 7.11.
- ii. Pro forma forecast income statements for FY2010 and FY2011 are reconciled to the statutory consolidated forecast income statements for those years in Section 7.11.
- iii. Cash flows classified as non-cash items include changes in the valuation of derivative instruments, unrealised foreign exchange movement and impairment charges associated with receivables intangible assets.

Financial Information

7.7 Working capital

Month by month working capital requirements vary considerably across the financial year, primarily due to the build up in inventories over November and December in anticipation of Chinese New Year which affects supply of product from China. Inventory levels are further affected by seasonality associated increased sales patterns of commodity items over the winter months.

The month end inventories for FY2009 averaged approximately \$73 million. 1H FY2010 has averaged \$69 million. The peak month end inventories level was approximately \$77 million during January to February 2009. This peak coincides with increased buying to offset the impact on the supply chain of Chinese New Year. Other working capital items (excluding cash) such as trade and other payables or receivables vary but by smaller amounts, and the monthly average of these items was approximately \$19 million over FY2009. 1H FY2010 the monthly average of these items was approximately \$21 million.

Cash levels are the highest at the beginning of the month with cash requirements peaking during the third week of each month as supplier payments become due. A similar working capital profile is expected for FY2010 and FY2011.

The unfavourable change in working capital of \$11.3 million in FY2008 was principally driven by increases in trade receivables following temporary extensions in trading terms being provided to selected customers. The unfavourable change in FY2009 is predominantly due to the early payment of trade creditors to take advantage of discount settlements offered at year end.

1H FY2010 favourable movement in working capital of \$7.4 million is primarily a result of trade creditors returning to normalised levels

following the accelerated payments made in FY2009 as described above.

7.8 Managements commentary on historical financial results

Below is a brief discussion of the main factors which affected Gerard Lighting's operating financial performance in FY2009. The general factors described below are a summary only and do not represent everything that affected Gerard Lighting's historical and financial performance.

Organisational structure

Subsequent to the acquisition of Lighting Corporation Limited in January 2008, Gerard Lighting implemented changes in selected areas of the business to extract operational synergies. Key structural changes to date include:

- (a) rationalisation of certain back office functions;
- (b) consolidation of selected manufacturing facilities;
- (c) the integration of CSE as a division of Sylvania Lighting. The transfer of CSE's manufacturing to the Gosford factory provided a strong technical base for further product development and innovation;
- (d) closure of the Adelaide manufacturing facility with production being relocated to the Padstow site. This move allowed similar product to be manufactured from the one source;
- (e) Group product development and sourcing initiatives; and
- (f) centralised research and development focussing on intelligent Lighting Solutions (iLP).

Foreign exchange and hedging policy

Between 35% and 40% of Gerard Lighting's products are sourced offshore. Product sourced through China and Asia is primarily purchased

in United States dollars. A smaller portion of product is sourced through Europe and is settled in Euro. As at 31 December 2009, Gerard Lighting has hedged approximately 14% of its total annual exposure of purchases denominated in foreign currency. The Group uses forward contracts to provide reasonable certainty regarding the exchange rate component of product cost. The accounting policy in regard to foreign exchange and derivative instruments is detailed in Section 7.17.

Like for like sales growth

FY2009 sales remained stable, considering the difficult market conditions that resulted from the global financial crisis. The effect of reduced volumes was partially offset through pricing gains and additional demand from energy efficient products. The net result was that sales showed a decline of only 0.2% when compared to FY2008.

Gerard Lighting's gross profit margins were 34.9% in FY2008 and 35.4% in FY2009. Management believes this improvement represents a significant achievement, given the impact of the decline in the building and construction industry over the last 18 months.

During FY2009, the Group experienced widespread increases in the cost base of components used in the manufacturing process and finished goods sourced offshore. Cost increases have been offset by price rises and by continued focus on the Group's synergy program aimed at extracting cost from the supply chain.

The gross profit increase of \$1.8 million in FY2009, combined with a reduction in total operating expenses and depreciation of \$0.3 million, resulted in an overall increase in EBIT of \$2.1 million. As a percentage of sales, EBIT increased from 6.6% (FY2008) to 7.1% (FY2009). Overall the EBIT for FY2009 represented growth of 8.5% compared to the FY2008 year.

Pro forma consolidated historical cash flow statements

Over the course of FY2009, average inventories reduced by \$3 million driven by the integration of the manufacturing of CSE product into the Sylvania Gosford factory and the closure of the Adelaide manufacturing site and production being relocated to Padstow.

In FY2009, receivables declined over the year, increasing the cash available to the business. This was used to take advantage of discounts offered on early payments resulting in lower levels of trade creditors.

Capital expenditure generally reflects the expansion of inventory sourcing from China (tooling costs incurred), the restructure of manufacturing operations within the Group and replacement of computer and office equipment in the normal course of business.

Pro forma operating cash flow before net interest costs and taxation improved \$2.8 million in FY2009 as a result of increased EBITDA and gains realised through improved management of working capital.

FY2010 trading update

Pro forma sales of \$181.2 million for 1HFY2010 showed improvement over the run rate achieved for 2HFY2009. Gains at gross margin level have to some extent been offset through increases in costs. At EBIT level the 1HFY2010 result of \$16.1 million was in line with management's expectations. The result achieved for 1HFY2010 represented an improvement over FY2009, as a percentage of sales EBIT increased 1.8% to 8.9%. The pro forma EBIT for 1HFY2010 equates to 52% of the FY2010 full year forecast of \$31 million.

The two months of trading for January and February 2010 are tracking in line with management's forecasts, and the difference is not a material variance in the context of the FY2010 forecast. The strength of the order book and the current level of quoting activity provide management with a high level of confidence in respect of the FY2010 forecast.

The sales forecast for FY2010 shows a decline of 1% when compared to FY2009. This is primarily as a result of a fall in sales of Pierlite Middle East (\$8 million) due in part to the financial crisis, but also due to the relocation of the manufacturing facility into new premises and unexpected delays in sourcing equipment required for the new factory. The Directors' forecast for FY2010 and FY2011 reflect the impact of current sales trends.

The gross margin for FY2010 has improved and more than offset any shortfall in reported sales levels, primarily due to the full effect of synergy programs commenced in FY2009 and favourable movement in the exchange rate. The 1HFY2010 gross margin has increased from 35.4% for FY2009 to 39.3%. Margins for 2HFY2010 are expected to approximate 37.7% as a result of competitive pressures and anticipated cost increases.

Management believes that through the control of operating costs and the continuation of the synergy program the current EBIT margin will be largely maintained over 2HFY2010.

7.9 Assumptions underlying Forecast Financial Information

The Forecast Financial Information is based on various best estimate assumptions, including those set out below. These assumptions should be read in conjunction with the sensitivity analysis set out in Section 7.10 and the risk factors set out in Section 9.

Specific assumptions

Set out below are specific best estimate assumptions that have been adopted in preparing the Forecast Financial Information for FY2010 and FY2011.

Sales

Revenue has been forecast on a product category basis for each business based on assumed movements in prices and volumes.

Pro forma sales for FY2010 are forecast to decrease by 1% when compared to FY2009. The key management assumptions underlying this forecast sales growth are:

- the impact of the global financial crisis on commercial and industrial building projects. Many projects were delayed or abandoned due to a contraction in the availability of funds;
- an improvement in sustainable pricing in the market. Gerard Lighting considers market conditions in 2HFY2010 will be slightly more advantageous than in FY2009, which was generally impacted by discounting across commodity lines through wholesale channels;
- 2HFY2010 performance is expected to continue to be driven by infrastructure spending primarily on schools and hospitals and the recovery experienced in residential building and construction; and
- specific promotional and product initiatives associated with Gerard Lighting's 'Tribe' (see Section 5.4 for further details) and tactical initiatives that are expected to further underpin like for like performance.

Sales for FY2011 are forecast to increase by 10% compared to FY2010. The key management assumptions underlying this forecast sales growth from FY2010 to FY2011 are:

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- (a) continued growth in the residential building and construction over FY2010. The national value of work done is forecast to increase by 14% in FY2011;
- (b) spending on social and institutional building led by the Government's 'Building the Education Revolution' (BER) stimulus program is expected to drive a surge in building commencements in this sector. While it is expected that education related construction will start to ease during FY2011 it is anticipated that large health projects will underpin construction activity in FY2011;
- (c) total building commencements for FY2010 are forecast to increase 12% for 1HFY2011 compared to 2HFY2010; and
- (d) additional demand for energy efficient light sources and fixtures is already being experienced and is expected to continue.

Gross profit

The gross profit margin is forecast to increase to 38.5% in FY2010 (35.4% in FY2009). This assumes the improvement in gross profit margin in the first half of FY2010 will largely be maintained into the second half of FY2010. The forecast assumes that market competition in a potentially stronger economic environment will result in a small decline in gross profit margins during 2HFY2010. Variability in the sales mix between commodity and specified product will also cause reported gross profit margin to fluctuate.

Foreign exchange

Gerard Lighting is exposed to exchange rate movements and, in particular, movements in the \$A/US\$ rate. US\$ denominated purchases totalled approximately US\$39 million for FY2009 and are forecast to be approximately US\$45 million for FY2010 and US\$49 million for FY2011.

The Group uses forward contracts to minimise the impact of exchange rates on gross margins. An exchange rate of A\$/US\$ of \$0.85 has been assumed for the forecast period.

To minimise the disruptive effects of a volatile and unpredictable exchange rate, forward exchange contracts are entered into for Gerard Lighting's purchases sourced overseas. Contracts are entered into once a commitment to purchase is made. Typically forward contracts cover of between four to six months of purchases. This foreign exchange hedging practice is expected to be maintained over the forecast period. Hedging instruments are required to be measured at fair value at each reporting date. Unless GLG adopts the hedge accounting requirements of AASB 139 *Financial Instruments: Recognition and Measurement*, all changes in fair value will be recognised in profit or loss resulting in a risk that GLG will be subject to profit and loss volatility.

Translation of intercompany debt balances and other monetary assets of overseas subsidiaries does not have a material impact on the results of the Gerard Lighting Group.

EBIT

Pro forma EBIT is expected to grow by 17.5% in FY2010 and 14.7% in FY2011 with gross margin forecast to increase to 38.5% (FY2010) and remain constant for FY2011. EBIT growth is forecast to be generated primarily through sales and gross profit dollar increases described above.

Operating expenses

Total operating expenses are forecast to increase by \$4.8 million (4.8%) from FY2009 to FY2010 and by \$9.4 million (8.9%) from FY2010 to FY2011. This increase is in accordance with the assumption that cost inflation will approximate 3% for the period covered by the forecast.

The largest component of operating expenses is people costs. During FY2010 salaries and wages are forecast to approximate the level experienced in FY2009. The effect of annual increases of between 3–5% was offset by a reduction in headcount during April 2009. For FY2011 the forecast is that salaries and wages will increase \$1.8 million or 3.5%. This increase is principally a function of annual salary/wage review with headcount expected to remain steady at approximately 1,430 (FY2010: 1,420).

As a percentage of sales, operating expenses are anticipated to increase from 27% in FY2009 to approximately 29% for FY2010 and FY2011.

Depreciation and amortisation

The FY2010 and FY2011 depreciation expense is based on existing rates of depreciation, adjusted for planned capital expenditure and disposals. Depreciation rates are based on the estimation of useful lives which are not expected to change in the forecast period. See Section 7.17 for a description of Gerard Lighting's accounting policies relating to useful lives for property, plant and equipment.

Financing costs

Pro forma net interest expense for FY2010 of \$14.4 million reflects actual financing costs to 31 December 2009, an estimate for the three months to 31 March 2010 based on current facilities and an estimate of interest expense based on pro forma net debt of \$78 million for the period from 1 April to 30 June 2010. Interest expense for FY2011 is forecast at \$8.4 million based on average pro forma net debt of \$75 million. For additional information on financing facilities refer to Section 10.8.2.

Interest rate hedging policy will be implemented once the Group's revised banking facilities, as outlined in Section 7.16, are in place. Hedging instruments are required to be measured at fair value at each reporting date. Unless the Gerard Lighting Group adopts the hedge accounting requirements of AASB 139 *Financial Instruments: Recognition and Measurement*, all changes in fair value are recognised in profit or loss resulting in a risk that the Gerard Lighting Group will be subject to profit and loss volatility.

Taxation

The forecast corporate tax rate for FY2010 is 30.0%, equal to the Australian corporate tax rate. Gerard Lighting's actual effective tax rate is expected to approximate 32.2% for FY2010 and FY2011 primarily due to a combination of permanent and timing tax differences, principally in relation to the non-deductibility of losses from overseas subsidiaries. Income tax instalments are paid on a quarterly basis on a percentage of sales stipulated by the Australian Taxation Office and are made quarterly in October, January, April and July. There is also a yearly balancing payment/ (refund) in December which is equal to the difference between the income tax liability for the preceding income year less the income tax instalments for that year.

Capital expenditure

Capital expenditure is forecast to be \$3.7 million for FY2010 and \$3.8 million for FY2011 (net of proceeds from disposals), allocated under the following major headings:

- (i) Plant and equipment: \$2.4 million (FY2011: \$1.5 million), includes expenditure on manufacturing equipment including machinery and tooling;
- (ii) Fixtures and fittings: \$1.1 million (FY2011: \$2.1 million), reflecting Gerard Lighting's plan for an upgrade of its business intelligence (BI) system during 2010 year together with ongoing hardware and software replacements or upgrades; and
- (iii) Leasehold improvements: \$0.2 million (FY2011: \$0.2 million), reflecting office and showroom fit outs.

Capitalised research and development costs are estimated to be \$0.5 million per annum in FY2010 and FY2011, reflecting expenditure incurred directly with the development of new products due to be released into the market. The Group's accounting policy is detailed in Section 7.17.

General assumptions

The following general assumptions are relevant to the Forecast Financial Information:

- no material change in the competitive operating environment;
- no material losses of customers or existing contracts;
- no significant deviation from current market expectations of global economic conditions relevant to the lighting industry in Australia and New Zealand for the period;
- no material business acquisitions or disposals;
- no material industrial strikes or other disturbances, environmental costs or legal claims;
- retention of key personnel;
- no significant change in the legislation (including tax) and regulatory environments in the jurisdictions in which Gerard Lighting or its key customers or suppliers operate;
- no change in applicable Accounting Standards or other mandatory reporting requirements which would have a material effect on Gerard Lighting's financial performance, cash flows, financial position, accounting policies, financial reporting or disclosure;
- no change in Gerard Lighting's capital structure other than as set out in, or contemplated by, this Prospectus;
- no material adverse changes to Gerard Lighting's offshore product sourcing capabilities and costs, including exchange rates;
- no material amendment to any material agreement or arrangement relating to Gerard Lighting's businesses;
- Gerard Lighting holds appropriate insurance arrangements to mitigate operational risks;
- no material costs or potentially adverse impacts as a result of litigation, dispute or consumer action to which Gerard Lighting is or may be a party, including in relation to tax or other compliance matters; and
- no impairment of goodwill or other intangible assets.

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7.10 Sensitivity analysis

The Forecast Financial Information is based on a number of estimates and assumptions that are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of Gerard Lighting, its Directors and management, and upon assumptions with respect to future business decisions, which are subject to change.

Set out below is a summary of the sensitivity of certain FY2010 Forecast Financial Information to changes in a number of key variables. The changes in the key variables as set out in the sensitivity analysis are not intended to be indicative of the complete range of variations that may occur. For the purposes of the analysis below, the effect of the changes in key assumptions on the FY2010 and FY2011 pro forma EBIT of \$31 million and \$35.5 million respectively are presented.

Assumption	Increase/(decrease)	FY2010 EBIT impact \$000's	FY2011 EBIT impact \$000's
Change in revenue	1.0%/(1.0%)	1,403/(1,403)	1,552/(1,552)
Change in gross margin	1.0%/(1.0%)	3,641/(3,641)	3,999/(3,999)
Change in salaries	1.0%/(1.0%)	(514)/514	(532)/532
Exchange rate			
\$A/\$US	+\$0.01/-\$0.01	616/(630)	670/(686)

Care should be taken in interpreting these sensitivities. The estimated impact of changes in each of the variables has been calculated in isolation from changes in other variables, to illustrate the likely impact on the forecast. In practice, changes in variables may offset each other or be cumulative, and it is likely that Gerard Lighting management would respond to any adverse change in one variable to minimise the net effect on Gerard Lighting's EBIT.

The sensitivity analysis of foreign exchange fluctuations may be influenced by a number of interrelated factors, these include Gerard Lighting's hedging positions, the relative price elasticity of demand for Gerard Lighting's products, the ability of Gerard Lighting to effectively negotiate product costs, and the position of Gerard Lighting's competitors in relation to all of the same factors.

While impacting cash flow and profit before tax rather than EBIT, Gerard Lighting's sensitivity to interest rate movements is also an important consideration. As set out in Section 7.5, Gerard Lighting's total interest bearing liabilities included in the pro forma statement of financial position as at 31 December 2009 are \$83 million (taking into account the adjustments in notes i, iii and iv on page 66), and the financing costs have been calculated as specified in Section 7.9. Assuming \$81 million of interest bearing liabilities are outstanding on average during FY2011, if interest rates increase by 1.0% per annum, the interest expense will increase by \$0.8 million. The degree of sensitivity will depend on the eventual interest rate hedging policy implemented.

7.11 Reconciliation to statutory financial statements

Pro forma historical income statements

In presenting the pro forma historical income statements included in this Prospectus, adjustments to the audited historical income statements have been made to exclude the impact of certain one off and normalisation adjustments. These adjustments are summarised below:

Year to 30 June (\$000's)	Notes	Pro forma historical		
		FY2008	FY2009	1HFY2010
Pro forma EBIT		24,304	26,365	16,136
Adjustments				
Incremental listing costs	i	852	852	292
Impairment charges	ii	(4,405)	(5,914)	(391)
Abnormal items	iii	(1,005)	(820)	(446)
Foreign exchange gains/losses reclassified	iv	(4,253)	(1,443)	–
Acquisition of LCL	v	(981)	–	–
Costs of the bid/defence with LCL acquisition	vi	(4,452)	(975)	–
Special dividend – financing costs	vii	6,327	–	–
Discontinued/new operations	viii	(3,755)	161	(2,336)
Total of pro forma adjustments		(11,672)	(8,139)	(2,881)
Audit/reviewed EBIT		12,632	18,226	13,255

Notes:

- i. Represents estimated incremental costs associated with being a public listed company.
- ii. Historical charges in connection with the write down of goodwill and the impairment of non-recoverable receivables and investments. FY2008 adjustment includes impairment of goodwill in relation to the Regal Lighting and Aesthetic Lighting businesses which no longer trade in their own right and have been integrated as divisions within the operations of Moonlighting and Gerard Lighting (NZ) respectively. FY2009 relates to the impairment loans to and investments in offshore investments formerly part of the consolidated Group.
- iii. One off items of non-recurring expenditure. On the basis that these items are non-recurring and not representative of ongoing trading, they have been added back to EBIT. FY2008 includes restructuring costs associated with realising synergies of the LCL acquisition, including redundancies, shutdown costs and legal fees.
- iv. Reclassification of foreign exchange gains from net finance costs as per the statutory financial report to gross profit. For operational reporting purposes exchange gains and losses are reflected in product costs and are ultimately recorded in gross margin.
- v. Adjustment for the add back of EBIT of LCL for the period from July 2007 to January 2008 which was included in FY2008 pro forma income statement to show as if the acquisition had taken place on 1 July 2007.
- vi. Costs incurred by Gerard Lighting directly in relation to the acquisition of LCL and costs incurred by LCL in connection with the defence of the Gerard Lighting bid.
- vii. Adjustment to other operating expenses to reflect incorrect classification of dividends paid as financing costs in the FY2008 statutory financial statements.
- viii. Add back to reflect the impact of divested and/or discontinued operations that are no longer part of the Gerard Lighting Group. This comprises operations formerly conducted in Italy, Pakistan, East Africa and Hong Kong.

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Pro forma forecast income statements

The table below reconciles the pro forma FY2010 and FY2011 forecasts to the result Gerard Lighting expects to report in its FY2010 and FY2011 statutory income statement:

Year to 30 June (\$000's)	Notes	Pro forma forecast	
		2HFY2010	FY2011
Pro forma NPAT (for the full year ending 30 June)		10,622	18,400
Adjustments			
1HFY2010 reviewed EBIT	i	(13,255)	–
Incremental listing costs	ii	292	–
Impairment charges	iii	(391)	–
Abnormal items	iv	(446)	–
Discontinued/new operations	v	(2,336)	–
Finance costs	vi	7,684	–
Tax impact of adjustments	vii	3,360	–
Total of pro forma adjustments		(5,092)	–
Statutory NPAT		5,530	18,400

Notes:

- i. Gerard Lighting was incorporated on 11 December 2009 as Gerard Lighting Group Pty Ltd, and became the ultimate holding company for the Gerard Lighting Group of companies on 31 December 2009. For statutory reporting purposes for the period ending 30 June 2010, Gerard Lighting will be reporting on six months of consolidated trading, being the period January to June 2010 and, accordingly, 1HFY2010 EBIT is required to be deducted to arrive at the forecast statutory NPAT for the period ending 30 June 2010.
- ii. Represents estimated incremental costs associated with being a public listed company likely to be incurred during 2HFY2010.
- iii. Impairment of an offshore investment deemed non-recoverable.
- iv. One off items of non-recurring expenditure. On the basis that these items are non-recurring and not representative of ongoing trading they have been added back to EBIT. The FY2010 add back relates to costs incurred and management fees paid by Gerard Lighting Pty Ltd under the Group's pre Listing structure.
- v. Add back to reflect the impact of discontinued operations that are no longer part of the Gerard Lighting Group. This includes business operations formerly conducted in Italy, Pakistan and East Africa and Hong Kong.
- vi. Interest expense for the period 1 July 2009 to 31 December 2009 which will not form part of the statutory financial statements of Gerard Lighting Group as at and for the period ending 30 June 2010.
- vii. Income tax expense for the period 1 July 2009 to 31 December 2009 which will not form part of the statutory financial statements of Gerard Lighting as at and for the period ending 30 June 2010.

7.12 Dividend policy

Subject to the forecast being achieved and other relevant factors, the Board intends to declare a final dividend in respect of FY2010 of 2.0 cents per Share, with this first dividend payable in November 2010. It is expected that this dividend will be fully franked for Australian tax purposes.

Beyond FY2010, Gerard Lighting's dividend policy is to distribute between 40% and 60% of NPAT, and to frank and impute dividends to the greatest extent possible. In respect of future years, subject to available profits and the financial position of Gerard Lighting, an interim dividend is expected to be payable annually in May, with a final dividend payable annually in November. No guarantee can be given about future dividends, or the level of franking or imputation of such dividends, as these matters will depend upon the future profits of Gerard Lighting and its financial and taxation position at the time.

The intended dividend for FY2010 corresponds to a forecast yield of 4.0% (annualised) for part of the year based on the Offer Price. As at the date of the Prospectus, Gerard Lighting has a consolidated franking account balance for tax purposes of \$16,748,647.

7.13 Franking credits

The consolidated franking account balance for accounting purposes above is based on the tax balance of the dividend franking account at 30 June 2009 adjusted for franking credits that will arise from the payment of the tax on accounting profit before tax of the Group for the half-year period ended 31 December 2009.

7.14 Reserves

On the restructuring of the Gerard Lighting Group of Companies, as detailed in Section 10.1, an equity reserve of \$15.8 million was created. This reserve represents the share capital and retained earnings of Gerard Lighting Pty Ltd immediately before the restructure.

7.15 Share based payments

The Company has established a remuneration strategy 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 includes a long term incentive (**LTI**) element, initially in the form of Options.

Participation in the LTI Plan will be subject to offers of participation being made by the Board (subject, where appropriate, to Shareholder approval). Grantees currently consist of Executive Directors but the LTI Plan may be extended to other executives and employees in the future.

Options are granted at the discretion of the Board. The fair value of the Options granted and their exercise price, vesting date, exercise periods and any performance hurdles are determined by the Board in each case. Options issued under the LTI Plan carry no dividend or voting rights.

Further information relating to the terms and conditions of the LTI Plan is contained in Section 10.7.2.

In addition to the issue of Options to Executive Directors under the LTI Plan, the Company has issued Options to two of the Non-Executive Directors. The terms and conditions applicable to those Options are set out in Section 10.14.2. Any future grants of Options to Non-Executive Directors will only be made subject to offers of participation by the Board.

Expenses arising from share based payment transactions

Total expenses arising from Share based payment transactions will be recognised as part of employee benefits expense.

7.16 Finance facilities

As at the Prospectus Date, Gerard Lighting Pty Ltd (**Borrower**) has drawn \$129.8 million under its existing facilities with St George Bank as follows:

	\$ million
Amortising Term Facility	43.8
Non-Amortising Term Facility	57.0
Mezzanine Facility	15.0
Multi Option Facility	10.0
Foreign Currency Management Facility and IRRL	4.0
	129.8

On Listing, the Borrower's existing facility will be replaced with a facility with St George Bank under which the Borrower will have available \$103 million of facilities comprising (together, the **Facilities**):

	\$ million
Amortising Term Facility	32.0
Bullet Term Facility	48.5
Multi Option Facility	18.5
Foreign Currency Management Facility and IRRL	4.0
	103.0

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The Facilities are scheduled to expire three years after the date of Listing of Gerard Lighting pursuant to the Offer. At the end of the three year term the Amortising Term Facility will have amortised from \$32 million to \$17.9 million.

The Facilities contain certain representations, undertakings, events of default and review events which are usual for facilities of this nature. Any breach of the representations or undertakings, or the occurrence of an event of default or a review event, may lead to the funds borrowed becoming due and the Facilities being cancelled. Gerard Lighting expects to remain in compliance with the terms and conditions of the Facilities.

The Facilities contain financial undertakings usual for facilities of this nature, including ensuring that:

- the ratio of the Gerard Lighting Group's debt to EBITDA is, for periods ending on or before 30 June 2011, less than or equal to three times and, for periods ending after 30 June 2011, two and a half times;
- the ratio of the Gerard Lighting Group's EBITDA to interest expense is, for periods ending on or before 30 June 2011, greater than three times and, for periods ending after 30 June 2011, four times;

- the minimum Shareholders' equity of the Gerard Lighting Group is the greater of (a) \$95 million or (b) not less than 85% of the Shareholders' equity set out in the most recent audited consolidated financial statements of the Gerard Lighting Group (or prior to the financial statement for 2009/2010 being available, the unaudited consolidated financial statements of the Gerard Lighting Group). Shareholders' equity is defined as total assets less total liabilities (adjusted for, among other things, unrealised currency exchange gains and losses). While Gerard Lighting expects that this covenant will be met, it is possible for Shareholders' equity to reduce through matters beyond Gerard Lighting's control; and
- the capital expenditure of the Gerard Lighting Group is not more than 110% of approved capex levels.

The base interest rate charged on the Facilities is a function of the prevailing market rate.

The obligations of the Borrower under the agreement are guaranteed by Gerard Lighting and such of its wholly owned subsidiaries as is necessary to ensure that all guarantors, together with the Borrower, account for at least 95% of tangible assets (within the meaning of the Australian Accounting Standards) and EBITDA of the Gerard Lighting Group.

Further details of the Facilities are provided in Section 10.8.2.

7.17 Summary of significant accounting policies

Basis of preparation

The principal accounting policies adopted in the preparation of the financial information are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

Entities reporting

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

Gerard Lighting Group Limited	Holding Company
Gerard Lighting Pty Limited	100% owned
Pierlite Australia Pty Limited	100% owned
Sylvania Lighting Australasia Pty Limited	100% owned
Crompton Lighting Pty Limited	100% owned
Austube Pty Limited	100% owned
LCL Manufacturing Pty Limited	100% owned
Inlite Pty Limited	100% owned
Moonlighting Pty Limited	100% owned
Gerard Lighting (NZ) Limited	100% owned

Pierlite Middle East FZC	60% owned
Pierlite Graha Nusantara PT (Indonesia)	50% owned
Pierlite Malaysia Sda Bhd	40% indirectly owned
Pierlite India Pvt Ltd	100% owned
Aluminium Louvre Company Pty Limited	100% owned
Sportslighting Plus Pty Limited	100% owned
Gerard Lighting Acquisition Pty Limited	100% owned – Holding Co.
Lighting Corporation Limited	100% owned – Dormant

Refer to Section 10.4 for additional information on the Group structure. Dormant companies forming part of the Group have been excluded.

Historical cost convention

The Financial Information in this Prospectus has been prepared under the historical cost convention, modified by the revaluation of certain assets as identified in specific accounting policies below.

Basis of consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

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

Foreign currency

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

Transactions and balances

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

Group companies

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

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement;
- income and expenses for each statement of financial performance are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity. On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to equity.

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When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Segment reporting

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

Revenue recognition

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

Sale of goods

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

Interest

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

Operating lease payments

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

Finance expenses

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

Income tax

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

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

Deferred income tax is provided in full, using the balance sheet method, on temporary differences arising between tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Goods and services tax

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

Cash and cash equivalents

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

Loans and receivables

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

Inventories

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

Property, plant and equipment

Owned assets

Property, plant and equipment is stated 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 to 20 years
Plant and equipment	over 3 to 15 years
Fixtures and fittings	5 to 10 years
Tools and dies	7 to 10 years

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

Lease payments

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

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

Intangible assets

Goodwill

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

Brand names

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

Financial Information

Product development

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

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

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

Impairment of assets

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

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

Trade and other payables

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

Interest bearing liabilities

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

Provisions

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

Employee benefits

Long term service benefits

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

Wages, salaries, annual leave and non-monetary benefits

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

Share capital

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

Derivative financial instruments

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

Investigating Accountant Report

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**KPMG Transaction Services (Australia) Pty Limited**

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The Directors
Gerard Lighting Group Limited
101 Port Wakefield Road
Cavan SA 5094

19 March 2010

Dear Directors

Investigating Accountant's Report and Financial Services Guide**Investigating Accountant's Report****Introduction**

KPMG Transaction Services (Australia) Pty Limited ("KPMG Transaction Services") has been engaged by Gerard Lighting Group Limited ("GLG") to prepare this report for inclusion in the prospectus to be dated 19 March 2010 ("Prospectus"), and to be issued by GLG, in respect of the proposed underwritten issue of 85 million Shares in GLG at \$1 per share.

Expressions defined in the Prospectus have the same meaning in this report.

Scope

KPMG Transaction Services has been requested to prepare a report covering pro forma historical and forecast financial information described below and disclosed in the Prospectus.

The pro forma and forecast financial information is presented in an abbreviated form in the Prospectus insofar as it does not include all of the disclosures required by the Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act 2001.

Review of Pro Forma Historical Financial Information

The pro forma historical financial information, as set out in section 7 of the Prospectus, comprises the pro forma unaudited income statements of GLG for the years ended 30 June 2008 and 30 June 2009 and the six months ended 31 December 2009, pro forma statements of cash flows of GLG for the years ended 30 June 2008 and 30 June 2009 and the six months ended 31 December 2009 and pro forma balance sheet of GLG as at 31 December 2009 (the "Pro Forma Historical Financial Information").



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The Pro Forma Historical Financial Information has been derived from the historical financial information of GLG, extracted from the audited consolidated financial statements of Gerard Lighting Pty Ltd for the years ended 30 June 2008 and 30 June 2009, the reviewed consolidated financial statements of Gerard Lighting Pty Ltd for the six months ended 31 December 2009 and the reviewed consolidated financial statements of GLG for the six months ended 31 December 2009 (the "Historical Financial Information"), after adjusting for the pro forma transactions and/or adjustments described in section 7.11 of the Prospectus.

For the purposes of preparing this report we have reviewed the Pro Forma Historical Financial Information in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the Pro Forma Historical Financial Information is not prepared, in all material respects, on the basis of the pro forma transactions and/or adjustments described in section 7.11 of the Prospectus, and in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards (including the Australian Accounting Interpretations), and accounting policies adopted by GLG disclosed in section 7.17 of the Prospectus.

We have conducted our review in accordance with Australian Auditing Standards applicable to review engagements. We made such enquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances, including:

- a review of the extraction of Historical Financial Information of GLG from the audited consolidated financial statements of Gerard Lighting Pty Ltd for the years ended 30 June 2008 and 30 June 2009, the reviewed consolidated financial statements of Gerard Lighting Pty Ltd for the six months ended 31 December 2009 and the reviewed consolidated financial statements of GLG for the six months ended 31 December 2009;
- analytical procedures on the Pro Forma Historical Financial Information of GLG;
- a review of the pro forma transactions and/or adjustments made to the Historical Financial Information of GLG;
- a review of GLG's work papers, accounting records and other documents;
- a comparison of consistency in application of the recognition and measurement principles in Australian Accounting Standards (including the Australian Accounting Interpretations), and the accounting policies adopted by GLG disclosed in section 7.17 of the Prospectus; and
- enquiry of directors, management and others.

The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion on the Pro Forma Historical Financial Information.



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Our review has not been carried out in accordance with auditing or other standards and practices generally accepted in New Zealand, United Kingdom, Hong Kong, Singapore, Indonesia, Belgium, Germany, Luxembourg and the Netherlands and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Review of Directors' Forecast and directors' best-estimate assumptions

The directors' forecast is set out in sections 7.3 and 7.6 of the Prospectus and comprises the forecast income and cash flow statements of GLG for the years ending 30 June 2010 and 30 June 2011 (the "Directors' Forecast").

The Directors' Forecast has been prepared by the directors to provide investors with a guide to GLG's potential future financial performance based upon the achievement of certain economic, operating, developmental and trading assumptions about future events and actions that have not yet occurred and may not necessarily occur. The directors' best-estimate assumptions underlying the Directors' Forecast are set out in section 7.9 of the Prospectus.

There is a considerable degree of judgement involved in the preparation of any forecast. Consequently, the actual results of GLG during the forecast period may vary materially from the Directors' Forecast, and that variation may be materially positive or negative.

The sensitivity of the Directors' Forecast to changes in key assumptions is set out in section 7.10 of the Prospectus and the risks to which the business of GLG is exposed are set out in section 9 of the Prospectus. Investors should consider the Directors' Forecast in conjunction with the analysis in those sections.

We have reviewed the Directors' Forecast and the directors' best-estimate assumptions underlying the Directors' Forecast, set out in sections 7.3 and 7.6 of the Prospectus, in order to state whether, on the basis of procedures described, anything has come to our attention that causes us to believe that:

- the directors' best-estimate assumptions, when taken as a whole, do not provide reasonable grounds for the preparation of the Directors' Forecast;
- the Directors' Forecast is not properly compiled on the basis of the directors' best-estimate assumptions or prepared, in all material respects, in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards (including the Australian Accounting Interpretations), and the accounting policies adopted by GLG disclosed in section 7.17 of the Prospectus; and consequently that
- the Directors' Forecast are unreasonable.

We have conducted our review in accordance with Australian Auditing Standards applicable to review engagements. Our procedures consisted primarily of enquiry and comparison and other such analytical review procedures we considered necessary.



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Our review of the Directors' Forecast and the directors' best-estimate assumptions is substantially less in scope than an audit examination conducted in accordance with Australian Auditing Standards. A review of this nature provides less assurance than an audit. We have not performed an audit and we do not express an audit opinion on the Directors' Forecast or the directors' best-estimate assumptions.

Directors' responsibilities

The directors of GLG are responsible for the preparation and presentation of:

- the Pro Forma Historical Financial Information, including the determination of the pro forma transactions and/or adjustments; and
- the Directors' Forecast, including the best-estimate assumptions on which the Directors' Forecast is based and the sensitivity of the Directors' Forecast to changes in key assumptions.

The directors' responsibility includes establishing and maintaining internal controls relevant to the preparation of the financial information in the Prospectus that is free from material misstatement, whether due to fraud or error.

Review statements

Review statement on the Pro Forma Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information, as set out in sections 7.3, 7.5 and 7.6 of the Prospectus and comprises:

- the pro forma historical income statements of GLG for the years ended 30 June 2008 and 30 June 2009 and the six months ended 31 December 2009;
- the pro forma historical statements of cash flows of GLG for the years ended 30 June 2008 and 30 June 2009 and the six months ended 31 December 2009; and
- the pro forma historical balance sheet of GLG as at 31 December 2009,

is not prepared, in all material respects, on the basis of the pro forma transactions and/or adjustments described in section 7.11 of the Prospectus, and in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards (including the Australian Accounting Interpretations), and accounting policies adopted by GLG disclosed in section 7.17 of the Prospectus.



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Review statement on the Directors' Forecast and the directors' best-estimate assumptions

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

- the directors' best-estimate assumptions, set out in section 7.9 of the Prospectus, when taken as a whole, do not provide reasonable grounds for the preparation of the Directors' Forecast;
- the Directors' Forecast, set out in sections 7.3 and 7.6 of the Prospectus, is not properly compiled on the basis of the directors' best-estimate assumptions or prepared, in all material respects, in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards (including the Australian Accounting Interpretations), and the accounting policies adopted by GLG disclosed in section 7.17 of the Prospectus; and consequently that
- the Directors' Forecast are unreasonable.

The underlying assumptions are subject to significant uncertainties and contingencies, often outside the control of GLG. If events do not occur as assumed, actual results achieved by GLG may vary significantly from the Directors' Forecast. Accordingly, we do not confirm or guarantee the achievement of the Directors' Forecast, as future events, by their very nature, are not capable of independent substantiation.

Independence

KPMG Transaction Services does not have any interest in the outcome of this issue, other than in connection with the preparation of this report and participation in due diligence procedures for which normal professional fees will be received. KPMG is the auditor of GLG and from time to time, KPMG also provides GLG with certain other professional services for which normal professional fees are received.

General advice warning

This report has been prepared, and included in the Prospectus, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to take the place of professional advice and investors should not make specific investment decisions in reliance on the information contained in this report. Before acting or relying on any information, an investor should consider whether it is appropriate for their circumstances having regard to their objectives, financial situation or needs.



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KPMG Transaction Services has consented to the inclusion of this Investigating Accountant's Report in the Prospectus in the form and context in which it is so included, but has not authorised the issue of the Prospectus. Accordingly, KPMG Transaction Services makes no representation regarding, and takes no responsibility for, any other statements, or material in, or omissions from, the Prospectus.

Yours faithfully

A handwritten signature in black ink, appearing to read 'John Ranaldo'.

John Ranaldo
Director

**KPMG Transaction Services (Australia) Pty Limited**

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Financial Services Guide

Dated 19 March 2010

KPMG Transaction Services (Australia) Pty Limited ABN 65 003 891 718, Australian Financial Services Licence Number 245402 (**KPMG** or **we** or **us** or **our** as appropriate) has been engaged by Gerard Lighting Group Limited (**GLG** or **Company**) to provide an Investigating Accountant's Report (**Report**) in relation to the issue of 85 million Shares in GLG at \$1 per share (**Transaction**) for inclusion in the Prospectus dated 19 March 2010 (**Document**) prepared by the Company.

Purpose of this Guide

This Guide is designed to help retail clients to decide how to use our Report. It includes information about:

- who we are and how we can be contacted
- the services we are authorised to provide under our licence
- how we and our staff are paid
- any relevant associations or relationships we have
- how complaints are dealt with; and
- the compensation arrangements we have in place.

The Document contains information about significant benefits, risks, fees and other charges and other information about the Transaction.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence, which authorises us to provide financial product advice in relation to:

- Interests in managed investments schemes (excluding investor directed portfolio services)
- Securities (such as shares and debentures).

Our responsibility to you

We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of financial products. You have not engaged us directly but have received a copy of the Report because of your connection to the Transaction.

We are responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in our Report.



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General Advice

Our report only contains general advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in our Report having regard to your circumstances before you act on our Report.

You should also consider the other parts of the Document before making any decision in relation to the Transaction.

Fees we may receive

We charge fees for preparing reports. These fees will usually be agreed with, and paid by, the financial product issuer. Fees are agreed on a time cost basis

KPMG and its officers, employees, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of the Report.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Associations and relationships

Through a variety of corporate and trust structures KPMG is controlled by and operates as part of KPMG's Australian professional advisory and accounting practice (the **KPMG Partnership**). Our directors may be partners in the KPMG Partnership.

From time to time KPMG, the KPMG Partnership and related entities (**KPMG entities**) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

KPMG entities have, over the past two years, provided a range of audit, tax and advisory services to Gerard Lighting Group Limited and its controlled entities for which professional fees have been received. KPMG Corporate Finance (Aust) Pty Ltd have provided services related to the Transaction or alternatives to the Transaction, primarily providing project and timetable management, co-ordination of documents and data to support statements in the Prospectus and assistance with communication with underwriters and/lead managers and financiers. No KPMG entity has any interest in the Company or any other interested party to the Transaction.



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Remuneration or other benefits received by our representatives

KPMG officers, employees and representatives receive a salary or a partnership distribution from the KPMG Partnership. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

Complaints resolution

Internal complaints resolution process

If you have a complaint, please let us know. Formal complaints should be sent in writing to The Complaints Officer, KPMG, PO Box H67, Australia Square, Sydney NSW 1213.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 5 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise you in writing of our response to your complaint.

External complaints resolution process

If we cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Financial Ombudsman Service (**FOS**) of which we are a member. FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly at:

Address: Financial Ombudsman Service Limited, GPO Box 3, Melbourne Victoria 3001
Telephone: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au.

The Australian Securities and Investment Commission also has a freecall infoline on 1300 300 630 which you may use to obtain information about your rights.

Compensation arrangements

KPMG has professional indemnity insurance cover as required by the Corporations Act.

Contact details

You may contact us using the contact details set out at the top of the letterhead on the first page of this Guide.

Risk factors

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Risk factors

9.1 Introduction

There are a number of risks, both specific to Gerard Lighting and of a general nature, which may either individually, or in combination, materially and adversely affect the future operating and financial performance of Gerard Lighting, its investment returns and the value of the Shares. Many of these risks are outside the control of Gerard Lighting, its Directors and management. There can be no guarantee that Gerard Lighting will achieve its stated objectives or that any forward looking statements or forecast will eventuate.

This Section describes the areas that are believed to be the key risks associated with an investment in the Shares. These risks have been separated into business risk factors (described in Section 9.2) and investment risk factors (described in Section 9.3). Prospective investors should note that this is not an exhaustive list of all of the risks associated with an investment in Gerard Lighting and should be considered in conjunction with other information disclosed in this Prospectus. Investors should have regard to their own investment objectives and financial circumstances, and should consider seeking professional guidance from their stockbroker, solicitor, accountant or other independent professional adviser before deciding whether to invest.

9.2 Business risk factors

9.2.1 Competition

The industries within which Gerard Lighting operates are fragmented and can be highly competitive. The actions of competitors or the entry of new competitors may adversely impact Gerard Lighting's financial performance or operating margins where Gerard Lighting is unable to effectively respond in a timely manner. Gerard Lighting has effectively

competed in the lighting industry over a number of years from the initial investment in Pierlite in the late 1980s. However, the competitive nature of the industry provides no assurance that Gerard Lighting will be able to successfully compete in the future and maintain current operating margins. Any deterioration in Gerard Lighting's competitive position may result in a decline in revenue and margins and a loss of market share which may have an adverse effect on Gerard Lighting's future financial performance or position.

9.2.2 Building industry

The Group's performance is reliant on the building industry, which is cyclical by nature. The Group is partially insulated from this due to market demand for the Group's consumable items. Consumables such as lamps have a service life and require periodic replacement and therefore demand for consumables tend not to vary significantly with varying economic conditions.

9.2.3 Project sales revenue

A significant proportion of Gerard Lighting's revenue and earnings are sourced from specific commercial and industrial projects. Specific projects may not be repeated nor offer any recurring revenue following the end of the project's finite life. The number of projects awarded to Gerard Lighting may also vary in quantum and value from year to year. Gerard Lighting's operating and financial performance is partly dependent on sufficient projects being awarded, which is in turn dictated by a range of factors that may fluctuate between periods. Furthermore, the timing of sales revenue from Gerard Lighting's contracts is subject to factors outside the control of Gerard Lighting.

9.2.4 Customer concentration

A significant proportion of Gerard Lighting's revenue and earnings are generated from Australian electrical wholesalers. Consolidation at the wholesale level represents both an

opportunity and a threat to Gerard Lighting. Over recent years, the Australian electrical wholesale industry has consolidated to four major participants. In addition, the Gerard Lighting Group has a significant longstanding retailer as a key customer of one of its businesses. These customers may materially reduce their business with Gerard Lighting which may adversely affect the Group's financial performance and position.

9.2.5 Technological change

Gerard Lighting invests significant resources in maintaining its market leading positions in its key business units. While technological change presents Gerard Lighting with significant opportunities as outlined in this Prospectus, the risk remains that a competitor may introduce a technology through which it may be able to extract a significant competitive advantage.

9.2.6 Loss or changes to distribution arrangements

Gerard Lighting has exclusive and non-exclusive distribution arrangements for a number of highly regarded European and North American brands. Loss or adverse changes to these arrangements including pricing or restrictions on supply could adversely impact the financial performance of the Group.

9.2.7 Suppliers and supply chain

Gerard Lighting is subject to the following risks in relation to its suppliers and supply chain:

- Gerard Lighting's relationships with suppliers are often governed by individual purchase orders or invoices subject to standard purchase terms and conditions and therefore can be altered by suppliers without the supplier incurring significant penalties. Gerard Lighting's suppliers may cease providing products or components, change pricing levels, experience operational or transportation difficulties

- (resulting in a failure or delay in supplying products) or incur increased production or transportation costs which they seek to pass on to Gerard Lighting.
- Some of Gerard Lighting's products are sourced and manufactured by a network of third parties, primarily in Asia and, to a lesser extent, Europe. The key risks with Gerard Lighting's product sourcing include political instability, increased security requirements for foreign goods, costs and delays in international shipping arrangements, imposition of taxes and other charges as well as restrictions on imports, currency and exchange rate risks. Gerard Lighting is also exposed to risks related to labour practices, environmental matters and other issues in the foreign jurisdictions where suppliers operate.
 - Gerard Lighting is reliant on third logistics providers, such as transporters. Such third parties may not be willing or able to perform their obligations.
 - Gerard Lighting also relies on its own distribution infrastructure and could be impacted by any disruption at these sites.
 - The impact of these risks could mean that Gerard Lighting may suffer inventory shortages, a reduction in revenue, higher raw materials or inventory costs, a reduction in margins and overall profitability and a loss of market share which may materially adversely affect its future financial performance and financial position.

9.2.8 Foreign exchange rates

The majority of goods that are sourced by Gerard Lighting from Asia are priced in US\$ and consequently Australian purchases are exposed to movements in the A\$/US\$ exchange rate. As Gerard Lighting has a practice of hedging a proportion of its foreign currency exposure through forward exchange contracts, significant fluctuations in the A\$/US\$ exchange

rates could result in its competitors sourcing their products at relatively more favourable exchange rates. This may require Gerard Lighting to reduce its pricing to maintain its competitive position.

9.2.9 Interest rates

Gerard Lighting borrows money to partially finance its operations and is exposed to adverse interest rate movements that may increase the financial risk of its business. Gerard Lighting currently hedges a portion of its interest rate risk through fixed rate borrowings.

9.2.10 Performance of overseas entities

Gerard Lighting has international offices in Asia, India and the Middle East. Whilst revenue from overseas operations are expected to be less than 5% of the Group's FY2010 revenues, the risk of under performance in these regions due to a deterioration in domestic economic conditions, political instability, difficulty of managing operations due to distance and foreign exchange rate risks, may adversely impact the Group's future performance and financial position.

9.2.11 Loss of key management personnel

Gerard Lighting's success depends to a significant extent on its key personnel, in particular the Senior Management Team discussed in Section 6.2. These individuals have extensive experience in, and knowledge of, the Australian lighting industry and Gerard Lighting's business. The loss of key personnel and an inability to recruit or retain suitable replacement or additional personnel may adversely affect Gerard Lighting's future financial performance.

9.2.12 Management of growth strategy including acquisition growth

The Group is pursuing a growth strategy. Gerard Lighting's growth profile and business plan includes the

development of new products. There is a risk that these new products may be unsuccessful or require high levels of advertising spend which may have an adverse effect on Gerard Lighting's financial performance or operating margins.

The pursuit of growth through acquisition gives rise to various operational and financial risks, including but not limited to poor integration of the acquired businesses leading to higher than expected integration costs and financial underperformance of the acquired businesses. Acquisition risk may have an adverse impact on the financial performance of Gerard Lighting.

Any potential acquisition will be subject to applicable foreign investment and competition laws in the jurisdictions in which Gerard Lighting operates, which could impact the number of acquisition opportunities that may otherwise be available to Gerard Lighting, or require approval from regulators. These constraints will be considered by Gerard Lighting on a case by case basis.

9.2.13 Regulation and litigation

Unforeseen regulatory or legislative changes, such as changes to the Greenlight Australia initiative, could adversely impact Gerard Lighting's performance. Such changes could impact the normal operation of Gerard Lighting and reduce Gerard Lighting's ability to generate revenue which may have an adverse effect on Gerard Lighting's future financial performance or position.

Gerard Lighting may be the subject of complaints or litigation by customers, suppliers, government agencies or other third parties. Such matters may have an adverse effect on Gerard Lighting's reputation, divert its financial and management resources from more beneficial uses, or have a material adverse effect on Gerard Lighting's future financial performance or position.

Risk factors

9.2.14 Leased facilities

Gerard Lighting leases all of the properties used in its business (excluding India, where properties are owned). The termination or expiry of one of Gerard Lighting's manufacturing and/or assembly facilities located at Padstow, Gosford and Seven Hills (all in New South Wales) (including following a change in control of Gerard Lighting) may have an adverse effect on Gerard Lighting's business as it is likely that it would need to make significant expenditure to return the existing site to its original condition (where required), to establish alternative facilities and relocate to the alternative facilities. The leases of Gerard Lighting's manufacturing and/or assembly facilities currently expire at Padstow on 20 May 2021 (with two options to renew for a further six years each), at Gosford on 13 June 2017 (with two options to renew for a further five years each) and at Seven Hills on 28 February 2011 (with no right of renewal). Management expect to enter into a new three year lease of the Seven Hills premises on expiry of the existing lease.

9.2.15 Availability of financing

The achievement of Gerard Lighting's business objectives is dependent on Gerard Lighting having sufficient ongoing debt funding available. Gerard Lighting's main financing facility is a three year \$103 million facility with St George Bank, as described in Section 10.8.2. The facility is subject to the representations, warranties, undertakings, covenants, events of default and review events as referred to in Section 10.8.2.

9.3 Investment risk factors

9.3.1 Price of shares may fluctuate

The price of the shares on ASX may rise or fall due to numerous factors including:

- general economic conditions including inflation rates and interest rates;
- variations in the local and global market for listed stocks, in general, or for industrial stocks, in particular;
- changes to government policy, legislation or regulation;
- inclusion or removal from major market indices;
- the nature of competition in the markets in which Gerard Lighting operates; and
- general operational and business risks.

In particular, the share prices for many companies have in recent times been subject to wide fluctuations, which in many cases may reflect a diverse range of non-company specific influences such as movements in overseas stock markets, especially the United States, global hostilities and tensions, acts of terrorism and the general state of the economy. Such market fluctuations may materially adversely affect the market price of the Shares.

In the future, the sale of large parcels of Shares (whether held by Existing Shareholders or acquired by any party under or following the Offer) may cause a decline in the price at which the Shares trade on ASX. No assurances can be made that the performance of the Shares will not be adversely affected by any such market fluctuations or factors. None of Gerard Lighting, its Directors or any other person guarantees the performance of the Shares.

9.3.2 Concentration of Shareholding

Following completion of the Offer, the Gerard Family Shareholders will hold approximately 52% of the Shares and, accordingly, will be in a position to exert significant influence over the outcome of matters relating to Gerard Lighting, including the election of Directors and the approval of certain

transactions. The interests of the Gerard Family Shareholders may be different from the interests of investors who purchase Shares in the Offer.

In addition, the Gerard Family Shareholders' interest is not subject to escrow and therefore Shares held by the Gerard Family Shareholders will be able to be freely traded on ASX. A significant sale of Shares by the Gerard Family Shareholders, or the perception that such sales have occurred or might occur, could adversely affect the price of Shares. The Gerard Family Shareholders have no present intention to sell any Shares but that intention may change at some time in the future. The absence of any sale of Shares by the Gerard Family Shareholders may cause or at least contribute to a diminution in the liquidity of the market for the Shares.

9.3.3 Taxation changes may occur

Any changes to the current rate of company income tax in jurisdictions where Gerard Lighting operates will impact on Shareholder returns. Any changes to the current rates of income tax applying to other types of Shareholders will similarly impact on Shareholder returns. In addition, any change in tax rules and tax arrangements between Australia and other jurisdictions could have an adverse impact on the level of dividend imputation and franking.

9.3.4 Force majeure events

Events may occur within or outside Australia that could impact upon the world economy, the operations of Gerard Lighting and the price of the Shares. These events include war, acts of terrorism, civil disturbance, political intervention and natural events such as earthquakes, floods, fires and poor weather. Gerard Lighting has only a limited ability to insure against some of these risks.

Additional information

10



Additional information

10.1 Incorporation, establishment and debt to equity conversion

Gerard Lighting was incorporated as a proprietary company on 11 December 2009 under the name Gerard Lighting Group Pty Ltd.

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 proposed Listing of the Gerard Lighting.

On 9 March 2010, Gerard Lighting converted from a proprietary company to a public company and changed its name to Gerard Lighting Group Limited.

At the time Shares are issued under this Prospectus, \$5,000,000 of subordinated debt owed to Gerard Corporation will be converted to equity in Gerard Lighting at the Offer Price. The resulting Shares will be held by the Gerard Family Shareholders in the same proportions as their holding at the Prospectus Date.

Gerard Lighting's financial year end is 30 June.

10.2 Share capital as at the Prospectus Date – Interests of Gerard Family Shareholders

As at the date of this Prospectus, Gerard Lighting has 87,000,000 Shares on issue held by the Gerard Family Shareholders as follows:

Shareholder	No. of Shares held as at Prospectus Date	No. of Shares held after debt to equity conversion	Shares held as a percentage of total Shares on issue
Gerard Lighting Investments No. 1 Pty Ltd (GLI1)	44,369,625	46,919,603	51%
Gerard Lighting Investments No. 2 Pty Ltd (GLI2)	42,630,375	45,080,397	49%
	87,000,000	92,000,000	100%

A further 2,549,978 Shares will be issued to GLI1 and a further 2,450,022 Shares will be issued to GLI2 under the debt to equity conversion described in Section 10.1, as reflected in the table above.

GLI1 is owned by Gerard Group Lighting Pty Ltd (**GGL**) which is in turn owned by five entities each of which is trustee of a family trust for a branch of the Gerard family. GLI2 is owned by the same entities on the same trusts.

Robert Gerard, the Chairman of Gerard Lighting, is a director of GLI1, GLI2 and GGL, is trustee of one of the trusts, a director of two of the trustee companies and the shareholder of one of the trustee companies. Robert Gerard and members of his family are objects of one or more of the family trusts.

Simon Gerard, the Managing Director of Gerard Lighting, is a director of GLI1, GLI2 and GGL and one of the trustee companies. Simon Gerard and members of his family are objects of one or more of the family trusts.

Gary Savage, an Executive Director of Gerard Lighting, is also a director of one of the trustee companies.

GLI1, GLI2 and GGL have entered into a Pre-emptive Rights Deed whereby each of GLI1 and GLI2 must offer the other a right of refusal before disposing of any interest in shares in Gerard Lighting, and that no disposal of shares in Gerard Lighting can take place without the consent of the other. GGL has agreed not to dispose of any interest in shares in GLI1 without the consent of GLI2. The shareholders of GGL and GLI2 have also entered into Pre-emptive Rights Deeds in respect of their shares in GGL and GLI2 whereby each shareholder must offer the others a right of refusal before disposing of any shares in GGL or GLI2 (as the case may be) and that no disposal of any interest in shares in GGL or GLI2 can take place without the consent of the majority of the shareholders of GGL or GLI2 (as the case requires).

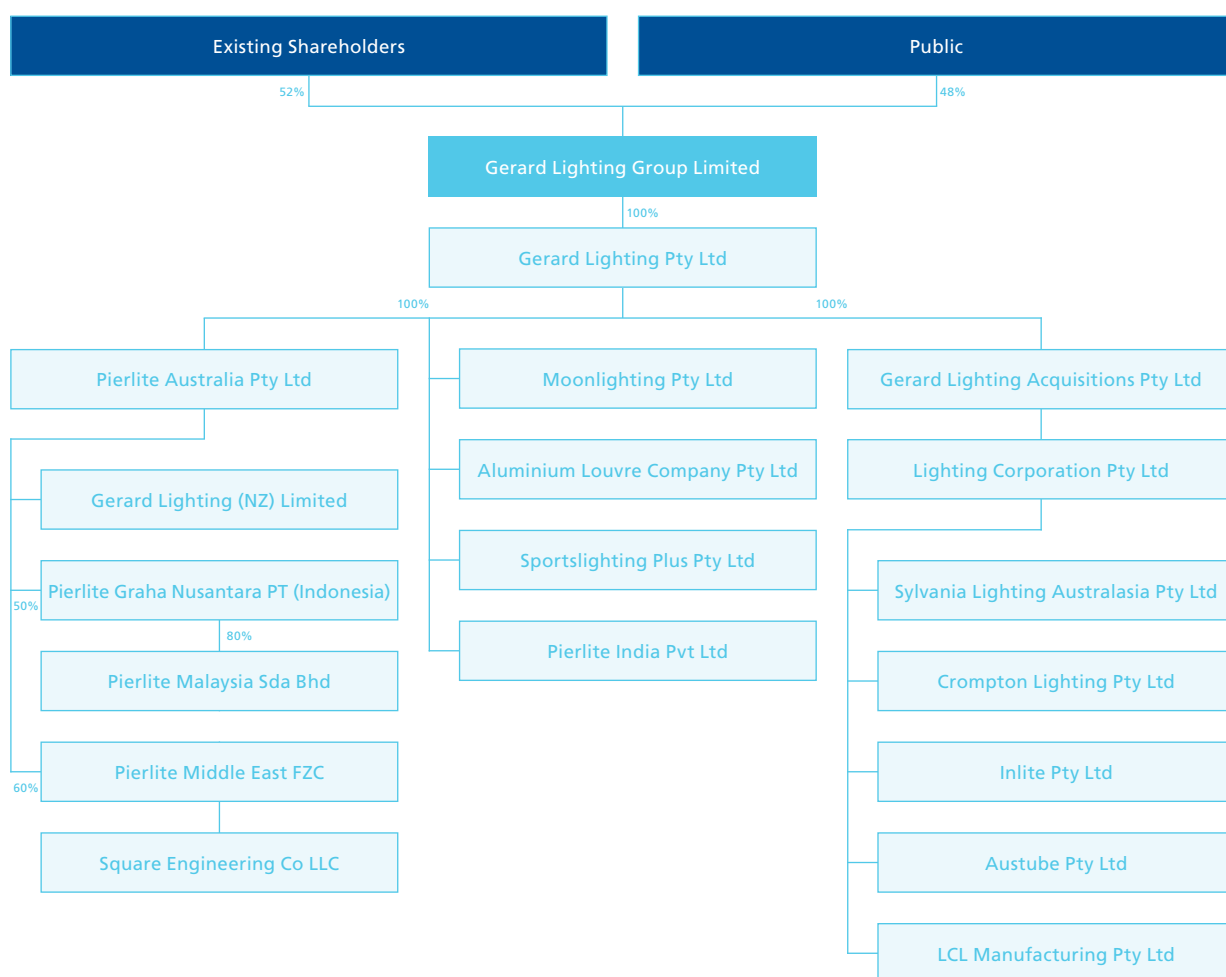
The effect of these arrangements are that GLI1 and GLI2 have a ‘relevant interest’ in each other’s Gerard Lighting shares, and the shareholders in GLI1, GLI2 and GGL are deemed to have a ‘relevant interest’ in the Gerard Lighting shares held by GLI1 and GLI2. Accordingly, upon Gerard Lighting becoming listed on ASX GLI1, GLI2 and their shareholders will be or be deemed to have ‘substantial holdings’ in respect of Gerard Lighting and will be required to lodge a substantial holder notice with ASX under Part 6C.1 of the Corporations Act.

10.3 Company tax status

Gerard Lighting will be treated as a public company for Australian tax purposes.

10.4 Corporate structure

Gerard Lighting’s post Offer corporate structure¹ is shown in the below diagram.



Note:

1. Material operating entities only.

Additional information

10.5 Constitution and rights attaching to Gerard Lighting Shares

10.5.1 Rights attaching to Shares

Shares issued pursuant to this Prospectus will be fully paid ordinary shares in the capital of Gerard Lighting, ranking equally with all other issued Shares. The rights attaching to Shares are set out in the Constitution and in certain circumstances are regulated by the Corporations Act, the Listing Rules, the ASTC Settlement Rules and the general law.

A summary of the rights attaching to the Shares and certain provisions of the Constitution is set out below. This summary is not intended to be exhaustive. Investors who wish to inspect the Constitution may do so during the Offer Period at the registered office of Gerard Lighting during normal business hours.

10.5.2 Meetings of Shareholders and notices

Each Shareholder is entitled to receive notice of, attend and vote at general meetings of Gerard Lighting and receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, the Corporations Act or the Listing Rules.

10.5.3 Voting

At a general meeting, every Shareholder present in person or by proxy, attorney or representative has one vote on a show of hands (irrespective of the number of Shares they hold) and one vote for each Share held on a poll. Where there are two or more joint holders of a Share and more than one joint holder tenders a vote, the vote of the holder named first in the register who tenders the vote will be accepted to the exclusion of the votes of the other joint holders.

Voting at any meeting of Shareholders is by a show of hands unless a poll is demanded. A poll may be demanded by:

- (a) at least five Shareholders entitled to vote on the resolution;
- (b) Shareholders with at least 5% of the votes that may be cast on the resolution; or
- (c) the Chairman.

If votes are equal on a proposed resolution, the Chairman has a casting vote on a show of hands or a poll.

10.5.4 Dividends

The Directors may, from time to time, pay dividends to Shareholders out of the profits of Gerard Lighting. The Directors may pay any interim and final dividends as, in their judgement, the financial position of Gerard Lighting justifies. The Directors may fix the amount and the method of payment of the dividends. The payment of a dividend does not require any confirmation by a general meeting.

Subject to any special rights or restrictions attaching to any shares, dividends must be paid equally on all shares of equal class and in proportion to the number of, and the amounts paid on, the shares held. Refer to Section 7.12 for further information on the dividend policy of Gerard Lighting.

10.5.5 Issue of Shares

Subject to the restrictions on the issue of shares imposed by the Constitution, the Listing Rules and the Corporations Act, the Directors may issue, grant options in respect of, or otherwise dispose of further shares to any person on such terms and conditions (including preferential, deferred or special rights, privileges or conditions, or restrictions) as they see fit.

10.5.6 Variation of class rights

Subject to the Corporations Act and their terms of issue, the rights attached to a class of shares may be varied with the consent in writing of the holders of at least three quarters of the issued shares in the particular class, or by a special resolution passed at a separate meeting of the holders of shares in that class. In either case, the holders of not less than 10% of the votes in the class of shares whose rights have been varied or cancelled may apply to a court of competent jurisdiction to exercise its discretion to set aside such variation or cancellation.

The creation or issue of further shares ranking equally with a class of shares already on issue is not a variation of class rights.

10.5.7 Transfer of Shares

Shareholders may transfer Shares by a written transfer instrument in the usual form or any form approved by the Directors or, while Gerard Lighting is listed on ASX, Shares can be transferred electronically in accordance with the ASTC Settlement Rules and ASX requirements. All transfers must comply with the Constitution, the Corporations Act, the Listing Rules and the ASTC Settlement Rules. The Directors may refuse to register a transfer of Shares, including in circumstances where the transfer is not in registrable form, or the refusal to register the transfer is permitted by the Listing Rules or the Corporations Act. The Directors must refuse to register a transfer of Shares where required to do so by the Listing Rules. The Directors may suspend the registration of a transfer at any time, and for any period, as permitted by the ASTC Settlement Rules. Subject to the Listing Rules, Shares are freely transferable.

10.5.8 Sale of non-marketable parcels

The Directors may cause Gerard Lighting to sell a Shareholder's Shares if that Shareholder holds less than a marketable parcel of Shares, provided that the procedures set out in the Constitution are followed. A non-marketable parcel of Shares is defined in the Listing Rules and is, generally, a holding of Shares with a market value of less than \$500.

10.5.9 Winding up

Subject to the Constitution and any special resolution or rights or restrictions attaching to any class or classes of shares, Shareholders will be entitled on a winding up to a share in any surplus assets of Gerard Lighting in proportion to the shares held by them.

10.5.10 Proportional takeover provisions

The Constitution contains provisions requiring Shareholder approval in relation to any proportional takeover bid. The provisions will lapse three years from the date of the adoption of the Constitution unless renewed by a special resolution of Shareholders in a general meeting.

10.5.11 Directors – appointment and removal

The minimum number of Directors is three and the maximum is fixed by the Directors but may not be more than 11, unless the Shareholders pass a resolution varying that number. Directors are elected at annual general meetings of Gerard Lighting.

The Directors may also appoint a Director to fill a casual vacancy on the Board or in addition to the existing Directors, who will then hold office until the next annual general meeting of Gerard Lighting.

Retirement will occur on a rotational basis so that no Director (excluding the managing director) may hold office beyond the third annual general meeting following the meeting at which they were last elected or re-elected (whichever is later) without Shareholders approving their reappointment.

10.5.12 Directors – voting

Questions arising at a meeting of Directors will be decided by a majority of votes of the Directors present at the meeting and entitled to vote on the matter. In the case of a tied vote, the Chairman has a second or casting vote, unless there are only two Directors present or qualified to vote, in which case the proposed resolution is taken as having been lost.

10.5.13 Directors – remuneration

The Directors, other than the CEO 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. The maximum aggregate sum excludes special and additional remuneration for special exertions and additional services performed by a Director as determined appropriate by the Board. Except for the retirement benefit referred to in Section 6.3.10, no retirement benefits, apart from superannuation contributions already made, are payable to a Non-Executive Director upon retirement.

The Constitution also makes provision for Gerard Lighting to pay all expenses of Directors in attending meetings and carrying out their duties.

10.5.14 Directors' and officers' indemnities

Gerard Lighting, on a full indemnity basis and to the full extent permitted by law, indemnifies each person who is or has been an executive officer of Gerard Lighting or a Director, and such other officers or former officers of Gerard Lighting or its related bodies corporate as the Directors in each case determine (each an **Officer**), against any liability (including costs and expenses) incurred by that person as an Officer or a related body corporate of Gerard Lighting to the extent permitted by law.

Gerard Lighting, to the extent permitted by law, may insure an Officer against a liability incurred by the Officer as an officer of Gerard Lighting or any of its related bodies corporate including, but not limited to, a liability for negligence or for reasonable costs or expenses incurred in defending proceedings whether civil or criminal and whatever the outcome.

Gerard Lighting has entered into deeds of access, indemnity and insurance with each Director which confirm the Director's right of access to Board papers and require Gerard Lighting to indemnify the Director for a liability incurred as an officer of Gerard Lighting or any of its related bodies corporate, subject to the restrictions imposed by the Corporations Act and the Constitution.

10.5.15 Variation of the Constitution

The Constitution may be amended only by a special resolution passed by at least 75% of the votes cast by Shareholders present and entitled to vote on the resolution. At least 28 days' written notice specifying the intention to propose the resolution must be given to Shareholders.

Additional information

10.6 Senior Management Team employment contracts

10.6.1 CEO employment contract

Prior to Listing, the total fixed remuneration (base salary, vehicle and superannuation) received by the CEO was \$1,114,950, as both CEO of Gerard Lighting and managing director of Gerard Corporation.

Upon a successful initial public offering, the CEO's fixed annual remuneration (including base salary, vehicle and superannuation) will be \$1,118,845. The CEO is also eligible to participate in the Gerard Lighting incentive schemes.

Pursuant to the CEO's employment contract:

- the CEO may terminate his employment by giving 12 months' notice; and
- Gerard Lighting may terminate the CEO's employment by giving 12 months' notice (or payment in lieu of notice).

The CEO has also entered into a separate restraint deed with the Company.

Details of the CEO's participation in the LTI Plan are set out in Section 10.7.

On termination by Gerard Lighting by giving notice, the CEO is entitled to a termination payment (not exceeding one times the CEO's fixed annual remuneration) but subject to reduction by reference to any other termination benefits received by the CEO such that the total termination benefits received by the CEO will not be more than the "one times salary" limit in Section 200B of the Corporations Act.

10.6.2 Other Senior Management Team employment contracts

The total fixed remuneration (base salary, vehicle and superannuation) received by the members of the Senior Management Team excluding the CEO in FY2009 was approximately \$2,344,232.

Gerard Lighting has entered into contracts with its Senior Management Team. Pursuant to these contracts, the total aggregate fixed annual remuneration (base salary, vehicle and superannuation) which may be received by the Senior Management Team (excluding the CEO) in FY2010 is approximately \$2,798,155.

Standard terms of the senior manager's employment contracts include:

- the manager may terminate their employment by giving three months' notice to Gerard Lighting; and
- Gerard Lighting may terminate the manager's employment by giving six months' notice.

Gary Savage and Graham Ellis, Executive Director and alternate Director to Gary Savage respectively, are required to give six months' notice in writing to Gerard Lighting to terminate their employment.

Each senior manager has also entered into separate restraint deeds with the Company.

Details of Gary Savage and Graham Ellis' participation in the LTI Plan are set out in Section 10.7.

10.7 Executive Director remuneration

To support the strategic objectives of the Gerard Lighting Group, the Company 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.

The broad details of the incentive plans are set out below.

10.7.1 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, payable after the annual results of the Company have been finalised. 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.

10.7.2 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 Plan 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 Company'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.

The number of Options granted as at the Prospectus Date and their terms are set out in the table below.

Executive Director	Number of Options	Exercise price	Fair value	Vesting date	Expiry date
Simon Gerard	5,000,000	\$1.00	\$1,650,000	1 August 2015	31 Dec 2015
Gary Savage	2,000,000	\$1.00	\$660,000	1 August 2015	31 Dec 2015
Graham Ellis	2,000,000	\$1.00	\$660,000	1 August 2015	31 Dec 2015

An Option entitles the holder to purchase one Share by paying the exercise price to the Company once the Option has vested in the holder, provided the relevant performance hurdles (if any) have been met. Performance hurdles are determined by the Board at the time of issue. The Directors have determined that the appropriate performance hurdle in respect of the Options referred to in the table above is tenure of 5 years as reflected by the vesting date.

Options may vest earlier than the vesting date, and may become exercisable, in the event of a change in control transaction, unless the Board in its absolute discretion determines that the Options should not vest. If an Option vests in the event of a change in control transaction, but is not exercised within 90 days, the Option is forfeited unless the Board otherwise determines.

Options may only be transferred with the consent of the Board.

Options will be forfeited if, prior to the vesting date, the employment of the Executive Director ceases other than in circumstances of death, illness or redundancy, but subject to the discretion of the Board.

10.7.3 Future Extension of Remuneration Strategy

The Board may extend the total remuneration arrangements to the wider group of executives and managers who will be important in building the Company over the immediate future. If the Board determines to extend the arrangements, these executives and managers would participate in the STI and LTI arrangements in a similar way as outlined above.

The variable component of the participants' remuneration packages would consist of an annual STI component and an LTI component. The STI component would ordinarily be cash and the LTI component in the form of Options. It is expected that the fair value of the LTI component granted to the executives would be an appropriate percentage of their targeted total reward mix. The number of Options to be granted to the managers would be determined by the Board at the start of the performance period and would be determined with reference to each manager's role and responsibilities.

The terms of the LTI would be as follows:

- at the beginning of the performance period, the Board will determine the participants in the LTI and the quantum of the Options to be granted;
- the Options will vest in the holder after a specific performance period set in line with the Company's long term strategy, subject to meeting any performance hurdles determined by the Directors at the time of issue;
- the final number of Options which vest in the employee will be determined on a pro rata basis, depending on the Company's actual performance against the hurdle;
- the employee will have a specified period within which to exercise and acquire the Shares after the Options have vested.

Additional information

10.8 Material contracts

10.8.1 Underwriting Agreement

The Lead Manager and Gerard Lighting have entered into the Underwriting Agreement in respect of the Offer.

In accordance with the terms of the Underwriting Agreement, subject to its termination rights set out below, the Lead Manager has agreed to underwrite the Offer by subscribing for any underwritten securities, meaning any Shares the subject of the Offer for which valid Applications are not received (Underwritten Securities) and procuring that Gerard Lighting receives settlement funds from approved Institutional Investors.

The Lead Manager may, at any time, appoint sub-underwriters to sub-underwrite up to the total number of Underwritten Securities.

Conditions

The obligations of the Lead Manager under the Underwriting Agreement were conditional on delivery to the Lead Manager of a number of reports and sign offs in relation to the Offer and lodgement of the Prospectus with ASIC. If either of these conditions had not been met by their respective deadlines, the Lead Manager was entitled, by written notice to Gerard Lighting, to terminate the Underwriting Agreement. Both of the conditions were satisfied by their respective deadlines.

Commissions and expenses

Under the Underwriting Agreement, the Company must pay the Lead Manager an underwriting commission of 2.0% of the total funds to be raised by the Offer (**Underwriting Commission**) and a management fee of 1.75% of the total funds to be raised by the Offer.

The Company must also reimburse the Lead Manager for all reasonable expenses, incurred by the Lead Manager in connection with the Underwriting Agreement, the

Prospectus and the Offer, marketing expenses and other costs, fees, commissions, disbursements, charges, taxes or duties. However, the Lead Manager must not incur any item of expense greater than \$5,000 without the prior written approval of the Company, which approval is not to be unreasonably withheld.

Representations, Warranties and Undertakings

The Company provides various representations and warranties to the Lead Manager in the Underwriting Agreement, which are standard in nature.

The Company also provides various undertakings in favour of the Lead Manager, which are standard in nature. The Company must also not, without the consent of the Lead Manager, within 12 months after the close of the Offer Period, issue or agree to issue an invitation or offer to issue any Shares, Options or any other securities of the Company (except under the Offer, an employee share or option plan or a dividend reinvestment plan referred to, or contemplated in, this Prospectus).

Indemnity

The Company has agreed to indemnify the Lead Manager and its directors, officers, employees and advisers (**Indemnified**) against all losses, expenses, damages, costs (including reasonable legal expenses and whether incurred by or awarded against the Indemnified), outgoings and payments (**Losses**) sustained or incurred by any of the Indemnified as a result of a warranty being untrue, inaccurate or misleading or a breach by the Company of the Underwriting Agreement or in connection with the Offer or the Prospectus or any announcement, advertising, publicity or promotion distributed by or with the consent of the Company or any investigation or review of this Prospectus.

The indemnities do not apply where the Losses are incurred as a result of any fraud, negligence or reckless, wilful default or misleading or deceptive conduct on the part of an Indemnified in relation to the Offer or this Prospectus, or any material breach of the Underwriting Agreement by the Lead Manager, or any fine that an Indemnified is required to pay for any contravention of the Corporations Act or other law in relation to the Offer.

Termination events

The Lead Manager may terminate the Underwriting Agreement if:

- (a) at the time the Company gives the Lead Manager a Shortfall Notice, the Company does not give the Lead Manager a certificate signed by two Directors confirming that the conditions precedent have been satisfied, that the Company has complied with all of its obligations in respect of the Offer, that the representations and warranties are true and correct and that there has not been any breach of the representations and warranties and that none of the termination events have occurred (**Confirmation Certificate**);
- (b) immediately before the issue of the Underwritten Securities to the Lead Manager, the Company does not give the Lead Manager a Confirmation Certificate; or
- (c) if any of the following events occur and, in the reasonable opinion of the Lead Manager, the event has or would have a material effect on the Offer or the event has or would be likely to create a criminal liability for an Indemnified under the Corporations Act or a civil liability for an Indemnified under the Corporations Act which would bring the Lead Manager into material disrepute with its clients, ASIC or ASX or exceed \$50,000:

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- (i) (Market fall) The All Ordinaries Index or the S&P/ASX 200 Index or the S&P/ASX Small Ords closes on any two consecutive Business Days before the Settlement Date at a level that is 10% or more below the level on the last market close prior to the execution of the Underwriting Agreement (**Starting Level**) or closes on the Business Day before the Settlement Date at a level which is 10% or more below the Starting Level.
- (ii) (Change in law) There is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any State or Territory of Australia, a new law or ASIC or its delegates or the Reserve Bank of Australia adopts any regulations or policy, which does or is likely to prohibit, restrict or regulate the Offer or materially reduces the level or likely level of Valid Applications.
- (iii) (Breach of significant contracts) A significant or material contract referred to in the Prospectus is, without the prior written consent of the Lead Manager (not to be unreasonably withheld) breached by the Company or a subsidiary, terminated (whether by breach or otherwise), altered or amended in any way or found to be void or voidable.
- (iv) (Warranties) A warranty or representation in the Underwriting Agreement on the part of the Company is not true or correct.
- (v) (Listing) ASX makes an official statement to any person, or indicates to the Company or the Lead Manager that the Company will not be admitted to the official list of ASX or an ASX Approval will not be given.
- (vi) (Listing) An ASX Approval has not been given before the close of the Offer Period.
- (vii) (Listing) The notification given by the Share Registrar on the day before the close of the Offer Period indicates that Condition 7 of Listing Rule 1.1 in relation to the holders of ordinary shares will not be satisfied.
- (viii) (Default) The Company is in default of any of the terms and conditions of the Underwriting Agreement or breaches any warranty or covenant given or made by it under the Underwriting Agreement and that default or breach is either incapable of remedy or is not remedied within the time frame set out in the relevant clause, or in the absence of a time, five business days after it occurs.
- (ix) (Fails to comply) The Company or any subsidiary fails to comply with a clause of its constitution, a statute, any binding requirement, order or request made by or on behalf of ASIC or any governmental agency or any material agreement entered into by it.
- (x) (Capital structure) The Company or a material subsidiary alters its capital structure without the prior written consent of the Lead Manager, which consent must not be unreasonably withheld.
- (xi) (Constitution altered) The constitution or any other constituent document of the Company or a subsidiary is amended without the prior written consent of the Lead Manager, which consent must not be unreasonably withheld.
- (xii) (Financial assistance) The Company or a subsidiary seeks the approval of Shareholders under Section 260B of the Corporations Act, without the prior written consent of the Lead Manager, which consent must not be unreasonably withheld.
- (xiii) (Business) The Company or a material subsidiary disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property or ceases or threatens to cease to carry on business, in either case without the prior written consent of the Lead Manager, which consent must not be unreasonably withheld.
- (xiv) (Hostilities) There is an outbreak of hostilities (whether or not war has been declared) not presently existing, or a major escalation in existing hostilities occurs, involving any one or more of the following Australia, the United Kingdom, the United States of America, the People's Republic of China, Russia, Japan, Israel, Indonesia or any member country of the Organisation of Petroleum Exporting Countries (OPEC).

Additional information

- (xv) (Disclosures in due diligence report) The due diligence report or any other information supplied by or on behalf of the Company to the Lead Manager is misleading or deceptive (when considered in its final form and, in the case of supporting documents and other work papers to which the Lead Manager is given access for the purpose of the due diligence investigations and any other information supplied by or on behalf of the Company to the Lead Manager, in the light of all other information so supplied).
- (xvi) (Material adverse change) Any material adverse change occurs in the assets, liabilities, financial position or performance, profits, losses or prospects of the Group (taken as a whole) including an insolvency event in relation to the Company or a material subsidiary.
- (xvii) (Prospectus) There is a material omission from this Prospectus, this Prospectus contains a misleading or deceptive statement or a statement becomes misleading or deceptive in a material respect, a forecast in this Prospectus becomes incapable of being met or unlikely to be met in the projected time, or this Prospectus does not comply with Section 710(1) of the Corporations Act, the Listing Rules or any other applicable laws or regulations.
- (xviii) (Corporations Act) ASIC applies for an order under Section 1324B of the Corporations Act in relation to this Prospectus and the application is not dismissed or withdrawn before the close of the Offer Period, ASIC gives notice of intention to hold a hearing in relation to the Prospectus under Section 739(2) of the Corporations Act or makes an interim order under Section 739(3) of the Corporations Act or any person (other than the Lead Manager) who consented to being named in the Prospectus withdraws that consent.
- (xix) (Supplementary Prospectus) The Lead Manager reasonably forms the view that a supplementary or replacement document must be lodged with ASIC under Section 719 of the Corporations Act and the Company does not lodge a supplementary or replacement document in the form, with the content and within the time reasonably required by the Lead Manager.
- (xx) (Indictable offence) A Director, the CEO or the CFO of the Company is charged with an indictable offence relating to a financial or corporate matter.
- (xxi) (Substantial change in Board) The office of a Director, the CEO or the CFO of the Company is terminated or that person resigns their office in circumstances where the Lead Manager (acting reasonably) assesses there to be a material effect on the Offer.
- (xxiii) (Charge) The Company or a material subsidiary charges or agrees to charge, the whole, or a substantial part of its business or property without the consent of the Lead Manager (except for a charge referred to in the Prospectus).

10.8.2 Bank Facility

As at the Prospectus Date, Gerard Lighting Pty Ltd (**Borrower**) will have drawn \$129.8 million under its existing facilities with St George Bank:

- Amortising Term Facility of \$43.8 million;
- Non-Amortising Term Facility of \$57.0 million;
- Mezzanine Facility of \$15.0 million;
- Multi Option Facility of \$10.0 million; and
- Foreign Currency Management Facility and IRRL of \$4.0 million.

On Listing, the Borrower's existing facility will be replaced with a facility with St George Bank under which the Borrower will have available \$103 million of facilities comprising:

- an Amortising Term Facility of \$32.0 million;
- a Bullet Term Facility of \$48.5 million;
- a Multi Option Facility of \$18.5 million; and
- a Foreign Currency Management Facility and IRRL Facility totalling \$4.0 million,

(together, the **Facilities**).

The Facilities are scheduled to expire three years after the date of Listing of Gerard Lighting pursuant to the Offer. At the end of the three year term the Amortising Term Facility will have amortised from \$32 million to \$17.9 million.

Conditions precedent

Before the Facilities take effect, there are a series of conditions that must be met which are usual for facilities of this nature. These include the successful completion of the Offer, the accuracy of certain representations and warranties and the provision of specified certificates, opinions and other information. In addition, the Borrower must repay all mezzanine debt and \$20 million of the senior debt owing to St George Bank under the existing facilities (total \$35 million).

Use of proceeds

Amounts drawn under the Facility Agreement are to fund long term capital needs, working capital requirements and general corporate purposes of the Gerard Lighting Group.

Representations and warranties

The Facilities contain representations and warranties usual for facilities of this nature.

Undertakings

The Facilities contain undertakings usual for facilities of this nature including undertakings to provide information (including quarterly financial reports), a negative pledge (incorporating customary carve outs), market disruption provisions, restrictions as to disposals of any assets, restrictions as to listing by any wholly owned subsidiary of Gerard Lighting, restrictions as to acquisitions and investments, restrictions as to the provision of financial accommodation and incurring of financial indebtedness and restrictions as to changes to capital (which, in each case, are subject to exceptions usual for facilities of this nature).

In addition, the Borrower and guarantors (including Gerard Lighting) are not permitted to pay dividends of more than:

- where the dividend is to be paid in a financial year ending on or prior to 30 June 2012, 60% of NPAT for the preceding financial year; or
- where the dividend is to be paid in a financial year ending after 30 June 2012, 75% of NPAT for the preceding financial year.

The Borrower's obligations under the Facilities are guaranteed by Gerard Lighting and such of its wholly owned subsidiaries as is necessary to ensure that all guarantors, together with the Borrower, account for at least 95% of tangible assets (within the meaning of the Australian Accounting Standards) and EBITDA of the Gerard Lighting Group.

The Facilities contain financial undertakings, as summarised in Section 7.16.

Events of default

The Facilities contain events of default which are usual for facilities of this nature, including failure to pay, breach of financial undertaking, breach of general undertaking, misrepresentation, cross default, insolvency and related events, unenforceability and material adverse effect.

The events of default are subject to materiality thresholds and grace periods where appropriate.

In addition, it is an event of default if Gerard Lighting is delisted or if quotation of the Shares is discontinued or suspended for more than five consecutive business days (or in the case of suspension such longer period as consented to by St George Bank (which consent may not be unreasonably withheld)).

Review event

It is a review event if there is a change of control of Gerard Lighting or if the Borrower or a guarantor (other than Gerard Lighting) ceases to be a wholly owned subsidiary of Gerard Lighting. If a review event occurs, St George Bank and Gerard Lighting must negotiate in good faith for up to 30 days to agree the amendments to the finance documents required to be made by the financiers. If agreement cannot be reached within the 30 day period, the financiers may give written notice to Gerard Lighting cancelling the commitments to provide the Facilities and/or requiring the repayment of all of the money owing by a date no earlier than 60 days from the date of the notice.

Covenants

See Section 7.16 for a summary of the covenants applying to the Facilities.

Additional information

10.9 Transactions with related parties

10.9.1 Ongoing transactions with Gerard Corporation and its related entities

Family trusts associated with Robert Gerard and Simon Gerard (Directors of Gerard Lighting) (referred to in Section 10.2) have an interest in Gerard Corporation and its related entities. Robert Gerard, Simon Gerard and Gary Savage are also directors of Gerard Corporation and its related entities. A number of these entities have historically transacted with the Gerard Lighting Group. The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-Director related entities on an arm's length basis.

Outstanding balances as at 31 December 2009 to Gerard Corporation and its related entities amount to \$1.8 million (excluding debt owed to Gerard Corporation to be repaid from the proceeds of the Offer). Amounts invoiced by Gerard Corporation and its related entities are based on normal market rates for such services and are due and payable in accordance with commercial terms and conditions.

Gerard Corporation and selected related entities will continue to provide goods and services to the Gerard Lighting Group (described below). The proposed terms and conditions of the ongoing transactions are no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-Director related entities on an arm's length basis.

Premises

Gerard Land Pty Ltd, a related party of Gerard Corporation, subleases premises to the Gerard Lighting Group at Port Wakefield Road, Cavan, South Australia for \$212,813 per annum (exclusive of GST) (increasing by 4% per annum on each anniversary of the commencement date). The preliminary agreement to sublease the Port Wakefield Road, Cavan premises expires on 14 June 2011 with one right of renewal for a further period of three years.

Gerard Land also rents premises to the Gerard Lighting Group at Canterbury Road, Padstow, New South Wales, for \$241,575 per annum (exclusive of GST) (increasing by 4% per annum on each anniversary of the commencement date). The preliminary agreement to lease the Canterbury Road, Padstow premises expires on 21 December 2010, with two rights of renewal for further periods of three years each.

Bell Total Logistics Pty Ltd, a related party of Gerard Corporation, has subleased a portion of premises located at 176 Swann Drive, Derrimut, Victoria to the Gerard Lighting Group for \$69,860 per annum (exclusive of GST) (increasing by 4% per annum on each anniversary of the commencement date). The preliminary agreement to sublease the 176 Swann Drive, Derrimut premises expires on 15 October 2014, with one right of renewal for a further period of five years.

Bell Total Logistics Pty Ltd leases the 176 Swann Drive, Derrimut premises from 176 Swann Drive Pty Ltd, as trustee of the 176 Swann Drive Unit Trust, pursuant to the terms of a lease which commenced on 17 October 2009 for a period of 10 years with two rights of renewal for a further period of six years each. Cavan Land Pty Ltd, as trustee for Cavan Land

Trust, owns 10.54% of the units in the 176 Swann Drive Unit Trust. Robert Gerard and members of his family own all of the units in the Cavan Land Trust.

Gerard Corporation has subleased premises located at Malaga in Western Australia to the Gerard Lighting Group for \$252,365 per annum. The sublease will expire on 21 December 2010. Gerard Corporation leases the premises from an unrelated party, Berrimal Pty Ltd, pursuant to the terms of a lease expiring on 22 December 2010. Management is in negotiations with a third party for the development and lease of new premises, which the Gerard Lighting Group will move to on or before expiry of the existing lease.

Freight and packaging

Bell Total Logistics Pty Ltd is expected to also provide freight forwarding and distribution services to the value of approximately \$8.8 million per annum of which approximately 90% represents reimbursement of direct external costs incurred by Bell Total Logistics Pty Ltd.

Custom Cartons Pty Ltd, a related party of Gerard Corporation, is expected to provide printing and packaging services to the value of approximately \$1.2 million per annum.

Other ongoing transactions

Gerard Corporation and Gerard Lighting have entered into a services agreement for the provision of the services of Simon Gerard and Gary Savage to act as part time directors of Gerard Corporation and related entities for a fee of \$16,667 per month (plus GST) for a maximum of nine hours and 26 hours per month, respectively. Any time in excess of these limits must be approved by Gerard Lighting and a further fee of \$500 per hour (plus GST) is payable.

Gerard Corporation is expected to provide selected ancillary services including access to utilities and data lines to the value of approximately \$0.1 million per annum.

Other related entities of Gerard Corporation are expected to provide business development services to the value of approximately \$0.2 million per annum.

Certain other transactions involving Gerard Corporation and its related entities are disclosed in Section 10.14 (Interests of Directors).

10.9.2 Other related parties

Mr Edwin Sargeant (Executive General Manager of Austube) has a beneficial interest in a property leased by Austube located at Seven Hills, New South Wales. The three year lease commenced on 1 March 2008 and has an annual rental of \$246,956 per annum (exclusive of GST) (increasing by a minimum of 3% per annum on each anniversary of the commencement date). There are no rights of renewal. The terms and conditions of the lease arrangement are no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management related entities on an arm's length basis. Management expects to enter into a new three year lease of the Seven Hills premises on expiry of the existing lease.

10.10 Australian ownership restrictions

The sale and purchase of shares in Australia is regulated by a number of laws that restrict the level of ownership or control by any one person (either alone or in combination with others). This Section contains a general description of these laws.

Foreign Acquisitions and Takeovers Act 1975 (Cth)

Generally, the *Foreign Acquisitions and Takeovers Act 1975* (Cth) applies to acquisitions of shares and voting power in a company of 15% or more by a single foreign person and its associates (substantial interest), or 40% or more by two or more unassociated foreign persons and their associates (aggregate substantial interest). Where an acquisition of a substantial interest meets certain criteria, the acquisition may not occur unless notice of it has been given to the Federal Treasurer and the Federal Treasurer has either stated that there is no objection to the proposed acquisition in terms of the Federal Government's Foreign Investment Policy or a statutory period has expired without the Federal Treasurer objecting. An acquisition of a substantial interest or an aggregate substantial interest meeting certain criteria may also lead to divestment orders unless a process of notification, and either a statement of non-objection or expiry of a statutory period without objection, has occurred.

Corporations Act

The takeover provisions in Chapter 6 of the Corporations Act restrict acquisitions of shares in listed companies, and unlisted companies with more than 50 members, if the acquirer's (or another party's) voting power would increase to above 20%, or would increase from a starting point that is above 20% and below 90%, unless certain exceptions apply.

The Corporations Act also imposes notification requirements on persons having voting power of 5% or more in Gerard Lighting.

10.11 New Zealand mutual recognition

This offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act 2001 and Corporations Regulations. In New Zealand, this is Part 5 of the Securities Act 1978 and the Securities (Mutual Recognition of Securities Offerings – Australia) Regulations 2008.

This offer and the content of this offer document are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act 2001 and Corporations Regulations (Australia) set out how the offer must be made.

There are differences in how securities are regulated under Australian law. For example, the disclosure of fees for collective investment schemes is different under the Australian regime.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian securities may differ from the rights, remedies, and compensation arrangements for New Zealand securities.

Both the Australian and New Zealand securities regulators have enforcement responsibilities in relation to this offer. If you need to make a complaint about this offer, please contact the Securities Commission, Wellington, New Zealand. The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian securities is not the same as for New Zealand securities.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

Additional information

Payments that are not in New Zealand dollars

The offer may involve a currency exchange risk. The currency for the securities is not New Zealand dollars. The value of the securities will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.

If you expect the securities to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

Securities that are able to be traded on a financial market

If the securities are able to be traded on a securities market and you wish to trade the securities through that market, you will have to make arrangements for a participant in that market to sell the securities on your behalf. If the securities market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the securities and trading may differ from securities markets that operate in New Zealand.

10.12 Foreign selling restrictions

10.12.1 United States selling restrictions

The Existing Shares and the New Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction in the United States and may not be offered or sold in the United States or to, or for the account or benefit of US Persons, except to QIBs in accordance with an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act, and any other applicable securities laws.

This Prospectus may not be distributed in the United States or to, or for the account or benefit of, US Persons, or elsewhere outside Australia or New Zealand, and may only be distributed to persons to whom the Offer may be lawfully made in accordance with the laws of any applicable jurisdiction. The Offer is not an offer or invitation in any jurisdictions where, or to any person to whom, such an offer or invitation would be unlawful.

Each Applicant under the Offer will be taken to have represented, warranted and agreed as follows:

- It understands that the Shares have not been, and will not be, registered under the US Securities Act and may not be offered, sold or resold in the United States, or to or for the account or benefit of US Persons, except in transaction exempt from, or not subject to, registration under the US Securities Act and any other applicable securities laws;
- It is not in the United States or a US Person, and is not acting for the account or benefit of a US Person;
- It has not and will not send the Prospectus or any other material relating to the Offer to any person in the United States or to any person that is, or is acting for the account or benefit of, a US Person; and
- It will not offer or sell Shares in the United States or to, or for the account or benefit of, any US Person or in any other jurisdiction outside Australia and New Zealand except in transactions exempt from, or not subject to, registration under the US Securities Act and in compliance with all applicable laws in the jurisdiction in which Existing Shares or New Shares are offered and sold.

10.12.2 Hong Kong

This Prospectus has not been, and will not be, registered as a prospectus under the Companies Ordinance (Cap. 32 of the Laws of Hong Kong) (the **Companies Ordinance**), nor has it been authorised by the Securities and Futures Commission in Hong Kong under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the **SFO**). No action has been taken in Hong Kong to authorise or register this Prospectus or to permit the distribution of this Prospectus or any documents issued in connection with it. Accordingly, the Shares have not been and will not be offered or sold in Hong Kong by means of any document, other than:

- to 'professional investors' (as defined in the SFO and any rules made thereunder); or
- in other circumstances that do not result in the document being a 'prospectus' (as defined in the Companies Ordinance) or that do not constitute an offer to the public within the meaning of the Companies Ordinance.

No advertisement, invitation or document relating to the Shares has been or will be issued, or has been or will be in the possession of any person for the purposes of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to 'professional investors' (as defined above). By taking up the allotted Shares, an Applicant undertakes that no allotted Shares will be sold or offered to be sold in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such Shares.

The contents of this Prospectus have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this Prospectus, you should obtain independent professional advice.

10.12.3 Singapore

This Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Shares may not be circulated or distributed, nor may the Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than:

- (a) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the **SFA**);
- (b) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA; or
- (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Shares pursuant to an offer made under Section 275 of the SFA except:

- (a) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (b) where no consideration is or will be given for the transfer;
- (c) where the transfer is by operation of law; or
- (d) as specified in Section 276(7) of the SFA.

10.12.4 Indonesia

This Offer is not intended to constitute, and should not be construed as, a public offer in Indonesia. No prospectus complying with the requirements prescribed by the Capital Market and Financial Institutions Supervisory Agency (Badan Pengawas Pasar Modal dan Lembaga Keuangan (**Gapepam-LK**)) has been published or is intended to be published in respect of the Shares.

The Shares may only be offered or sold in Indonesia if the value of the Offer is either less than Rp1,000,000,000 or the following conditions have been complied with (a) the Offer is not made by mass media; (b) the Offer is made to less than 100 persons in Indonesia; (c) the Offer is accepted by less than 50 Indonesian people. The Shares offered hereby may not be offered or sold in Indonesia in any manner which would constitute a public offering under Indonesian law.

Additional information

10.12.5 United Kingdom

Neither the information in this Prospectus nor any other document relating to the Offer has been delivered for approval to the Financial Services Authority in the United Kingdom and no prospectus (within the meaning of Section 85 of the Financial Services and Markets Act 2000, as amended (**FSMA**)) has been published or is intended to be published in respect of the Shares. This Prospectus is issued on a confidential basis to 'qualified investors' (within the meaning of Section 86(7) of FSMA). This Prospectus should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of Section 21 of FSMA) received in connection with the issue or sale of the Shares has only been communicated, and will only be communicated, in the United Kingdom in circumstances in which Section 21(1) of FSMA does not apply to the Company.

In the United Kingdom, this Prospectus is being distributed only to, and is directed at, persons who both: (A)(i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005, as amended (**FPO**), (ii) persons who fall within the categories of persons referred to in Article 49(2) (a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) persons to whom it may otherwise be lawfully communicated; and (B) 'qualified investors' (within the meaning of

Section 86(7) of FSMA (persons meeting criteria (A) and (B) being 'relevant persons'). The investments to which this Prospectus relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this Prospectus or any of its contents and should return it immediately to the Company.

10.12.6 Belgium

This Offer is not intended to constitute, and should not be construed as, a public offering in Belgium. This Prospectus has not been submitted for approval to the Belgian Banking, Finance and Insurance Commission. The Shares may only be offered or sold in Belgium to persons or entities that qualify as a qualified investors, as defined in Article 10 §1 of the Belgian Act of 16 June 2006 relating to the public offering of placement instruments and the trading of placement instruments on the regulated markets. The Shares offered hereby may not be offered or sold in Belgium in any manner which would constitute a public offering under Belgian law.

10.12.7 Germany

This Prospectus has been prepared on the basis that all offers of Shares will be made pursuant to an exemption under the Prospectus Directive, as implemented in member states of the European Economic Area (**EEA**), from the requirement to produce a prospectus for offers of shares. Accordingly, any person making or intending to make any offer within the EEA of Shares which are the subject of the Offer contemplated by this Prospectus should only do so in circumstances in which no obligation arises for Gerard Lighting to produce

a prospectus for such Offer. Gerard Lighting has not authorised, nor does it authorise, the making of any offer of Shares through any financial intermediary or other person, other than the Offer contemplated by this Prospectus which constitutes the final placement of Shares. It is expressly not authorised for any person other than Gerard Lighting to make any offer of Shares on the basis of this Prospectus.

In relation to each member state of the EEA which has implemented the Prospectus Directive (each a **Relevant Member State**), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**), an offer to the public of any Shares which are the subject of the Offer contemplated by this Prospectus may not be made and will not be made by Gerard Lighting in that Relevant Member State except that an offer to the public in that Relevant Member State of any Shares may be made at any time with effect from and including the Relevant Implementation Date under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

(c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive); or

(d) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Shares shall result in a requirement for the publication by Gerard Lighting of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression 'offer to the public' in relation to any shares in any Relevant Member State means the communication to the public in any form and by any means of sufficient information on the terms of the offer and any shares to be offered so as to enable an investor to decide to purchase or subscribe for any shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression 'Prospectus Directive' means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

10.12.8 Luxembourg

This Prospectus has not been approved by and will not be submitted for approval to the competent authority in the Grand Duchy of Luxembourg (Luxembourg) – the Commission de Surveillance du Secteur Financier (CSSF) – and consequently is not authorised for public offering in Luxembourg. The terms of the Offer or other marketing material may therefore not be distributed and the Shares not be offered in Luxembourg, directly or indirectly, other than:

(a) to legal entities which are authorised or regulated to operate in the financial markets or if not an authorised/regulated, whose corporate purpose is solely to invest in securities, or to other Qualified Investors within the meaning of the Luxembourg Act on prospectuses for securities of 10 July 2005 implementing the Directive 2003/71/EC of 4 November 2003 on the prospectus to be published when securities are offered to the public into Luxembourg law;

(b) to persons who invest in the product a minimum sum of €50,000 for each investment; or

(c) to up to 100 persons not qualified as Qualified Investors in the above mentioned sense.

10.12.9 Netherlands

This Offer is not intended to constitute, and should not be construed as, a public offering in the Netherlands. This Prospectus has not been submitted for approval to the Netherlands Authority for the Financial Markets. The Shares may only be offered or sold in the Netherlands to persons or entities that qualify as a qualified investors, as defined in Article 1:1 of the Dutch Financial Services Act. The Shares offered hereby may not be offered or sold in the Netherlands in any manner which would constitute a public offering under Netherlands law.

10.12.10 Other jurisdictions

The Offer Shares may not be offered or sold in any other jurisdiction except to persons to whom such offer or sale is permitted under applicable law.

10.13 Taxation considerations

This is a general description of the Australian income tax consequences for investors who acquire Shares under the Offer.

The taxation summary seeks to provide Australian resident individual Shareholders, Australian resident complying superannuation fund Shareholders, Australian resident corporate Shareholders and non-resident Shareholders with an overview of the relevant Australian income tax considerations associated with the payment of dividends by Gerard Lighting and the future disposal of their Shares.

The Australian tax laws are complex. The summary is general in nature and is not intended to be an authoritative or complete statement of the applicable law. The individual circumstances of each investor may affect the taxation implications of the investment of that investor. Investors should seek appropriate independent professional advice that considers the taxation implications in respect of their own specific circumstances.

To the extent permitted by law, Gerard Lighting disclaims all liability to any investor or other party for all costs, loss, damage and liability that the investor or other party may suffer or incur arising from or relating to or in any way connected with the contents of this summary or the provision of this summary to the investor or other party or the reliance on it by the investor or other party.

Unless otherwise indicated, the comments are based on the income tax law, established interpretations of that law and understanding of the practice of the tax authority in Australia as at the date of this Prospectus. Investors should also be aware that the Australian tax rules are continuing to undergo significant change.

Additional information

10.13.1 Taxation of dividends

Australian resident individual Shareholders and Australian resident complying superannuation fund Shareholders

Dividends paid by Gerard Lighting on a Share will constitute assessable income of an Australian resident Shareholder. Australian resident Shareholders who are individuals or complying superannuation funds should include in their assessable income the dividend received, together with any franking credit attached to the dividend. These Shareholders should be entitled to a tax offset equal to the franking credit attached to the dividend. The tax offset can be applied to reduce the tax payable on a Shareholder's taxable income. Where the tax offset exceeds the tax payable on a Shareholder's taxable income, such Shareholder should be entitled to a tax refund.

Australian resident corporate Shareholders

Dividends paid by Gerard Lighting on a Share will constitute assessable income of an Australian resident corporate Shareholder. Australian resident corporate Shareholders should include in their assessable income the dividend received, together with any franking credit attached to the dividend. Such Shareholders should be entitled to a tax offset equal to the franking credit attached to the dividend. The tax offset can be applied to reduce tax payable on a Shareholder's taxable income. For Australian resident corporate Shareholders, excess franking credits received cannot give rise to a tax refund, but may be able to be converted into carry forward tax losses.

Non-resident Shareholders

Dividends paid by Gerard Lighting on a Share to a non-resident Shareholder may be subject to Australian tax by way of withholding tax. It will generally be the responsibility of Gerard Lighting to administer the payment of any withholding tax liability on behalf of the Shareholder.

Where fully franked dividends are paid to a non-resident Shareholder, generally no withholding tax is required to be withheld. Where unfranked dividends are paid to a non-resident Shareholder, Gerard Lighting will generally be required to withhold tax from the payment of the dividend under the withholding tax rules. The amount of withholding tax required to be withheld will be based on the address of the non-resident Shareholder. Where withholding tax is required to be withheld, generally no further Australian tax liability arises for the non-resident Shareholder.

Non-resident Shareholders should seek their own independent tax advice as the above comments are general in nature, and any tax liability may vary depending on the Shareholder's individual circumstances.

Franking credits

The tax offset for franking credits can be denied where a Shareholder is not a 'qualified person'. Broadly, a Shareholder must satisfy a 'holding period rule' and, if necessary, a 'related payment rule' to be a qualified person. The 'holding period rule' requires a Shareholder to hold the Shares 'at risk' for a continuous period commencing the day after the Shares are acquired and ending 45 days after the Shares go ex dividend.

Under the 'related payment rule', a different testing period applies where the Shareholder has made, or is under an obligation to make, a related payment in relation to a dividend. The 'related payment rule' also requires the Shareholder to hold the Shares at risk for a period commencing on the 45th day before, and ending on the 45th day after, the day the Shares go ex dividend.

Where a Shareholder is not a 'qualified person', the Shareholders will not need to include an amount for the franking credits in their assessable income and will not be entitled to a corresponding tax offset.

Shareholders should seek professional advice to determine whether they will be able to access the benefit of franking credits.

10.13.2 Taxation of future Share disposals

The comments below provide a general summary of Australian tax issues for Shareholders who acquire Shares under this Prospectus and hold their Shares on capital account. They do not apply to Shareholders who do not hold their Shares on capital account, including banks, insurance companies or Shareholders who carry on a business of trading in Shares.

Australian resident Shareholders

The disposal of a Share by an Australian resident Shareholder will be a capital gains tax (CGT) event. A capital gain will arise where the capital proceeds on disposal of the Share exceed the cost base of the Share (broadly, the amount paid to acquire the Share plus any transaction costs). In the case of an arm's length on market sale, the capital proceeds will generally be the cash proceeds from the sale.

The CGT discount may be applied against the net capital gain where the Shareholder is an individual, complying superannuation fund or trustee, the Shares have been held for more than 12 months and certain other requirements have been met. Where the 50% CGT discount applies, any capital gain arising to individuals and entities acting as trustees (other than a trust that is a complying superannuation fund) may be reduced by 50% after offsetting current year or prior year capital losses. For a complying superannuation fund, any capital gain may be reduced by 33.33%, after offsetting current year or prior year capital losses.

A capital loss will be realised where the reduced cost base of the Share exceeds the capital proceeds from disposal. Capital losses may only be offset against capital gains realised by the Shareholder in the same year or future income years, subject to certain loss recoupment tests being satisfied. Capital losses cannot be offset against other assessable income.

Non-resident Shareholders

Where a non-resident Shareholder (and any associates) holds less than 10% of the Shares in Gerard Lighting, any capital gain made on disposal of the Shares will be exempt from CGT.

A non-resident Shareholder (and any associates) holding more than 10% of the Shares in Gerard Lighting will only be liable to tax where more than 50% of the value of Gerard Lighting's assets is attributable to Australian real property. Where this is not the case, any capital gain made on disposal of the Shares will be exempt from CGT.

As the application of the CGT rules will vary depending on the Shareholder's individual circumstances, non-resident Shareholders should seek their own professional advice when disposing of their Shares.

10.13.3 Tax file number and Australian business number

A Shareholder is not required to quote their TFN to Gerard Lighting. However, if they do not quote their TFN (or exemption details are not provided), Australian tax may be required to be withheld by Gerard Lighting from any unfranked dividends paid at the top marginal tax rate plus Medicare Levy (currently 46.5%).

A Shareholder who holds Shares in the course of carrying on an enterprise may quote their ABN instead of their TFN.

Non-residents who are subject to the dividend withholding tax rules are exempt from the TFN quotation rules.

10.13.4 Stamp duty

No stamp duty will be payable by you on the issue of Shares to you pursuant to the Offer. Under current stamp duty legislation, no stamp duty would ordinarily be payable on any subsequent transfer of Shares by you.

10.13.5 Goods and services tax

Investors should not be liable for GST in respect of their investment in Shares in Gerard Lighting.

Investors may not be entitled to claim full input tax credits in respect of any GST paid on costs incurred in connection with their acquisition of the Shares. Shareholders should seek their own professional advice to determine whether they will be able to claim any GST credits.

10.14 Interests of Directors

10.14.1 Interests of Directors generally

Except as set out in this Prospectus, no Director or proposed Director holds, at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of Gerard Lighting;
- the Offer; or
- any property acquired or proposed to be acquired by Gerard Lighting, respectively, in connection with its formation or promotion or the Offer.

Except as set out in this Prospectus, no one has paid or agreed to pay any amount, and no one has given or agreed to give any benefit, to any Director or proposed Director:

- to induce that person to become, or qualify as, a Director; or
- for services provided by that person in connection with the formation or promotion of Gerard Lighting, or the Offer.

Additional information

As at the Prospectus Date, the interests of the Directors in Shares and Options are:

Director	Number of Shares held by Directors	Number of Options held by Directors
Robert Gerard AO	Nil ¹	Nil
Simon Gerard	Nil ²	5,000,000 ³
Rick Allert AO FCA	Nil	500,000 ⁴
Graham Walters AM FCA	Nil	500,000 ⁴
Michael Crompton	Nil	Nil
Gary Savage FCA	Nil	2,000,000 ³
Graham Ellis (Alternate to Gary Savage)	Nil	2,000,000 ³

Notes:

- As described in Section 10.2, Robert Gerard is a director of each of the Gerard Family Shareholders and has other interests in respect of the 92 million Shares held by the Gerard Family Shareholders (following the debt to equity conversion described in Section 10.1).
- As described in Section 10.2, Simon Gerard is a director of each of the Gerard Family Shareholders and has other interests in respect of the 92 million Shares held by the Gerard Family Shareholders (following the debt to equity conversion described in Section 10.1).
- Options held pursuant to the terms of the LTI Plan. See Section 10.7 for details of the terms of the LTI Plan.
- See Section 10.14.2 for details of Options issued to Non-Executive Directors.

10.14.2 Remuneration of Non-Executive Directors

The Constitution provides that the Non-Executive Directors are entitled to such remuneration as determined by the Directors, which must not exceed in aggregate the maximum annual amount determined by Gerard Lighting in general meeting.

Currently it has been determined that such remuneration will not exceed \$700,000 per annum, to be apportioned among the Non-Executive Directors as they determine in their absolute discretion. The Directors acknowledge that as Gerard Lighting grows, the demands on the Directors will increase and the Non-Executive Directors' fees will be increased commensurate with their responsibilities and workload, as determined by the Board and approved by the Shareholders.

Non-Executive Directors may be paid such additional or special remuneration as the Directors decide is appropriate where a Non-Executive Director performs extra services or makes special exertions for the benefit of Gerard Lighting.

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 prior to Listing on the following specific terms:

- The Options will have an expiry date of 31 December 2015 and a vesting date of 1 August 2015.
- The Options, if vested, will have an exercise period from 1 August 2015 to 31 December 2015.
- The Options will have an exercise price of \$1.00.
- The Options will be forfeited if the Director ceases to be a Director before the vesting date other than in circumstances of death, incapacity or any other reason approved by the Board.
- The Options may vest earlier, and may become exercisable, in the event of a change in control transaction, unless the Board, in its absolute discretion, determines that the Options should not vest. If an Option vests in the event of a change in control transaction but is not exercised within 90 days, the Option is forfeited unless the Board otherwise determines.

Any future grants of Options to Non-Executive Directors will only be made subject to offers of participation by the Board.

10.14.3 CEO Employment Contract

Details regarding the CEO's employment contract are set out in Section 10.6.1.

10.14.4 India Acquisition

With effect on 1 November 2009 Gerard Lighting acquired 100% of the shares in Pierlite India Pvt Ltd from Gerard Corporation (No. 2) Pty Ltd, a company of which Robert Gerard, Simon Gerard and Gary Savage are directors and in which family trusts associated with Robert Gerard and Simon Gerard (as described in Section 10.2) have interests. The consideration payable was \$10 million and was based on an independent valuation.

10.14.5 Repayment of debt to Gerard Corporation

As noted elsewhere in the Prospectus, \$35 million of the proceeds of the Offer is to be applied to repay debt, including payment of associated fees of \$1 million, owed to Gerard Corporation, a company of which Robert Gerard, Simon Gerard and Gary Savage are directors, and in which the family trusts referred to in Section 10.2 have indirect interests (along with interests held by other family trusts for the benefit of members of the Gerard family and by other unrelated entities).

The balance of \$5 million owed to Gerard Corporation will be converted to equity as noted in Section 10.1.

10.14.6 St George Bank

St George Bank, who provides the Company's banking facilities (see Section 10.8.2), is a division of Westpac Banking Corporation. Graham Walters is Non-Executive Chairman of Westpac's South Australian Executive Committee.

10.14.7 Ongoing transactions with Gerard Corporation and related entities

Details of ongoing transactions with Gerard Corporation and its related entities are set out in Section 10.9.1.

10.15 Interests of other persons

Except as set out in this Prospectus, no:

- person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of Gerard Lighting; or
- Lead Manager to the Offer,

holds, at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of Gerard Lighting;
- the Offer; or
- any property acquired or proposed to be acquired by Gerard Lighting in connection with the formation or promotion of Gerard Lighting or the Offer.

Except as set out in this Prospectus, no one has paid or agreed to pay any amount or given or agreed to give any benefit for services provided by a relevant person in connection with the formation or promotion of Gerard Lighting or the Offer. The amounts below are exclusive of GST.

Austock Securities Limited (**Austock**) has acted as Lead Manager and Underwriter to the Offer. Gerard Lighting has agreed to pay Austock the amounts referred to in Section 10.8.1 for these services.

Johnson Winter & Slattery (**JWS**) has acted as Australian legal adviser to Gerard Lighting in connection with the Offer and has performed work in relation to the Australian due diligence enquiries on legal matters. Gerard Lighting has agreed to pay approximately \$665,000 (plus GST) to JWS for such services to the date of this Prospectus. Further amounts may be paid to JWS in accordance with its usual time based charge out rates.

KPMG Transaction Services (Australia) Pty Ltd (**KPMG TS**) has prepared the Investigating Accountant Report on the Financial Information included in this Prospectus. KPMG TS' role in relation to the Offer has been described in the Investigating Accountant Report as presented in Section 8 of this Prospectus. Gerard Lighting has agreed to pay approximately \$380,000 (plus GST) to KPMG TS for their services. Further amounts may be paid to KPMG TS in accordance with their usual time based charge out rates.

KPMG has acted as Gerard Lighting's statutory auditor and has audited the historical results and cash flows for

the year ended 30 June 2009 and has conducted a review of Gerard Lighting's financial results as at and for the period ending 31 December 2009. KPMG has also acted as taxation adviser to Gerard Lighting in relation to taxation matters associated with the Offer and has provided other services in relation to the Offer. Gerard Lighting has agreed to pay approximately \$200,000 (plus GST) to KPMG for these services. Further amounts may be paid to KPMG in accordance with their usual time based charge out rates.

Computershare Investor Services Pty Limited has been appointed to act as the Share Registry of Gerard Lighting in relation to the Offer.

10.16 Consents

Written consents to the issue of this Prospectus have been given and, at the time of Prospectus Lodgement, had not been withdrawn by the following parties:

- Austock Securities Limited has given, and has not withdrawn prior to Prospectus Lodgement, its written consent to be named in this Prospectus as Lead Manager and Underwriter to the Offer in the form and context in which it is named;
- Johnson Winter & Slattery has given, and has not withdrawn prior to Prospectus Lodgement, its written consent to be named in this Prospectus as Australian legal adviser to Gerard Lighting in relation to the Offer in the form and context in which it is named;
- KPMG Transaction Services (Australia) Pty Ltd has given, and has not withdrawn prior to Prospectus Lodgement, its written consent to be named in this Prospectus as Investigating Accountant to Gerard Lighting in relation to the Historical Financial Information and Forecast Financial Information in the form and context in which it is named and has given and not withdrawn

Additional information

- its consent to the inclusion in this Prospectus of the Investigating Accountant Report in the form and context in which it is included;
- KPMG has given, and has not withdrawn prior to Prospectus Lodgement, its written consent to be named in this Prospectus as Gerard Lighting's auditor and taxation adviser in the form and context in which it is named;
 - Computershare Investor Services Pty Limited has given, and has not withdrawn prior to Prospectus Lodgement, its written consent to be named in this Prospectus as the Share Registry in the form and context in which it is named. Computershare Investor Services Pty Limited has had no involvement in the preparation of any part of this Prospectus other than being named as the Share Registry; and
 - each of the Gerard Family Shareholders has given, and has not withdrawn prior to Prospectus Lodgement, its written consent to be named in this Prospectus in the form and context in which it is named and the inclusion in this Prospectus of any statements made by it or based on a statement made by it.

No entity or person referred to above (other than a Director) has made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, except as stated above. Each of the persons and entities referred to above (other than a Director) has not authorised or caused the issue of this Prospectus and expressly disclaims and takes no responsibility for any statements or omissions in the Prospectus except as stated above.

To the maximum extent permitted by law St George Bank expressly disclaims and takes no responsibility for any part of this Prospectus other than the references to its name.

St George Bank has given its consent (which has not been withdrawn as at Prospectus Lodgement) to the issue of this Prospectus with the inclusion of references to St George Bank and the finance facilities in the form and context in which they are included.

St George Bank has not been involved in the preparation of this Prospectus, nor has it made any other statement in this Prospectus. St George Bank has not authorised or caused the issue of this Prospectus.

10.17 ASX admission and quotation

Gerard Lighting will apply, within seven days of the date of this Prospectus, to ASX for admission to the official list of ASX and for official quotation of the Shares on the market operated by ASX.

10.18 Minimum subscription

The minimum subscription amount is \$85 million. Shares will not be issued unless the minimum subscription amount is achieved, including pursuant to the Underwriting Agreement.

10.19 Costs of the Offer

If the Offer proceeds, the total estimated costs in connection with the Offer, including advisory, legal, accounting, tax, listing and administrative fees as well as printing, advertising and other expenses are currently estimated to be approximately \$2.1 million, plus fees payable to Austock Securities Limited as Lead Manager and Underwriter as referred to in Section 10.8.1. The total estimated costs in connection with the Offer are approximately \$6.4 million. This amount will be paid by Gerard Lighting from funds raised under the Offer.

10.20 Litigation and claims

So far as the Directors are aware, there is no current or threatened civil litigation, arbitration proceeding or administrative appeal, or criminal or governmental prosecution of a material nature in which Gerard Lighting is directly or indirectly concerned which is likely to have a material adverse impact on the business or financial position of Gerard Lighting.

10.21 Governing Law

This Prospectus and the contracts that arise from the acceptance of the Applications are governed by the law applicable in South Australia and each Applicant submits to the exclusive jurisdiction of the courts of South Australia.

10.22 Expiry Date

No Shares will be offered on the basis of this Prospectus after the Expiry Date.

10.23 Statement of Directors

The Directors report that after due enquiries by them, in their opinion since the date of the audited financial statements in Section 7, there have not been any circumstances that have arisen or that have materially affected or will materially affect the assets and liabilities, financial position, profits or losses or prospects of Gerard Lighting, other than as disclosed in this Prospectus.

The issue of this Prospectus has been authorised by each of the Directors. Each Director has consented to Prospectus Lodgement and issue of the Prospectus, and has not withdrawn that consent.

Glossary

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Glossary

\$ or A\$	means Australian dollars.
1H	means first half.
2H	means second half.
AEDT	means Australian Eastern Daylight Time.
AEST	means Australian Eastern Standard Time.
Applicant	means a person who submits an Application.
Application	means an application to subscribe for Shares offered under this Prospectus.
Application Form	means the application form attached to or accompanying this Prospectus.
Application Monies or Application Amount	means the amount accompanying an Application Form submitted by an Applicant subject to Section 3.4.5.
ASIC	means Australian Securities and Investments Commission.
ASTC Settlement Rules	mean the rules of ASX Settlement and Transfer Corporation Pty Ltd (ABN 49 008 504 532).
ASX	means ASX Limited (ABN 98 008 624 691) or Australian Securities Exchange, as the context requires.
Australian Accounting Standards	mean Australian Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board and Urgent Issues Group Interpretations.
ATO	means Australian Taxation Office.
Board or Board of Directors	means the board of directors of Gerard Lighting.
cents	mean Australian cents.
CEO	means chief executive officer.
CFO	means chief financial officer.
CGT	means capital gains tax.
Chairman	means the chairman of the Board of Directors.
CHESS	means the Clearing House Electronic Subregister System, operated in accordance with the Corporations Act.
Closing Date	means 5.00pm AEST Monday, 19 April 2010 unless varied.
Company or Gerard Lighting	means Gerard Lighting Group Limited (ABN 16 141 079 594).
Constitution	means the constitution of Gerard Lighting.
Corporations Act	means <i>Corporations Act 2001</i> (Cth).
Corporations Regulations	mean <i>Corporations Regulations 2001</i> (Cth).
Director(s)	means a member of the Board, either individually or combined, as the context requires.
DPS	means dividends per Share.
EBIT	means earnings before interest and tax.
EBITDA	means earnings before interest, tax, depreciation and amortisation.
EPS	means earnings per Share.
Executive Director	means a member of the Board of Directors who is not a Non-Executive Director.
Executive Management Team	means the management team described at Section 6.2.

Existing Shareholders	means the Shareholders of Gerard Lighting as at the Prospectus Date.
Existing Shares	mean the Shares held by the Existing Shareholders as at the Prospectus Date plus the additional Shares to be held by the Existing Shareholders following the debt to equity conversion referred to in Section 10.1.
Expiry Date	means the date 13 months after the Prospectus Date, being 19 April 2011.
Exposure Period	means the waiting period specified in Section 727(3) of the Corporations Act, being a minimum period of seven days after the date of lodgement of the Prospectus (Friday, 19 March 2010), during which an Application must not be accepted. ASIC may extend this period to no more than 14 days after the date of lodgement of the Prospectus.
Federal Government	means the Federal Government of Australia.
Financial Information	means the Historical Financial Information and the Forecast Financial Information.
Forecast Financial Information	means the forecast financial information set out in Section 7.
Foreign Institutional Investors	mean residents of the overseas jurisdictions to whom (in the opinion of the Company) an offer or invitation to subscribe for Shares can be made without the Prospectus or the Offer having to be registered in that jurisdiction or otherwise imposing regulatory requirements on the Offer of the Company that are, in the opinion of the Company, unduly burdensome, including the following: Belgium, Germany, Hong Kong, Indonesia, Luxembourg, the Netherlands, Singapore and the United Kingdom but excluding persons located in the US, US Persons or persons acting for the account or for the benefit of a US Person.
FY or Financial Year	means the financial year ended or ending 30 June (as the context requires).
Gerard Corporation	means Gerard Corporation Pty Ltd (ABN 24 103 888 491).
Gerard Family Shareholders	mean Gerard Lighting Investments No. 1 Pty Ltd (ACN 137 556 211) and Gerard Lighting Investments No. 2 Pty Ltd (ACN 135 733 587).
Gerard Lighting or Company	means Gerard Lighting Group Limited (ABN 16 141 079 594).
Gerard Lighting Group or Group	means following 31 December 2009 Gerard Lighting Group Limited and its subsidiaries and controlled entities and prior to 31 December 2009 means Gerard Lighting Pty Ltd and its subsidiaries and controlled entities.
Goods and Services Tax or GST	means goods and services or similar tax imposed in Australia.
Historical Financial Information	means the historical financial information set out in Section 7.
Institutional Investor	means an investor to whom offers or invitations can be made without the need for a lodged prospectus (or other formality, other than a formality which Gerard Lighting is willing to comply with) (including Foreign Institutional Investors) provided that such person is not located in the United States and is not a US Person or acting for the account of or for the benefit of a US Person.
Investigating Accountant	means KPMG Transaction Services (Australia) Pty Ltd (ABN 65 003 891 718).
Investigating Accountant Report	means the report in respect of the Historical Financial Information and the Forecast Financial Information prepared by the Investigating Accountant, a copy of which is included in Section 8.
KPMG	means KPMG (ABN 51 194 660 183).
Lead Manager or Underwriter	means Austock Securities Limited (ABN 51 053 513 438) (AFSL 244410).
Listing	means official quotation of Shares on ASX.
Listing Rules	mean the listing rules of ASX.
LTI or LTI Plan	means the long term incentive plan described in Section 10.7.2.

Glossary

New Shares	means Shares issued by Gerard Lighting to Successful Applicants.
Non-Executive Director	means a member of the Board of Directors who does not form part of Gerard Lighting's Senior Management Team.
NPAT	means net profit after tax.
Offer	means the offer under this Prospectus of 85 million New Shares for issue by Gerard Lighting.
Offer Period	means the period during which the Offer is open for receipt of Applications, being 9.00am AEDT Monday, 29 March 2010 to 5.00pm AEST Monday, 19 April 2010 unless varied.
Offer Price	means \$1.00 per Share.
Option	means an option to be issued a Share.
Prospectus	means this document (including the electronic form of this document) and any supplementary or replacement prospectus in relation to this document.
Prospectus Date	means the date on which a copy of this Prospectus is lodged with ASIC, being Friday, 19 March 2010.
Prospectus Lodgement	means lodgement of this Prospectus with ASIC.
QIB	means qualified institutional buyer, as such term is defined in Rule 144A under the US Securities Act.
Return on funds employed	is calculated as EBIT divided by average funds employed. Funds employed are calculated as net assets plus net debt at the beginning and end of each Financial Year.
Senior Management Team	means the CEO, Gary Savage, CFO and the Executive Management Team of Gerard Lighting.
Share	means a fully paid ordinary share in the capital of Gerard Lighting.
Share Registry	means Computershare Investor Services Pty Limited (ABN 48 078 279 277).
Shareholder	means a holder of Shares.
Shareholding	means the Shares held by a Shareholder.
St George Bank	means St George Bank, a division of Westpac Banking Corporation (ABN 33 007 457 141).
Successful Applicant	means an Applicant who is issued Shares under the Offer.
US or United States	means the United States of America, its territories and provinces, any state of the United States of America and the District of Columbia.
US\$ or US dollars	mean United States dollars.
US Person	has the meaning given to it in Rule 902(k) under Regulation S of the US Securities Act.
US Securities Act	means the United States Securities Act 1933.

Corporate Directory

Directors

Robert Gerard AO
Simon Gerard
Rick Allert AO FCA
Graham Walters AM FCA
Michael Crompton
Gary Savage FCA
Graham Ellis (Alternate to Gary Savage)

Company Secretaries

Gary Savage (Joint)
Mark Pearson (Joint)

Registered Office

101 Port Wakefield Road
CAVAN SA 5094

Gerard Lighting Website

www.gerardlighting.com.au

Offer Website

www.gerardoffer.com.au

Offer Information Line

1800 103 943 (within Australia)
+61 3 9415 4108 (outside Australia)
between 8.30am and 5.30pm AEDT/AEST (as applicable),
Monday to Friday

Lead Manager and Underwriter

Austock Securities Limited
AFSL No. 244410
Level 1, 350 Collins Street
Melbourne VIC 3000

Investigating Accountant

KPMG Transaction Services (Australia) Pty Ltd
151 Pirie Street
Adelaide SA 5000

Auditors

KPMG
151 Pirie Street
Adelaide SA 5000

Legal Advisers

Johnson Winter & Slattery
Level 10, 211 Victoria Square
Adelaide SA 5000

Share Registry

Computershare Investor Services Pty Limited
Level 5, 115 Grenfell Street
Adelaide SA 5000
GPO Box 1903
Adelaide SA 5001

www.gerardlighting.com.au
