Gerard Lighting Group Limited

ABN 16 141 079 594

Annual Report 2011

GERARD LIGHTING

IMAGINE IF WE ALL CHANGED ONE LIGHT BULB

Gerard Lighting Group Limited
ABN 16 141 079 594

PIERLITE SLA Concord SYLVANIA CSE Crompton Lighting moonlighting INLITE Austube

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OUR PERFORMANCE

$404m
Operating Revenues in line with Prospectus forecast of $400 million

$19.5m
Profit After Tax (Prospectus forecast $18.4 million) despite difficult trading conditions

5.5c
Total dividend for the year against Prospectus forecast of 5.2 cents

11.37c
Basic Earnings Per Share up on Prospectus forecast of 10.4 cents

OPPORTUNITIES AHEAD

Globally, lighting accounts for approximately 20% of total energy consumption and presents a considerable opportunity to reduce energy costs. Changes in technology are having a significant impact on lighting costs as older, less efficient technologies are phased out and replaced. While comparatively more expensive, the new energy-efficient technologies provide the potential to reduce energy consumption and cost. The table below shows a comparison of energy usage and the potential level of savings available by adopting new technology products[1].

Old technology	Application		LED	Saving
Incandescent	General lighting	40 watt 60 Watt	6.5 watt 12 watt	84% 80%
Halogen	Downlights	50 watt	15 watt	70%

The Group's LED MR16 replacement downlight has been an outstanding success. Based on the 120,000 units sold, we estimate that this product is currently delivering annual savings for every hour of operation as follows[2]:

	Saving
Energy Use (KwH)	1,620,600
Energy Cost (A$)	324,120
Greenhouse gas emissions (Kgs CO_2)	1,539,570

iReady

iLP

[1] Assumes replacement of existing halogen downlights by the LED alternative. Average energy cost (per kilowatt hour) $0.20.

[2] Calculations based on average of 0.95kg CO_2 p/kwh (Australian Greenhouse Office). Average operating cycle of product (days per annum) 365. Calculations based on the region of Australia.

CHAIRMAN'S REPORT

In April 2010, I invited potential investors to become shareholders in Gerard Lighting Group Limited based on the growth opportunities offered by our successful businesses, supported by the Gerard family's long and proud history within the electrical and lighting industries. Today, I am pleased to report to you that, as a publicly-traded Company, we have lived up to our investor promise and delivered earnings that have exceeded the Prospectus forecast.

The injection of shareholders' funds following the success of the Initial Public Offering provided the Company with the funding and flexibility to grow organically and to complete the acquisitions of Frend Lighting, White Lite and eneSolve. The strength of our balance sheet gives us the capacity to realise our five-year goal of becoming the clear market leader in the Indian Ocean region, providing a complete offering of lighting products and solutions.

In March 2011, Standard & Poor's, the leading provider of equity indices in Australia, announced that Gerard Lighting Group's shares would be included in the list of securities comprising the All Ordinaries Index, following its six-monthly assessment of the composition of that index.

Financial results

In FY2011, Gerard Lighting Group generated net profit after tax (NPAT) of $19.5 million, $1.1 million (or 6%) greater than forecast, and up $8.8 million on the prior year. The higher than forecast result was principally driven by the release of new higher margin and more energy-efficient lighting products and the positive earnings contribution from businesses acquired during the year. More details on the company's operating performance which contributed to this positive result are included in the Managing Director's report on pages 4 to 7.

The financial strength of the company's balance sheet continued to improve during the year with a further reduction in debt through improved cash flows and working capital management, notwithstanding $9.7 million spent on acquisitions. Gearing of 35% at 30 June 2011, was down from 40% at the same time last year.

The Board believes that management did an excellent job in achieving this result in a challenging economic environment, characterised by constrained domestic construction activity, the withdrawal of Federal Government stimulus spending and increased pricing competition, despite the beneficial impact on import costs of a higher Australian dollar.

Dividends

The Group's strong financial performance in FY2011 and the strength of our balance sheet have enabled the Board to declare a fully franked final dividend of 2.8 cents per share for the second half of FY2011. Together with the fully franked interim dividend of 2.7 cents per share paid on 18 March 2011, the full year dividend for FY2011 will be 5.5 cents per share.

Together these dividends represent a payout ratio of approximately 50% of full year NPAT during the year and a fully franked yield of approximately 8% on an average share price of 94 cents.

Going forward, the Board intends to maintain its existing dividend policy, as outlined in the Prospectus, of distributing between 40% and 60% of NPAT.

Innovation

The successful introduction and industry acceptance of the Group's LED downlight is an example of the returns that can be expected to accrue from a business strategy underpinned by a continuing commitment to R&D. In this respect we have selectively partnered with some of the world's leading technology providers in line with our underlying strategy to aggressively target energy-efficient product releases that commercialise new technologies.

As detailed in the Prospectus our objective is to grow our intelligent Lighting Products (iLP) sales to reach 20% of total Group revenue within the next five years.

Board and corporate governance

The relationship between the Board and management continues to be engaging and constructive. Seeking excellence in corporate governance standards is a key focus of the Board and with this in mind I can report that the Company complies with the ASX's recently-revised eight core principles of corporate governance. While not prescriptive, these principles provide a framework designed to influence how corporate objectives are set, how to monitor and assess risk and how to optimise performance.

The resilience of Gerard Lighting's business model will stand the company and its businesses in good stead. Our core businesses are sound and operate in sectors where there are signs of increasing demand.

I encourage you to read the Gerard Lighting Group Corporate Governance Statement on pages 26 to 29 outlining the key components of the Group's governance framework.

Growing shareholders' value

Your Board and management are committed to growing the value of shareholders' investment, through delivering on our long-term growth strategies. We remain confident that our current strategies are appropriate and have the potential to enhance shareholder value through steady earnings and dividend growth in the years to come.

Specifically, these strategies include enhancing the profitability of our current operations through sales growth and lower costs of production; product innovation; research, development and sales of iLP; international expansion; and growth through acquisition. In FY2011 we delivered positive outcomes on all of these strategies, and in the coming years I am confident this success will continue.

The TRIBE

The success of the TRIBE (Gerard Lighting's contractor loyalty program) is an achievement of which I am personally very proud. As the "Chief" of the TRIBE I am delighted to report that membership is now at 1,300 nationally and growing. Importantly, many TRIBE members are also Gerard Lighting shareholders.

The TRIBE has recently celebrated its first anniversary and has seen rapid membership growth and program development. The plan for the current year is to consolidate and further build membership while focusing on our primary goal – to provide maximum product and training support to contractors and wholesalers as they supply and service the residential, commercial and industrial lighting markets in Australia.

Our people

The results the Group delivered in FY2011 would not have been possible without the outstanding team of people at Gerard Lighting. As a Board we would like to compliment our people for their commitment and their contribution to the business. Our executive understands that the most successful business relationships are those built on mutual trust and confidence, and at Gerard Lighting we aim to build a culture that attracts and retains top performers.

Outlook

As a Board, looking ahead, we are confident of our growth strategy and in the Group's capacity to exploit the many opportunities for both organic and acquisition growth over the coming years.

We anticipate exciting and growing revenue opportunities will come from our ability to provide solutions to address rising energy costs as economic and regulatory driven demand for low carbon intensive lighting solutions increases.

In this respect the potential for future product releases based on our ability to commercialise new technology is substantial.

We are also encouraged to see our offshore locations showing healthy signs of improved financial performance as the regional markets in which they operate grow.

In FY2012, we expect sales growth will be impacted by a continuation of subdued market conditions affecting the Australian building and construction industry. Notwithstanding this environment, your Company's leading market position, continued product innovation and the strength of relationships throughout the industry, position us well to grow market share and shareholder value.

Robert Gerard AO
Non-executive Chairman

MANAGING DIRECTOR'S REPORT

We made a commitment to our prospective investors in our Prospectus over 18 months ago and I am pleased to report that despite the challenging business environment we have delivered on our promises.

While FY2011 was marked by operational achievement and financial success, the year was not without its challenges. The building and construction industry, excluding the impact of stimulus spending, was generally subdued and the strengthening Australian dollar resulted in increased price competition driven by our competitors who import the majority of their product.

The achievement of the financial result for FY2011 ahead of the Prospectus forecast was assisted by the effective launch and marketing of a suite of new higher margin and more energy-efficient lighting products and the 'bolt-on' acquisitions of three high quality companies completed since listing.

The release of the Group's new energy-saving LED downlight during FY2011 was particularly successful. Our LED downlight represents the most successful product launch in the combined Group's history, with sales of more than 120,000 units since its launch in June 2010.

We continue to expand our product range and following the acquisition of the eneSolve business, the Group is now able to provide integrated consulting and advisory services to deliver energy-efficient solutions to our customers.

Results

Our net profit after tax (NPAT) for the financial year to 30 June 2011 was $19.5 million, $1.1 million (or 6%) higher than the Prospectus forecast and $8.8 million (or 81%) higher than the pro forma actual NPAT in FY2010. This represents earnings per share of 11.37 cents (FY10: 5.68cps).

Our net sales revenue for the year of $404 million was 11.7% higher than the prior year and our EBIT margins expanded from 8.8% to 9.4%.

During the year we successfully completed several strategic and earnings-accretive acquisitions which contributed $6.6 million to sales and $1.1 million to NPAT for FY2011. After adjusting for the positive contribution to the Group by the businesses acquired during the year, our NPAT was in line with the Prospectus forecast.

Summary Financial Information	Forecast*	**Actual**	Actual	Actual
Year to 30 June ($'000)	FY2011	**FY2011**	Pro forma FY2010	Pro forma* FY2009
Sales	399,850	**404,414**	362,112	368,997
EBITDA	40,234	**42,211**	35,380	30,112
Depreciation and amortisation	(4,691)	**(4,030)**	(3,792)	(3,747)
EBIT	35,543	**38,181**	31,588	26,365
Financing costs	(8,370)	**(8,533)**	(13,915)	(17,710)
Loss of equity accounted investee	–	**(36)**	–	–
Profit before tax	27,173	**29,612**	17,673	8,655
Income tax (expense)/benefit	(8,773)	**(10,093)**	(6,913)	(1,672)
Profit/(loss) for the period	18,400	**19,519**	10,760	6,983

* Forecast and pro forma information is unaudited.

Gerard Lighting has set a goal that by 2016, 20% of the Group's sales revenue will come from Intelligent Lighting Products (iLP).

Income tax expense for the year of $10.1 million represents an effective tax rate of 34.1% which is higher than the forecast rate of 32.3%. The primary cause of this variance was the performance of the offshore subsidiaries which, as a group, generated non-deductible losses higher than the level originally forecast. I am however pleased to report the financial performance of these entities improved during the second half of FY2011 and should achieve budget for the current financial year.

In the table at left, we have provided a summary of pro forma results for FY2009 (as disclosed in the Prospectus) and FY2010 (unaudited) as well as the Group's financial results for FY2011.

Business performance overview

Sales

Sales revenue in FY2011 was positively impacted by the Federal Government's fiscal stimulus package. However, not all of the Group's business units benefited from the effect of the stimulus spending which was essentially restricted to the supply of volume or commodity lines for use primarily in schools and other federally-funded buildings. The impact of stimulus spending on the Group's results was essentially confined to the first half of the financial year and represented approximately 5% of total Group sales.

The market for lighting products is heavily dependent on the construction sector and the high-end architectural and commercial sectors which experienced relatively subdued conditions throughout the year. Consequently our retail, commercial and industrial business was affected by constraints in projects being awarded and work commencing.

The appreciation of the $AUD led to reduced costs of our imported lighting products, however, increased competitive activity resulted in reduced wholesale prices, offsetting the benefit from lower cost of goods.

Operating expenses

We continue to invest for the future, particularly in the areas of systems, people, research and development and marketing initiatives such as the TRIBE.

The investment in research and development in the Group's iLP category has already delivered significant benefits through the release of new products.

The Board is confident in our business model and supports our ongoing investment and future growth plans. We are committed to ensuring that we have the right people and a strong operational platform in place to support continuing growth. Increased operating expenses are an investment in the Group's future and will be more than offset by the delivery of superior financial results as envisaged in our five-year plan.

Cash flow and balance sheet

In FY2011 the Group generated operating cash flow of $28.2 million and free cash flow of $13.6 million before the payment of dividends. Payments for acquisitions, totalling $8.5 million, were funded through cash reserves.

Reflecting the improvement in cash flow, our balance sheet continues to strengthen with our gearing ratio (net interest-bearing debt divided by equity plus net debt) at 30 June 2011 decreasing to 35% from 40% at 30 June 2010.

In early August 2011, we announced that the Australia and New Zealand Banking Group Limited had joined St. George Bank as the Group's new banking partner. The improved terms we achieved on the new banking facility reflects our solid financial performance and the support by Bankers for our longer-term strategies.

MANAGING DIRECTOR'S REPORT

People

The Group's financial results and the skills of its people are closely linked. One of our greatest competitive advantages is the "years of experience" in the lighting industry of our senior people.

Management encourages the enhancement of Gerard employees' skills, through participation in industry training and through Group conferences held outside of the work environment. These conferences are designed to build team work in a business that comprises a number of competing brands, to ensure the strategic objectives of the Group as a whole are ultimately achieved. We have recently introduced our Emerging Leaders program which is specifically aimed at mentoring and retaining our top performers.

Intelligent Lighting Products

The Australian roll-out of the intelligent Lighting Products (iLP) division continues at a steady pace as the Group reinforces its rationale for bringing together in one place the many concepts in the area of intelligent design.

Given the unstoppable trend to a greener Australia, the development and marketing of products with greater energy-saving capacity is a major business priority. There is no doubt that the demand for energy-efficient solutions, complemented by intelligent lighting products, will grow as consumers continue to experience increases in electricity costs.

Gerard Lighting Group's R&D commitment is today international in scope. Substantial steps in iLP's core R&D engineering process are taken in Australia, but commercialising this technology is now the responsibility of the company's first electronic R&D Industrialisation Support Centre located in Shenzhen in China's Guangdong Province. Our iLP Division is essentially the focal point of new technology product development for the Group.

International operations

The Group remains committed to realising the significant potential of its offshore development strategy and continues to evaluate opportunities that will expand its international footprint. The Group has a dual international strategy. Firstly, to expand the Pierlite brand into the most densely populated regions bordered by the Indian Ocean, (Indian subcontinent, Indonesia, the Middle East and East Africa) and secondly to ensure that our offshore manufacturing facilities in the Middle East and India have the potential to provide the Group with an alternative source of supply outside the People's Republic of China.

While our international operations are still in their early stages of development, representing less than 10% of total Group sales, it is encouraging to report that as a group these operations are showing improvement in performance.

Acquisitions

In our Prospectus we signalled that whenever appropriate opportunities arose, we will undertake strategic value-adding acquisitions or joint ventures, such as those executed during the year in relation to Frend Lighting, White Lite and eneSolve.

We are actively evaluating several acquisition targets and are currently pursuing strategic alliances with a select few global technology leaders. In this regard in early August we announced a $2.75 million investment in Illumitex Inc, a leading US based LED technology firm. Under the strategic agreement, the Gerard Lighting Group will become the exclusive general lighting integrator and distributor of Illumitex's innovative LED products in Australia, New Zealand and the Pacific Islands.

If you don't lead, you're obliged to follow and, in the business of lighting, being a follower is not a recipe for long-term success.

Carbon policy – opportunity for Gerard Lighting

All Australian political parties agree that carbon emissions must be reduced over time and current government policy calls for the introduction of a carbon tax from June 2012. In this context, innovative lighting companies like Gerard have a huge opportunity to relight Australia using energy-efficient lighting. Power prices are expected to double in the next few years and every building owner, manager and domestic consumer will be looking for savings in their lighting costs, which represent about 20% of all energy costs.

These trends signal opportunity for Gerard Lighting in terms of product supply and for our eneSolve business which provides energy solutions for our customers, who are increasingly seeking professional advice on how to control their lighting costs as electricity bills rise rapidly.

Looking forward

The Group is entering FY2012 with order books at healthy levels. After adjusting for the declining impact of Government stimulus spending, our order book shows improvement over June 2010 and we are encouraged by the current level of quoting activity.

Overall, current market conditions can at best be described as patchy and challenging. As a Group we anticipate growth in the specific categories of roadway, mining and healthcare. However, high-end commercial and architectural markets are expected to remain challenging as these sectors compete for a share of the limited funding that is available.

While FY2012 will be a challenging year we believe that with our diversified revenue stream from our major brands we are well placed to capitalise on growth opportunities as they arise both locally and internationally. Our focus will remain on meeting our customers' needs through the supply of high quality innovative products. We will continue to invest in people, process and in strategic initiatives to build an operational platform capable of meeting our revenue and profit growth expectations.

Looking beyond FY2012, the Board and management of the Group are more optimistic. We have a robust business model that has delivered results. This, combined with leading industry indicators that forecast improved market conditions in FY2013 through to FY2015, means the business outlook for the Group is very positive. In addition we believe our operations offshore, that are in markets that support huge populations with growing middle classes, will see sales growth which will translate into improved profitability.

We will also be in a strong position to capture the gains resulting from the energy-saving demands of the future as we incorporate more world-leading new technology into our product offering.

Finally, I would like to thank all employees, customers and suppliers for their important contributions to the ongoing success of the Gerard Lighting Group.

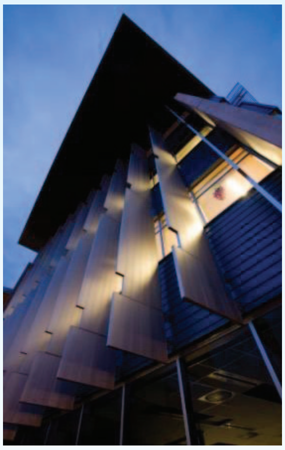
Simon Gerard
Managing Director and Chief Executive Officer

BUSINESS OVERVIEW

Gerard Lighting Group is the largest lighting manufacturer and distributor in the combined Australian and New Zealand markets, with sales representing more than 25 per cent of the total Australian lighting market, generating annual revenues in FY2011 of $404 million. The business is vertically integrated, incorporating research, design, manufacture, global sourcing, importation and distribution.

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.



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.

The Gerard Lighting Group has a significant investment in Australian and overseas manufacturing. Coupled with ongoing quality improvement practices, the Group's manufacturing processes are accredited to ISO9001. These facilities are additionally supported with laboratory testing facilities to ensure products are manufactured to rigorous levels of quality and reliability.

Pivotal to the Group's ability to deliver innovative lighting solutions is an extensive research and development team, based in Adelaide, Sydney and Gosford (NSW). Each facility has a dedicated engineering team that specialises in lighting, electronic and electrical design. The teams are the leaders in their field of expertise and provide the backbone for the development of both national and international products. Research and development is a high priority, with the Group aiming to invest a significant percentage of its annual turnover in technological advances.

Since listing on the ASX in May 2010 the Group has completed the acquisitions of Frend Lighting Pty Ltd, White Lite Pty Ltd, enesolve Pty Ltd and Pierlite UK and has formed a strategic alliance with Illumitex Inc, USA. These acquisitions complement the Group’s core business, providing additional diversification and geographic reach. The Company’s shares were included in the list of securities comprising the All Ordinaries Index during March 2011.

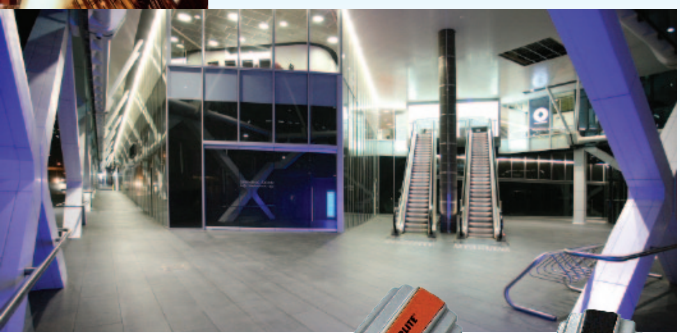
Today the Gerard Lighting Group has a team of over 1,600 employees globally, representing a significant asset and a substantial competitive advantage. As the leading participant in the lighting market and the only publicly listed entrant, the Gerard Lighting Group has successfully assembled the most experienced team of lighting professionals operating in Australia and New Zealand. Each of Gerard Lighting’s Executive Management Team 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.

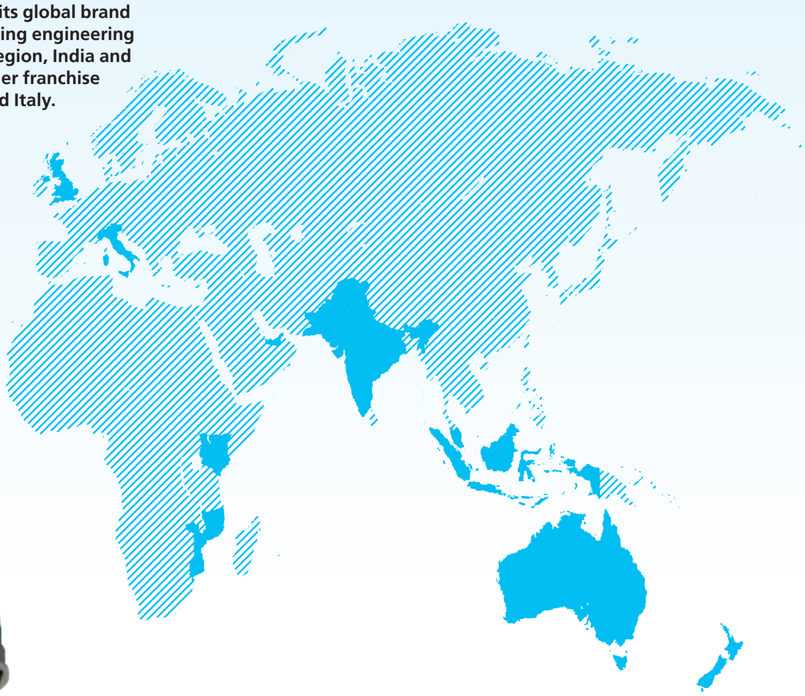
Approximately 80% of the Group’s products carry brands that are wholly owned by the Gerard Lighting Group or are subject to exclusivity agreements. Total sales are split approximately 55% wholesale, 38% project or specification and 7% retail. Gerard Lighting Group’s in-house teams manage the research,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

Gerard Lighting Group is represented in all capital cities, states and territories in Australia and New Zealand.

Geographical presence

Gerard Lighting has a strategic objective to expand its presence and grow to become the leading lighting group in the region bordered by the Indian Ocean. The Group has made strategic investments in Asia, India, the Middle East and the United Kingdom. International growth will be achieved by leveraging its global brand Pierlite, which is well established with offices, including engineering and manufacturing facilities, located in Asia Pacific region, India and the Middle East. The Pierlite brand also operates under franchise agreements in Pakistan, East Africa, Mozambique and Italy.





INTELLIGENT LIGHTING PRODUCTS (ILP)

The Group defines intelligent lighting products – "iLP" – as products over which the user, with the help of technology, would have more control. Intelligent lighting control will apply over the whole lighting continuum – the source of power and control gear, the light fixture itself, overall lighting design and sensors – and, having achieved that, it will offer intelligent products and technology to customers and contractors out of the box. It is the combination of lighting controls with fixtures, lamps and control gear that makes the lighting product offering "intelligent".

New partnerships

Recently Gerard Lighting announced a number of strategic partnerships, including a deal allowing GLG to deploy LUXIM's Light Emitting Plasma™ (LEP) in a series of energy-efficient fixtures for high-intensity applications, including street and area lighting. We also formed the joint venture company White Lite Pty Ltd, to design, produce and distribute emergency lighting products.

During late 2010 Gerard Lighting finalised an important milestone in its future by opening its first Electronic R&D and Industrialisation Support Centre in Shenzhen, China. This new venture is key to the Group's commitment to commercialise new technology-based products for the domestic and international markets. The Support Centre in China is key to rapidly deploying core technology platforms developed in Australia by iLP core R&D engineering, into finished, commercialised products for the wider Gerard Lighting Group of companies.

A successful launch

At Sydney's Luna Park in September 2010, the Group launched its Intelligent Lighting Products (iLP) Division at a gathering of 200 architects, design experts and electrical contractors. Guests at the function were given a glimpse of technological changes about to overtake Australia's lighting sector – changes that will lead to significant reductions in both electricity consumption and greenhouse gas emissions. Following the Sydney launch, similar iLP trade shows were hosted in Melbourne and Brisbane.

Given the unstoppable trend to a greener Australia where energy saving will become a continual goal, the demand for energy-efficient solutions, driven by intelligent lighting products, will only increase. Core to Gerard Lighting's intelligent lighting strategy is to develop products that are compatible with recognised control and monitoring systems. Gerard Lighting is well positioned to benefit from the change in the lighting industry towards "smarter and more efficient lighting solutions".

The Group will continue to work with the best possible global partners to commercialise new technology, particularly to suit Australian conditions.

Core to the Group's ability to deliver innovative lighting solutions is an extensive network of research and development teams. Based in Adelaide, Sydney, Gosford (NSW) and now Shenzhen (China), dedicated engineering teams specialise in lighting, electronic and electrical design and 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 for product design and innovation.

Research and development

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 by 2016. Technology and market dynamics are now linked and it makes commercial sense to invest. Payback periods on outlays for new technology have reduced significantly from greater than eight years to less than three years and will only become more attractive as the cost and price of electricity continues to rise.

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 can be used from small fittings to large industrial street lighting;
- **Sensors** that combine with intelligent fixtures to allow unused or low-usage lighting to be switched off or dimmed to save energy;
- **Lighting control systems** that can monitor and report on the health and energy consumption of every lighting fixture within a building, promoting the responsible use of light and energy;
- **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;
- **Light-emitting plasma technology** that can produce high-intensity lighting with half the energy of existing systems.

Global energy consumption

Lighting presents an opportunity to significantly reduce energy consumption. Lighting accounts for some 20% of global electricity consumption. International focus on energy management, and the role of intelligent lighting, is increasing – causing growth in demand for efficient lighting products and an increase in the home integration/automation market as consumers seek to gain energy savings through their lighting systems.

Rising energy costs and increased consumer awareness in relation to energy efficiency also represent a significant growth opportunity for Gerard Lighting. The Group's focus on iLP is also driven by increased awareness of energy management as consumers seek to gain energy savings through their lighting systems.

Now is the time to commit to R&D because the industry is confronting a 'revolution' in energy-efficient solutions.

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;
- **Energy-efficient components** such as new technology control gear, LED (SSL) and plasma lamps and others; and
- **Lighting control systems** to deliver energy savings.

THE GERARD LIGHTING 'TRIBE'

The TRIBE allows members to bond, stay on top of innovation, and get to know senior people in the Gerard Lighting Group as well as wholesaler representatives. Professional assistance in this area is greatly appreciated. It's a service that goes far beyond just supplying the fittings to do the job.

The TRIBE is Gerard Lighting's contractor loyalty program and has been active since March 2010. Membership of the TRIBE now exceeds 1,500 across Australia and New Zealand and is growing rapidly. Many TRIBE members are also Gerard Lighting shareholders. There are 16,000 lighting and electrical contractors in Australia and consequently we expect TRIBE membership to continue to expand.

TRIBE members are offered many opportunities to learn about Gerard Lighting products and to develop their professional skills. Members gain a sense of shared purpose through attending trade shows and product launches and they can participate in TRIBE social events. Most activities in Australia are state-based to encourage local attendance.

Many electrical and lighting contractors operate as one or two-person businesses and can lead isolated working lives. TRIBE training programs allow contractors to share experiences, learn from top-flight trainers and return to their businesses with renewed enthusiasm and knowledge. Equally, Gerard Lighting learns from its interaction with TRIBE members.

The TRIBE website provides a comprehensive guide to all TRIBE events on a state-by-state basis. A highlight of our first year has been a series of "Smart" iLP trade shows backed up by a number of iLP certification courses under the "Future" banner. The first of these was conducted in Adelaide during April 2011.

Gerard Lighting recognises that customer "pull through" the distribution chain is what makes the system work. Engagement of wholesalers in the distribution chain is essential and is a key factor that differentiates the Gerard TRIBE from other contractor loyalty programs.

All contractors, particularly those of small to medium size, enjoy mutually supportive relationships with wholesalers, so Gerard Lighting seeks to ensure that all links in the distribution chain are fully informed about the Group's products and services on a timely basis.

Gerard TRIBE membership is open to all Australian licensed electrical contractors, whether business owners or employees. While direct TRIBE membership is limited to contractors, Gerard Lighting provides direct promotional support to wholesalers who qualify as "Gerard Lighting TRIBE" stockists. Each of these TRIBE stockists needs to sell a majority of products in Gerard Lighting's product range.

Year one of the Gerard Lighting TRIBE has seen rapid membership growth and program development.
In year two we will be aiming to consolidate and further build membership while focusing on our primary goal – to provide maximum product and training support to contractors and wholesalers as they supply and service the residential, commercial and industrial lighting markets in Australia.

GLG is a leader in LED and plasma lighting, and the future in these areas is exciting. Importantly, Gerard Lighting offers lighting design assistance to electrical contractors and, with "duty of care" now a major issue, lighting systems must accord with the relevant standards to meet Lux levels and emergency and exit requirements. Professional expertise in this area is valued highly and there is a significant opportunity for Gerard Lighting, the wholesaler and the electrical contractor to deliver a level of service far beyond the supply of fittings to do the job.

Membership of the TRIBE gives electrical and lighting contractors special access to all kinds of technical information that enhances competitive advantage, both at the lighting installation level and for the Group as a whole, through the stimulation of demand for its branded products.

"We achieve success by creating a culture of relationships with our customers. We listen to their needs and respond with products that meet their project requirements. Together we achieve our goals."

Robert Gerard – Tribe "Chief"

KEY BUSINESSES AND BRANDS

Pierlite Australia

Pierlite is a market leader in Australia for the design and distribution of architectural, industrial and commercial lighting solutions. During its development the business has continued to manufacture in Australia. Adherence to the "Australian Made" ethos has been invaluable to the business, giving Pierlite the capacity to supply a product solution promptly at a consistently high quality and without import delays.

Pierlite's success is based on two major factors – a commitment to quality underpinned by Quality Accreditation, and research and development.

The business distributes a diverse range of light fittings to the industrial and wholesale markets. Products are designed to provide customers professional lighting solutions backed by support, service and warehouse facilities in each capital city of Australia.

Pierlite has achieved a leading position with national wholesalers and will continue strategies to grow its market share in consumer products and lamp sales. The business is a balance of professional and trade products. Project revenue accounts for approximately 60% of sales and is represented by specific projects, civil infrastructure works and industrial lighting. Commodity revenues comprise the remaining 40%, and are principally derived from supply to electrical wholesalers.

Helping industry, government bodies and consumers meet the challenge of a carbon-constrained world, Pierlite offers a range of environmentally responsible lighting solutions that reduce greenhouse gas emissions, ranging from energy-efficient compact fluorescent lamps, to highly engineered T5 fluorescent fittings and innovative LED products. Intelligent Lighting Products (iLP) is a growth area for Pierlite and is heavily supported by our Group resources.

Brands

In addition to its proprietary core brand Pierlite, Pierlite Australia has a strategic network of agency agreements with a number of prestigious international lighting companies including Hoffmeister, Accuity Brands, DOT Downlights, V-Lux, Disano and Philips. Pierlite remains the major Australian distributor of Philips branded lamps for the trade market sector.

Product range

Core ranges include commercial, industrial and architectural. Pierlite products range from the energy-efficient linear or compact fluorescent lamp, through to the technically demanding Induction lamp, or to HIDs such as Metal Halide, Mercury Vapour and High Pressure Sodium, and including the diverse range of Halogens and LED systems.

Landmark projects include

Lighting installations:

- Adelaide Airport
- Sydney's Cross City and Lane Cove Tunnels
- OKI Jubilee Stadium
- Brookvale Oval in Sydney
- Commonwealth Games Village in Melbourne
- Brisbane's Magistrates' Courts
- Melbourne South Bank development

International projects:

- Sooty Denim Mill (Pakistan)
- Willis Building (London)
- Changi Prison (Singapore)
- The ERAP project (Mozambique)

Pierlite's mantra is "form, fit and function".

KEY BUSINESSES AND BRANDS

Sylvania Lighting Australia

Sylvania's lighting business has its roots in a commitment to precision engineering, and an approach to business that seeks to provide the solutions to clients, whatever their lighting application needs may be.

A vertically-integrated designer, Sylvania Lighting (SLA) is a manufacturer and distributor of luminaires for architectural, industrial, commercial and public lighting applications. SLA is also a major distributor of lamps.

Based on the Central Coast of New South Wales, SLA operates a fully equipped manufacturing, assembly and distribution centre. The centre operates under ISO900 for environmental excellence and ISO14001 and IECex certified manufacture. This facility is also the manufacturing location for the Group's hazardous location range, CSE, which is distributed by the SLA team throughout Australia and by Pierlite internationally.

Sylvania's lighting design and product development teams are supported by an in-house NATA-accredited photometric laboratory.

Brands

The Sylvania name is over 100 years old and known worldwide. The Gerard Lighting Group acquired the brand for Australia and New Zealand in 2008 from Lighting Corporation. The Group's commitment to the brand has been to reflect standards and quality for which Sylvania has been recognised for more than a century.

Sylvania also owns the Concord and Lumiance brands for use in Australia and New Zealand. These brands are highly regarded on a worldwide basis, and Sylvania remains one of the 10 largest lighting brands on a global scale.

SLA also owns the highly regarded CSE brand. CSE specialises in the design and manufacture of electrical equipment for use in hazardous and arduous locations. Sylvania is currently the exclusive distributor for Siteco (formerly Siemens Lighting) in Australia and New Zealand.

Product range

Sylvania has many operational strings to its bow. It provides, for instance, explosion-proof lights and luminaires that illuminate potentially explosive areas such as on oil platforms where a failure of a light must be contained within the light itself. Major roadway and general street lighting are also Sylvania specialities as are industrial and commercial floodlighting. The technology and longevity of these roadway lighting systems are unsurpassed.

For high-end architectural applications, the Concord, Lumiance and Siteco brands offer superior products, styled by leading international designers, which are purpose-built for easy installation, use and maintenance.

The Sylvania brand offers an extensive range of environmentally responsible products to satisfy any lighting requirement. The Sylvania approach is to look at a space, assess it taking into account the purpose for which the area is to be used, and then design a specific, tailored solution that delivers the right amount and the right kind of light in compliance with all regulations.

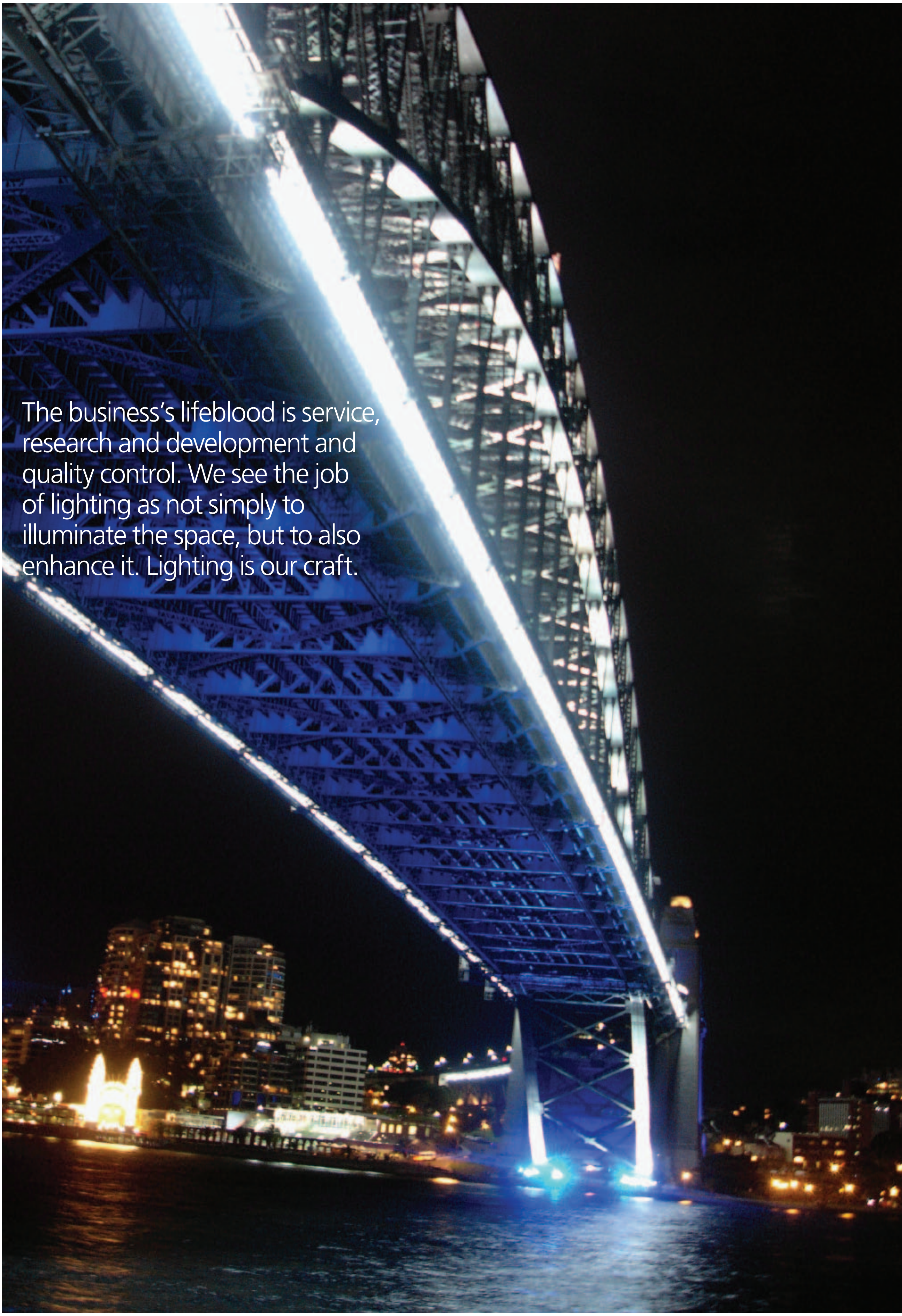
Landmark projects include

SLA

- Sydney Cricket Ground
- Sydney Harbour Bridge (75th Anniversary)

CSE

- Qantas Hangar, Queensland
- Caltex Clean Fuel, NSW and Queensland



The business's lifeblood is service, research and development and quality control. We see the job of lighting as not simply to illuminate the space, but to also enhance it. Lighting is our craft.

KEY BUSINESSES AND BRANDS

With more than 2,500 products in the Crompton lighting range, and more than 120 new products in the pipeline, Crompton is well positioned for continued growth.

Crompton

Crompton Lighting has been in Australia since 1887. Its longevity reflects a trusted brand, primarily in the area of residential lighting but, more recently, Crompton has widened its product range to offer services and products within small to medium-size buildings and commercial projects. With access to major worldwide lighting manufacturers, Crompton offers the latest in technology and design.

The Crompton brand is one of the largest lighting brands in the country with extensive distribution through electrical wholesalers, lighting retailers, lighting specialists and hardware stores. The business offers comprehensive cost-effective lighting solutions for smaller to medium-sized projects, with demand pulled through both wholesale and retail channels. As a result this business focuses on electrical, lighting, hardware wholesalers and major retailers, including lighting specialists.

Operating primarily as an import distributor, Crompton purchases its products from China and on-sells to wholesalers and retail distribution companies. Operations consist of sourcing low-cost lamps and lighting products, primarily from China and Europe, and distributing self-branded lighting products and lighting products from other brands such as Expo, Lightstar, Bug Zapper, Focus and Insect-O-Cutor.

Head Office is located in Sydney, and incorporates sales, marketing, and administration departments to support the national customer base. The business has operations in Brisbane, Melbourne, Adelaide and Perth to support the national sales and distribution network.

Product range

The Crompton business offers a wide range of lamps, luminaires and lighting control gear suitable for both the domestic and commercial market.

Crompton Lighting also exclusively distributes Tridonic Atco Lighting Control gear into the electrical wholesale and retail market.

Crompton has a significant market presence in a number of product areas including: low and mains voltage lighting, commodity fluorescent fixtures, and exterior lifestyle lighting products suitable for both residential and commercial application.

A key strength is the business’s ability to source and distribute a wide range of lighting products that provide cost-effective lighting solutions. Crompton’s continuing growth has come from expanding its national focus servicing major wholesalers and retailers, and by bringing to market more value-added products such as decorative, exterior and the latest LED technology.

KEY BUSINESSES AND BRANDS

Moonlighting

Moonlighting operates as a value-added re-seller of lighting and luminaries focused primarily on project lighting within the commercial and industrial sectors of the building industry. Moonlighting targets the commercial office market as well as high-end residential, major retail chains, government development at all levels and decorative architectural lighting for councils.

Brands

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

Product range

Ranges include fluorescent, industrial, exterior, architectural, medical, adverse and emergency lighting products. Moonlighting is driving technological development and efficient product ranges in LED, Fibre Optic, Decorative Phosphor Tape as well as soft wiring and DALI control.

Landmark projects

- Council House 2 (CH2), Melbourne (Australia’s first 6 Star energy rated building).
- Energy Conservation Systems, Melbourne, ANZ Docklands Melbourne

Inlite

Formed in 1984 to bring quality and unique design to the Australian architectural market, developments in the Inlite portfolio have resulted in the commercialisation of a comprehensive range of specialised lighting equipment.

Inlite is an "up-market" project-based light distributor focused on commercial architectural projects in the specification market. Inlite operates as a re-seller with no design or manufacturing operations.

Brands

Representing some of the world's most technically advanced and creative producers of lighting instruments, Inlite is the exclusive Australian distributor of Delta Light, Dark, Prisma, Agabecov, Martini, Prandina, Marset, Meyer and Marc Pro.

Product range

Products are highly customised and require a high level of technical sophistication. Inlite's customer base predominantly consists of consulting engineers and architects. Products are sold to specification.

Landmark projects

- Sofitel, Melbourne
- Lion Nathan, Sydney
- Laminex HQ, Melbourne
- Lexus, Perth
- Hassell, Perth and Sydney

KEY BUSINESSES AND BRANDS

Austube

Operating in the upper-middle market manufacturing high volumes to specification, Austube has earned a reputation as the premier supplier of extruded aluminium lighting systems in Australasia.

As a project-based business, Austube focuses on custom-designed lighting. There are no commodity products in the range which is comprised entirely of linear lighting products suitable for a diverse range of applications. The ability to tailor solutions for specific installations provides Austube with a significant competitive advantage.

Designs have the ability to incorporate a vast array of accessories such as downlights, emergency systems, motion and light level sensors, as well as integral audio, video, data and power cabling.

Brands

The business owns the brand "Halite lightube" and goes to market through distributors across Australia and New Zealand.

Landmark projects

- Stadium Australia and Sydney Olympic Games Village, Sydney
- Epping Chatswood Rail Link, Sydney
- Andrew 'Boy' Charlton Pool, Sydney
- Telstra Dome, Sydney
- National Museum of Australia, Canberra
- National School of the Arts, Sydney

Gerard Lighting (NZ)

In 2008, Gerard Lighting consolidated its New Zealand operation to incorporate Pierlite, Sylvania, Crompton and Aesthetics Lighting. The amalgamation of these four companies has firmly established Gerard Lighting (NZ) as the premier lamps and lighting products supplier to the New Zealand residential, commercial and industrial market segments.

Brands

Gerard Lighting owns the Blade brand in New Zealand and has exclusive access to the Group's brands Crompton, Sylvania and Pierlite. In addition the business has exclusive rights in New Zealand to some of the world's leading manufacturers including Delta Light, Dark, Concord, Hoffmeister and Prandina.

Product range

Core ranges include commercial, industrial, residential and architectural lighting products. The inclusion of lighting design and the manufacture of high-end custom-made lighting complements the "total lighting solution" provider status that Gerard Lighting NZ exemplifies.

Landmark projects

- BNZ Quay Park, Auckland
- BNZ Harbour Quay, Wellington
- BNZ 80 Queen St, Auckland
- Wellington Waterfront
- Princes Wharf, Auckland
- Mc Donald's regional refurbishments

Franchises

In Kenya, Gerard Lighting's Pierlite franchisee has recently completed a Japanese Government funded aid project in which it provided a complete package of lighting for two hospitals.

The Pierlite franchisee in Mozambique, in conjunction with Pierlite Australia, has so far provided nearly 60

Offshore locations

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

Pierlite India (100% owned)

Pierlite India's potential as a source of innovative thinking within the Group's operations was confirmed early in 2011 when the Patent Office of India granted a Certificate of Registration of Design for a lighting system to be used above hospital beds. Gerard Lighting Group, through its Pierlite brand, is now well established in India with a manufacturing plant at Ahmedabad. The importance of the plant is best reflected in the fact that the Group did not simply establish a low-cost manufacturing operation. Instead, the Group has recognised its potential by establishing an Innovation and Design Centre of Excellence.

Pierlite Middle East (60% owned)

In the Middle East, Pierlite has literally lit up two of Dubai's most important public transport projects: the metro and the airport. Pierlite has installed a wide range of lighting as part of the Dubai Metro – a major project which, when completed, will have around 50 stations and more than 70 km of line. At Dubai Airport – the Middle East's busiest airport, servicing more than 100 airlines – Pierlite has installed more than 10,000 lights. Pierlite products were further showcased at the important "Made in Sharjah" Expo in the United Arab Emirates in November 2010.

Pierlite Indonesia (50% owned)

Established in new headquarters in Jakarta, Pierlite Indonesia serves the entire country with a comprehensive 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 has the engineering expertise to support this technically challenging field. The Group's CSE range of exit fixtures, visual alarms, floodlights, controls and cable glands are the perfect solution to Indonesia's oil and gas industry.

Pierlite Malaysia (40% effective ownership)

Established in 2008 after many years of operation as an agent, Pierlite Malaysia's operations are based in Petaling Jaya. Pierlite Malaysia is anticipating sales growth from the oil and petroleum industry throughout the country, and offers a complete hazardous area lighting solution with the Group's CSE range of explosion proof lighting fittings.

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's Award and Chairman, The South Australian Sport Hall of Fame. 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.

Richard Allert AO FCA
Deputy Chairman, Independent Non-executive Director

Rick Allert is Chairman and Non-executive Director of Western Desert Resources Ltd and Chairman of The Aboriginal Foundation of South Australia Inc. He is also a director of AMP Limited, Genesee & Wyoming Australia Pty Ltd, Genesee & Wyoming Inc., Cavill Power Products Pty Ltd, RG and RT Trott Pty Ltd (Wirra Wirra Wines), as well as a member of the Australia Forces Entertainment Board.

Rick's former appointments include Chairman of AXA Asia Pacific Holdings Limited, Chairman of the Australian Council's Major Performing Arts Board, member of the Australia Council for the Arts, Chairman of Tourism Australia, 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.

Graham Walters AM FCA
Independent Non-executive Director

Graham Walters is Non-executive Chairman of Westpac's South Australian Executive Committee and is a director of a number of companies including, 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 Australian Rail Track Corporation Ltd (Chairman Audit Committee), MasterSuper (Chairman), 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 in Australia 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 GAICD
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 he 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 a Bachelor of Commerce (Honours) Degree from the University of Pretoria and is a Fellow of the Institute of Chartered Accountants in Australia.

Graham Ellis
CPA
(CFO, alternate to Gary Savage)

Graham Ellis has over 20 years experience combined in the electrical accessories and lighting industry. Graham's experience includes major developments of operational and business systems and accounting functions. Graham is involved in business developments of new markets and strategies of the Group. Graham holds a Bachelor of Arts (Accountancy) Degree and is a member of the Australian Institute of Company Directors.

MANAGEMENT AND CORPORATE GOVERNANCE

Company Secretary

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 then, Mark has been serving Gerard Lighting in the role of Group General Manager – Business Integration and Joint Company Secretary. Mark is a Chartered Accountant and holds postgraduate qualifications at Masters level in Business Management (MBA), Finance (MFin) and Business Law (MBL).

Executive Management Team

Ben Mills

Executive General Manager Pierlite

Ben Mills has 23 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 as 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 24 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 of various sub-committees advising the Federal Government on energy efficiency.

Michael Cotterill

Executive General Manager Crompton Lighting

Michael Cotterill has over 27 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 22 years ago. Edwin co-founded Austube in 1994, which was sold to Lighting Corporation Limited in 2006, and 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 17 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 NSW State Manager, 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.

Corporate Governance Statement

Gerard Lighting Group Limited (the Company) and its controlled entities (the Group) and the Board are committed to achieving and demonstrating the highest standards of corporate governance.

The Board continues to review the framework and practices to ensure they meet the interests of shareholders.

The Corporate Governance Principles and Recommendations were amended in 2010 with the change in reporting requirements to apply to an entity's first financial year commencing on or after 1 January 2011. The Company complies with these recommendations to the extent they are necessarily applicable for the year ending 30 June 2011.

A description of the Company's main corporate governance practices are set out below. All these practices, unless otherwise stated, were in place for the entire year.

Further details of the corporate governance practices of the Company are available in the Corporate Governance section of the Company website at www.gerardlighting.com.au

Principle 1: Lay solid foundations for management and oversight

The Board Charter, including a statement of the Board's roles and responsibilities, is available on the Company's website.

The Board's focus is to enhance the interests of shareholders and other key stakeholders and to monitor the management of the company.

The Board delegates responsibility for the day-to-day management of the Group to the Managing Director and senior executives. The Board has formally delegated a range of authorities to management and a statement of matters delegated to management is available on the Company's website.

As part of overseeing the performance of senior executives, the Board has established a process of annual performance review and goal planning, whereby each executive is evaluated against a range of criteria, including achievement of strategic and financial goals, safety performance and business excellence.

Principle 2: Structure the Board to add value

Board composition

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.

Directors' independence

In assessing whether a Director is independent the Board considers whether there are, and the extent of any, business or other relationships between the Director and the Company and whether such relationships could, or could reasonably be perceived to, materially interfere with the Director's independent exercise of their judgement.

In determining whether a relationship between a Director and the Company is considered to be material, the Board assesses a range of quantitative and qualitative matters including the proportion the transactions represent to both the Company and the Director and the value or strategic importance of the relationship to both the Company and the Director.

Board members

Details of the members of the Board, their experience, expertise, qualifications, term of office, relationships affecting their independence and their independent status are set out in the Directors' report under the heading ''Information on Directors''.

At the date of signing the Directors' report, there are two Executive Directors, four Non-executive Directors and one executive who is an alternative director. Of the Non-executive directors, three have no relationships adversely affecting independence and so are deemed independent under the principles set out above.

Chairman and Managing Director

The Chairman, Mr Robert Gerard, is not considered an independent Chairman. The Company considers this departure is appropriate given:

- The Gerard family's interest in the Company; and
- Mr Gerard's considerable experience within the lighting and electrical industries.

The Board charter specifies that the role of Chairman and the role of Managing Director are separate roles to be undertaken by separate people. The role of Managing Director is undertaken by Mr Simon Gerard.

MANAGEMENT AND CORPORATE GOVERNANCE

Independent professional advice

Directors and Board Committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense, subject to approval of the cost by the Chairman.

Performance assessment

The Chairman of the Remuneration and Nomination Committee, an independent Director, undertakes a regular assessment of the performance of individual Directors, the Board as a whole and its Committees and meets privately with each Director to discuss this assessment. Descriptions of the process for performance assessment for the Board and senior executives are available on the Company website.

Remuneration and nomination committee

The Board has established a Remuneration and Nomination Committee. Membership of the Committee and details of meetings for the reporting period are set out in the Directors' report.

When a new Director is to be appointed the Committee reviews the range of skills, experience, expertise on the Board, identifies its needs and prepares a short-list of candidates with appropriate skills and experience.

The full Board then appoints the most suitable candidate, who must stand for election at the next Annual General Meeting of the Company. The Committee's nomination of existing Directors for reappointment is not automatic and is contingent on their past performance, contribution to the Company and the current and future needs of the Board and Company. The Board and the Committee are also aware of the advantages of Board renewal and succession planning.

The charter of the Remuneration and Nomination Committee is available on the Company’s website.

Principle 3: Promote ethical and responsible decision making

The Company has a formal Code of Conduct which supports a foundation of honesty and integrity and adopts a Corporate Creed which requires that at all times all Company personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and Company policies.

The Board has adopted a whistleblower policy to encourage the reporting of an issue if it is genuinely believed someone has contravened our Code of Conduct, policies or the law. This policy outlines how Gerard Lighting will deal with all reported misconduct or unethical behaviour; and is intended to assist in ensuring that serious misconduct or unethical behaviour is identified and dealt with appropriately.

The Board has adopted a policy for dealing in company securities that restricts Directors and senior employees from buying or selling shares other than during pre-defined window periods being the period of 30 days from the announcement of half-yearly results, the announcement of annual results and the holding of the Annual General Meeting. Trading outside the window period requires approval, in accordance with the dealing in company securities policy.

A copy of the Code, whistleblower and dealing in company securities policies are available on the Company's website.

Principle 4: Safeguard integrity in financial reporting

Audit and Risk Committee

The Board has established an Audit and Risk Committee which is responsible for reviewing the financial accounts and other financial information distributed externally, monitoring the adequacy of risk management and internal control systems and monitoring procedures in place to ensure compliance with statutory responsibilities.

The Company has adopted an Audit and Risk Committee Charter which is set out on the Company website.

The names of the members of the Audit and Risk Committee, together with details of their qualifications and attendance at meetings are set out in the Directors' report. The Committee consists of three Directors, all of whom are non-executive and independent.

External auditors

The Company and Audit and Risk Committee policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually.

It is our auditor’s (KPMG) policy to rotate audit engagement partners on listed companies at least every five years. The Board requires that adequate handover occurs in the year prior to rotation of an audit partner to ensure an efficient and effective audit under the new partner.

Principles 5 and 6: Make timely and balanced disclosures and respect the rights of shareholders

Continuous disclosure and shareholder communication

The Company has written policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the Company that a reasonable person would expect to have a material effect on the price of the Company's securities. These policies and procedures also include the arrangements the Company has in place to promote communication with shareholders and encourage effective participation at general meetings. A summary of these policies and procedures is available on the Company's website.

The Company Secretaries, who have been nominated as disclosure officers, are responsible for ensuring compliance with the Company's continuous disclosure policy.

Principle 7: Recognise and manage risk

The Board, through the Audit and Risk Committee, is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems.

The Board has required management to design and implement a risk management and internal control system to manage the Company's material business risks and to report to it on whether those risks are being managed effectively. The Board also receives a declaration from the Managing Director and Chief Financial Officer, provided in accordance with section 295A of the *Corporations Act 2001,* providing assurance regarding the financial statements and financial reporting risks.

The Company policies are designed to ensure that strategic, operational, legal, reputation and financial risks are identified, assessed, and effectively and efficiently managed and monitored to enable achievement of the Group's business objectives.

Principle 8: Remunerate fairly and responsibly

The Board has established a Remuneration and Nomination Committee which comprises three Non-executive Directors. Details of the names of the members of the Committee are set out in the Directors' report.

The Remuneration report, within the Director's report, sets out the Company's policies for remunerating Directors, Executive Directors and senior executives. Details of the existence and terms of any schemes of retirement benefits other than superannuation, for Non-executive Directors are set out in the Remuneration Report within the Directors' report.

The Director’s report also details Directors’ attendance at Board and Committee meetings held during the financial year.

The following information is available on the Company's website:

- The Remuneration and Nomination Committee charter; and
- The Company's share trading policy, which prohibits transactions in associated products which limit the risk of participating in unvested entitlements under any equity based remuneration scheme.

Recommendation 8.2 of the ASX Corporate Governance Principles and Recommendations states 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. Messrs Allert and Walters have been issued options to subscribe for shares in Gerard Lighting. 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 the Remuneration report.

The ASX Corporate Governance Principles and Recommendations include a guideline that directors should not be provided with retirement benefits other than superannuation. Mr Crompton is entitled to receive a termination payment of $100,000 on ceasing to be a Director. The Board considers that the payment of a retirement benefit to Mr Crompton to be appropriate 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 REPORT

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DIRECTORS' REPORT

Your Directors submit their report for the year ended 30 June 2011.

Gerard Lighting Group Limited (GLG) was incorporated as a proprietary company on 11 December 2009. On 31 December 2009, GLG became the holding company for the Gerard Lighting Group, after Gerard Lighting Pty Ltd and its then holding company Gerard Lighting Holdings Pty Ltd undertook various changes to their structure and portfolio of assets to prepare the business for the proposed listing of GLG. The company changed its status to that of a public company on 9 March 2010.

As a result of GLG becoming the holding company effective 31 December 2009, the results shown in the statement of comprehensive income and profit and loss and the statement of cash flows for the consolidated group for the period ended 30 June 2010 reflect actual trading for the six months from 1 January 2010 to 30 June 2010.

Directors

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for the entire year unless otherwise stated.

Robert Gerard AO	(Chairman)
Richard Allert AO, FCA	(Deputy Chairman – Independent Non-executive Director)
Simon Gerard	(Managing Director)
Graham Walters AM, FCA	(Independent Non-executive Director)
Michael Crompton GAICD	(Independent Non-executive Director)
Gary Savage FCA	(Executive Director)
Graham Ellis	(Chief Financial Officer, alternate to Gary Savage)

Company secretaries

Gary Savage FCA	(Joint Company Secretary)
Mark Pearson	(Joint Company Secretary)

Directors' meetings

The number of Directors' meetings (including meetings of committees of Directors) and number of meetings attended by each of the Directors of the Company during the financial year are:

	Director's meetings	Audit and Risk Committee	Remuneration and Nominations Committee
Number of meetings held	**10**	**4**	**2**
Robert Gerard AO	9		2
Richard Allert AO, FCA	10	4	2
Simon Gerard	10		
Graham Walters AM, FCA	9	4	2
Michael Crompton GAICD	9	3	
Gary Savage FCA	10		
Graham Ellis (alternate to Gary Savage)	10		

DIRECTORS' REPORT

Remuneration report – Audited

Remuneration policy

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

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

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

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

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

Non-executive Directors' benefits

The Directors, other than the Managing Director or any other Executive Director, are entitled to receive remuneration for their services, as the Directors decide, but the maximum aggregate sum paid must not exceed the amount approved from time-to-time by Gerard Lighting at general meetings. Any change to the maximum aggregate sum needs to be approved by shareholders. As at the date of this report it has been determined that such remuneration will not exceed $700,000. Directors' fees are presently $674,644 per annum.

As part of their remuneration, 500,000 options with a fair value of $165,000 were issued to each of Messrs Allert and Walters during the period to 30 June 2010. No additional options were granted during the year ended 30 June 2011.

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

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

Executive Directors

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

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

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

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

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

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

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

The company does not have a specific policy associated with or connected to the hedging of share-based payments.

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

The Remuneration and Nomination Committee recognises that the Group operates in a very competitive environment and that its performance depends on the quality of its people. To continue to grow, the Group must be able to attract, motivate and retain highly-skilled executives. The guiding principles of the Group's remuneration policy are to:
- provide competitive rewards to attract and retain executive talent;
- apply KPIs to deliver results across the Group and to a significant portion of the total reward;
- link rewards to executives to the creation of value to shareholders; and
- ensure remuneration arrangements between executives are equitable and limit severance payments on termination to pre-established contractual arrangements, that do not commit the Group to making unjustified payments in the event of non-performance.

DIRECTORS' REPORT

Remuneration of Directors and Specified Executives – Audited

		Short-term		Post-employment	Share-based payments	Total	Related % performance based	Related % option based
Year ended 30 June 2011	Salary & Fees $	Cash Bonus $	Non Monetary Benefits(iii) $	Super-annuation $	Shares/ Options(ii) $	$		
Non-executive Directors								
Robert Gerard AO	260,000	–	–	–	–	260,000	–	–
Richard Allert AO, FCA	147,936	–	–	13,314	31,697	192,947	–	16
Graham Walters AM, FCA	119,266	–	–	10,734	31,697	161,697	–	20
Michael Crompton GAICD	55,046	–	–	4,954	–	60,000	–	–
	582,248	–	–	29,002	63,394	674,644		
Executive Directors								
Simon Gerard	1,040,000	500,000	76,179	25,000	316,974	1,958,153	26	16
Gary Savage FCA	401,980	250,000	10,050	25,000	126,789	813,819	31	16
Graham Ellis (alternate to Gary Savage)	335,000	250,000	48,714	25,000	126,789	785,503	32	16
	1,776,980	1,000,000	134,943	75,000	570,552	3,557,475		
Specified Executives(iv)								
Ben Mills, *EGM Pierlite*	500,000	380,000	92,030	25,000	–	997,030	38	–
Mark West, *EGM Sylvania*	346,408	260,000	114,676	15,199	–	736,283	35	–
Michael Cotterill, *EGM Crompton*	348,781	190,000	60,351	22,041	–	621,173	31	–
Craig Hewitt, *EGM Moonlighting*	226,654	100,000	4,081	22,628	–	353,363	28	–
Phil Eaton, *EGM Inlite*	332,348	110,000	19,661	15,199	–	477,208	23	–
Edwin Sargeant, *EGM Austube*	349,290	250,000	7,043	25,709	–	632,042	40	–
	2,103,481	1,290,000	297,842	125,776	–	3,817,099		
	4,462,709	2,290,000	432,785	229,778	633,946	8,049,218		

6 month period ended 30 June 2010	Short-term Salary & Fees $	Short-term Cash Bonus $	Short-term Non Monetary Benefits $	Post-employment Super-annuation $	Share-based payments Shares/ Options[ii] $	Total[i] $	Related % performance based	Related % option based
Non-executive Directors								
Robert Gerard AO[v]	162,692	–	–	–	–	162,692	–	–
Richard Allert AO, FCA	41,535	–	–	3,738	3,650	48,923	–	7
Graham Walters AM, FCA	33,486	–	–	3,014	3,650	40,150	–	9
Michael Crompton GAICD	25,512	–	–	2,296	–	27,808	–	–
	263,225	–	–	9,048	7,300	279,573		
Executive Directors								
Simon Gerard	526,250	250,000	22,318	7,212	36,470	842,250	30	4
Gary Savage FCA	177,799	125,000	–	11,538	14,590	328,927	38	4
Graham Ellis (alternate to Gary Savage)	154,006	125,000	16,955	17,767	14,590	328,318	38	4
	858,055	500,000	39,273	36,517	65,650	1,499,495		
Specified Executives[iv]								
Ben Mills, *EGM Pierlite*	269,185	25,000	26,365	12,500	–	333,050	8	–
Mark West, *EGM Sylvania*	119,941	175,000	13,104	7,562	–	315,607	55	–
Michael Cotterill, *EGM Crompton*	113,988	212,500	13,282	9,553	–	349,323	61	–
Craig Hewitt, *EGM Moonlighting*	95,148	50,000	–	9,002	–	154,150	32	–
Phil Eaton, *EGM Inlite*	73,229	105,000	–	59,777	–	238,006	44	–
Edwin Sargeant, *EGM Austube*	152,500	107,500	–	11,556	–	271,556	40	–
	823,991	675,000	52,751	109,950	–	1,661,692		
	1,945,271	1,175,000	92,024	155,515	72,950	3,440,760		

(i) All amounts disclosed are in relation to the six month period ending 30 June 2010.
(ii) The fair value of the options is calculated at the date of grant using the Black Scholes option-pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options recognised in this reporting period.
(iii) Includes the cash value of non-monetary benefits including any associated fringe benefits tax and movements in long service leave entitlements.
(iv) Specified executives were employed by the Group for the entire period.
(v) Includes salary paid by a subsidiary company for the period prior to listing. This component of salary, paid by the subsidiary company, is not recurring.

DIRECTORS' REPORT

Analysis of bonuses included in remuneration

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

	Short-term incentive		
	Included in remuneration(A)	% vested in period	% forfeited in period(B)
Directors			
Simon Gerard	500,000	100	Nil
Gary Savage FCA	250,000	100	Nil
Graham Ellis (alternate to Gary Savage)	250,000	100	Nil
Executives			
Ben Mills, *EGM Pierlite*	380,000	100	Nil
Mark West, *EGM Sylvania*	260,000	100	Nil
Michael Cotterill, *EGM Crompton*	190,000	100	Nil
Craig Hewitt, *EGM Moonlighting*	100,000	100	Nil
Phil Eaton, *EGM Inlite*	110,000	100	Nil
Edwin Sargeant, *EGM Austube*	250,000	100	Nil

(A) Amounts included in remuneration for the financial period represent the amount that vested in the financial period based on achievement of personal goals and satisfaction of specified performance criteria. No amounts vest in future financial years in respect of the bonus schemes for the 2011 financial year (30 June 2010: no amounts vested in future financial years).

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

Service contracts

Service contracts exist for senior executives including the Managing Director. They are unlimited in term but capable of termination by the Group on 12 months notice in the case of the Managing Director and six months notice in the case of executives who are direct reports to the Managing Director. The Group retains the right to terminate a contract immediately, by making payments equal to the notice period, in lieu of notice. In addition, should termination be as a result of redundancy, a further payment of six months of fixed remuneration (base salary plus superannuation) is payable to the Managing Director, and six months to all but two of the Managing Director's direct reports who receive a payment equivalent to 12 months. The Managing Director has also entered into a separate restraint deed with the Group.

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

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

Options and rights over equity instruments granted as compensation

	Number of options granted	Grant date	Fair value per option at grant date ($)	Exercise price per option $	Expiry date	Number of options vested during 2011
Directors						
Richard Allert AO, FCA	500,000	19-Mar-10	0.33	1.00	31-Dec-15	–
Simon Gerard	5,000,000	19-Mar-10	0.33	1.00	31-Dec-15	–
Graham Walters AM, FCA	500,000	19-Mar-10	0.33	1.00	31-Dec-15	–
Gary Savage FCA	2,000,000	19-Mar-10	0.33	1.00	31-Dec-15	–
Graham Ellis (alternate to Gary Savage)	2,000,000	19-Mar-10	0.33	1.00	31-Dec-15	–

All options refer to options over ordinary shares of Gerard Lighting Group Limited, which are exercisable on a one-for-one basis under the Directors Share Option Plan (DSOP).

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

All options expire on the earlier of their expiry date or termination of the individual's employment. The options are exercisable five years from grant date. Continuing employment is the only condition attaching to the ability to exercise options.

Modification of terms of equity-settled share-based payment transactions

No terms of equity-settled share-based payment transactions (options granted as compensation to a key management person) have been altered or modified by the issuing entity during the reporting period or the prior period.

Exercise of options granted as compensation

During the reporting period no options were exercised.

Analysis of options and rights over equity instruments granted as compensation

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

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

Analysis of movements in options

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

	Granted in year $	Value of options exercised in year $	Lapsed in year $
Richard Allert AO, FCA	Nil	Nil	Nil
Simon Gerard	Nil	Nil	Nil
Graham Walters AM, FCA	Nil	Nil	Nil
Gary Savage FCA	Nil	Nil	Nil
Graham Ellis (alternate to Gary Savage)	Nil	Nil	Nil

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

Earnings per share	**2011 Cents**	2010 Cents
Basic earnings per share	**11.37**	5.68
Diluted earnings per share	**11.37**	5.68

DIRECTORS' REPORT

Dividends

Dividends paid or declared by the Company to members since the end of the previous financial year were:

	Total amount $'000	Cents per share	Date of payment	Franked/ unfranked
Final 2010 – ordinary	3,540	2.0	22-Oct-10	Fully Franked
Interim 2011 – ordinary	4,779	2.7	18-Mar-11	Fully Franked
Total amount declared and paid during the financial period	8,319			
Declared after end of period After the balance sheet date the following dividends were declared by the Directors. The dividends have not been provided and there are no income tax consequences.				
Final 2011 – ordinary	4,956	2.8	14-Oct-11	Fully Franked
Total amount	4,956			

The financial effect of these dividends has not been brought to account in the financial statements for the year ended 30 June 2011 and will be recognised in subsequent financial reports. Refer to Note 8 for additional detail on dividends paid.

Principal activities

The principal activity of the Group during the year was the distribution and sale of lighting and allied electrical products in Australia and New Zealand.

Results

The consolidated net profit after tax of the Group for the year ended 30 June 2011 was $19,519,000 (six months to 30 June 2010 – $5,668,000).

Operating and financial review

A review of operations for the period is set out in the Managing Director's report on page 4.

Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the Group during the year.

Significant events after the balance date

Since the end of the reporting period and as at the date of this report the Directors are not aware of any matter or circumstance, not otherwise disclosed in Note 25 Events after balance sheet date, or dealt with in the Chairman's report or Managing Director's report, that has significantly or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

Likely developments and expected results

The Directors are not aware of any likely developments that may significantly affect the Group not included in the Chairman's report on page 2 and the Managing Director's report on page 4.

Environmental regulation and performance

The Group operates predominantly in the wholesale and distribution sectors, and is committed to conducting its business with respect for the environment. During the financial period no particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory has applied to the Group or its operations.

Interest in shares and options of the Company

The relevant interest of each Director in the shares or options over such instruments issued by the companies within the Group and other related bodies corporate, as notified by the Directors to the Australian Securities Exchange in accordance with S205G(1) of the *Corporations Act 2001*, at the date of this report is as follows:

	Ordinary shares held	Relevant interest in ordinary shares	Options over ordinary shares
Robert Gerard AO	–	92,119,647	–
Richard Allert AO, FCA	–	100,000	500,000
Simon Gerard	–	110,000	5,000,000
Graham Walters AM, FCA	–	106,000	500,000
Michael Crompton GAICD	–	120,000	–
Gary Savage FCA	75,000	2,000	2,000,000
Graham Ellis	32,000	12,000	2,000,000

Share options

At the date of this report, the following options, granted by GLG, existed over unissued shares under the various option plans, whereby the holders may subscribe for ordinary shares on the basis of one ordinary share for each option exercised:

	Number of options granted	Exercise price	Expiry date
Richard Allert AO, FCA	500,000	$1.00	31-Dec-15
Simon Gerard	5,000,000	$1.00	31-Dec-15
Graham Walters AM, FCA	500,000	$1.00	31-Dec-15
Gary Savage FCA	2,000,000	$1.00	31-Dec-15
Graham Ellis	2,000,000	$1.00	31-Dec-15
	10,000,000		

No options were granted during the financial year. Options exercised or forfeited during the period are set out in Note 18 of the financial statements. No options have been issued or exercised since the end of the financial year up to the date of this report. No options have lapsed since the end of the financial year up to the date of this report. No amounts are unpaid on any of the shares issued as a result of the exercise of these options. The options do not entitle the holder to participate in any share issue of any other corporation.

Indemnification and insurance of Directors

During the year the Group has paid a premium in respect of a contract insuring its Directors and senior employees against liabilities that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the consolidated entity. In accordance with common practice, the insurance policy prohibits disclosure of the nature of the liability insured against and the amount of the premium.

Rounding

The amounts contained in this report and in the financial statements have been rounded off to the nearest $1,000 (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/0100 (as amended). The company is an entity to which the Class Order applies.

Corporate governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Gerard Lighting Group Limited support and have adhered to the principles of corporate governance. The Group's corporate governance statement is contained in the previous section of this annual report.

Auditor

KPMG continues in office in accordance with section 327 of the *Corporations Act 2001*.

Independence

The Directors received an independence declaration from our auditor, KPMG. This declaration is included in the financial report following the auditor's report on the financial statements.

DIRECTORS' REPORT

Non-audit services

The Board has considered the non-audit services provided during the year by the Group's auditor, KPMG. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Details of the amounts paid to the auditor of the Group, KPMG, and its related practices is set out below. In addition, amounts paid to other auditors in connection with the statutory audit have been disclosed.

	2011 $	2010 $
Audit services		
Audit and review of financial reports (KPMG Australia)	**431,000**	390,000
Audit and review of financial reports (overseas KPMG firms)	**86,007**	39,971
	517,007	429,971
Other auditors		
Audit and review of financial reports (non-KPMG firms)	**1,852**	27,201
	518,859	457,172
Services other than statutory audit		
KPMG Australia:		
Tax compliance services	**169,158**	68,174
Tax advice	**–**	125,000
Other due diligence and transactional services	**75,774**	–
Due diligence services rendered in connection with listing on ASX	**–**	440,000
Transactional services rendered in connection with listing on ASX	**–**	220,769
	244,932	853,943
KPMG overseas firms:		
Tax compliance services	**5,292**	–
Other due diligence and transactional services	**10,334**	–
Other services	**1,512**	–
	17,138	–
Other auditors:		
Tax compliance services (non-KPMG firms)	**–**	22,025
	262,070	875,968

Signed in accordance with a resolution of the Directors.

Simon Gerard
Managing Director

Robert Gerard
Non-executive Chairman

Adelaide, 22 August 2011

STATEMENT OF COMPREHENSIVE INCOME

Year ending 30 June 2011

		Consolidated	
	Notes	**2011 $'000**	2010 $'000
Revenue	5(a)	**403,601**	180,918
Other income	5(b)	**813**	373
		404,414	181,291
Materials and consumables used		**(191,339)**	(87,750)
Employee benefits expense	5(c)	**(99,855)**	(43,901)
Depreciation and amortisation expense	5(d)	**(4,030)**	(2,014)
Other expenses	5(e)	**(71,009)**	(32,174)
Results from operating activities		**38,181**	15,452
Finance income	5(f)	**774**	515
Finance costs	5(g)	**(9,307)**	(6,746)
Net finance costs		**(8,533)**	(6,231)
Share of loss of equity accounted investees (net of income tax)	13	**(36)**	–
Profit before income tax		**29,612**	9,221
Income tax expense	6	**(10,093)**	(3,553)
Profit for the period		**19,519**	5,668
Other comprehensive income			
Foreign currency translation differences – foreign operations	5(h)	**(926)**	(98)
Income tax on other comprehensive income	6	**–**	–
Other comprehensive income for the period, net of tax		**(926)**	(98)
Total comprehensive income for the period		**18,593**	5,570
Profit attributable to:			
Equity holders of the Company		**20,133**	6,130
Non controlling interest		**(614)**	(462)
Profit for the period		**19,519**	5,668
Total comprehensive income attributable to:			
Equity holders of the Company		**19,457**	6,034
Non controlling interest		**(864)**	(464)
Total comprehensive income for the period		**18,593**	5,570
Earnings per share (cents per share)			
Basic earnings per share	7	**11.37**	5.68
Diluted earnings per share	7	**11.37**	5.68

The above Statement of Comprehensive Income should be read in conjunction with the accompanying Notes.
The 2010 comparative includes trading for the six months 1 January 2010 to 30 June 2010.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

		Consolidated	
	Notes	**2011 $'000**	2010 $'000
Assets			
Current assets			
Cash and cash equivalents	9	**19,981**	14,690
Trade and other receivables	10	**79,584**	80,077
Other financial assets	12	**–**	154
Inventories	11	**68,021**	67,879
Prepayments		**2,551**	3,366
Total current assets		**170,137**	166,166
Non-current assets			
Other receivables	10	**576**	–
Other financial assets	12	**30**	30
Investments in equity accounted investees	13	**614**	–
Deferred tax assets	6	**8,386**	6,663
Property, plant and equipment	14	**24,370**	22,528
Intangible assets	15	**89,932**	80,364
Total non-current assets		**123,908**	109,585
Total assets		**294,045**	275,751
Liabilities			
Current liabilities			
Trade and other payables	16	**62,231**	63,821
Interest-bearing liabilities	19	**5,283**	10,395
Income tax payable	6	**11,488**	5,820
Provisions	17	**12,309**	9,636
Total current liabilities		**91,311**	89,672
Non-current liabilities			
Interest-bearing liabilities	19	**78,990**	76,240
Provisions	17	**1,600**	1,341
Total non-current liabilities		**80,590**	77,581
Total liabilities		**171,901**	167,253
Net assets		**122,144**	108,498
Equity			
Equity attributable to equity holders of the Company			
Share capital	20	**86,368**	86,368
Retained earnings		**17,944**	6,130
Other reserves		**15,750**	15,792
Equity attributable to equity holders of the Company		**120,062**	108,290
Non controlling interest		**2,082**	208
Total equity		**122,144**	108,498

The above Statement of Financial Position should be read in conjunction with the accompanying Notes.

STATEMENT OF CASH FLOWS

Year ending 30 June 2011

	Notes	Consolidated 2011 $'000	2010 $'000
Cash flows from operating activities			
Cash receipts from customers		**445,788**	190,607
Cash paid to suppliers and employees		**(402,962)**	(175,826)
Cash generated from operations		**42,826**	14,781
Interest paid		**(8,254)**	(6,746)
Income taxes paid		**(6,401)**	(89)
Net cash from operating activities	9	**28,171**	7,946
Cash flows from investing activities			
Interest received		**774**	361
Acquisition of subsidiaries – net of cash acquired	21	**(7,252)**	–
Acquisition of business		**(1,829)**	–
Investment in equity accounted investees	13	**(650)**	–
Proceeds from sale of property, plant and equipment		**272**	391
Product development – capitalised		**(650)**	(670)
Acquisition of property, plant and equipment		**(5,283)**	(2,098)
Net cash flows used in investing activities		**(14,618)**	(2,016)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**–**	85,000
Payment of share issue costs		**–**	(5,189)
Net (increase)/decrease in borrowings		**237**	(79,940)
Finance lease repayments		**(65)**	(80)
Payment of dividends on ordinary shares	8	**(8,319)**	–
Net cash flows used in financing activities		**(8,147)**	(209)
Net increase in cash and cash equivalents		**5,406**	5,721
Effect of exchange rate fluctuations on cash held		**(115)**	–
Cash and cash equivalents at beginning of period		**14,690**	8,969
Cash and cash equivalents at end of period	9	**19,981**	14,690

The above Statement of Cash Flows should be read in conjunction with the accompanying Notes.
The 2010 comparative includes trading for the six months from 1 January 2010 to 30 June 2010.

STATEMENT OF CHANGES IN EQUITY

Year ending 30 June 2011

	Notes	Contributed equity $'000	Foreign currency translation reserve $'000	Equity reserve $'000	Reserve for own shares $'000	Retained earnings $'000	Total $'000	Non controlling interest $'000	Total equity $'000
Consolidated									
Balance at 1 July 2010		**86,368**	**(96)**	**15,815**	**73**	**6,130**	**108,290**	**208**	**108,498**
Total comprehensive income for the period									
Profit or loss		–	–	–	–	20,133	20,133	(614)	19,519
Other comprehensive income									
Foreign currency translation differences		–	(676)	–	–	–	(676)	(250)	(926)
Total comprehensive income for the period		–	(676)	–	–	20,133	19,457	(864)	18,593
Transactions with owners, recorded directly in equity									
Total changes in ownership interests in subsidiaries		–	–	–	–	–	–	2,738	2,738
Issue of ordinary shares	20	–	–	–	–	–	–	–	–
Share-based payments, net of tax	18	–	–	–	634	–	634	–	634
Dividends to equity holders	8	–	–	–	–	(8,319)	(8,319)	–	(8,319)
Total transactions with owners		–	–	–	634	(8,319)	(7,685)	2,738	(4,947)
Balance at 30 June 2011		86,368	(772)	15,815	707	17,944	120,062	2,082	122,144

The above Statement of Changes in Equity should be read in conjunction with the following Notes.
The comparative for 2010 includes trading for the six months from 1 January 2010 to 30 June 2010.

STATEMENT OF CHANGES IN EQUITY

Year ending 30 June 2011

	Notes	Contributed equity $'000	Foreign currency translation reserve $'000	Equity reserve $'000	Reserve for own shares $'000	Retained earnings $'000	Total $'000	Non controlling interest $'000	Total equity $'000
Consolidated									
Balance at 1 July 2009		–	–	–	–	–	–	–	–
Total comprehensive income for the period									
Profit or loss		–	–	–	–	6,130	6,130	(462)	5,668
Other comprehensive income									
Foreign currency translation differences		–	(96)	–	–	–	(96)	(2)	(98)
Total comprehensive income for the period		–	(96)	–	-	6,130	6,034	(464)	5,570
Transactions with owners, recorded directly in equity									
Effect of common control transaction	20	–	–	15,815	–	–	15,815	672	16,487
Issue of ordinary shares	20	86,368	–	–	–	–	86,368	–	86,368
Share-based payments, net of tax	18	–	–	–	73	–	73	–	73
Total transactions with owners		86,368	–	15,815	73	–	102,256	672	102,928
Balance at 30 June 2010		**86,368**	**(96)**	**15,815**	**73**	**6,130**	**108,290**	**208**	**108,498**

The above Statement of Changes in Equity should be read in conjunction with the following Notes.
The comparative for 2010 includes trading for the six months from 1 January 2010 to 30 June 2010.

NOTES TO THE FINANCIAL STATEMENTS

For the period ending 30 June 2011

1 Summary of Significant Accounting Policies

(a) Reporting entity

The consolidated financial statements of Gerard Lighting Group Limited (the Company) as at and for the year ended 30 June 2011 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in jointly controlled entities.

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

(b) Basis of Preparation

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

The financial statements were approved by the Directors on 22 August 2011.

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

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

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

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

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

- Note 6 – Utilisation of tax losses
- Note 11 – Inventories
- Note 15 – Measurement of the recoverable amounts of cash-generating units containing goodwill
- Notes 17 and 24 – Provisions and contingencies
- Note 22 – Valuation of financial instruments
- Notes 18 and 23 – Measurement of share-based payments
- Notes 19 and 24 – Lease classification.

(i) Changes in accounting policy

During the financial year there have not been any changes in accounting policies. The accounting policies set out below have been applied consistently in these consolidated financial statements, and have been applied consistently by all Group entities.

(ii) Standards issued but not yet effective
A number of new Standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2010, and have not been applied in preparing these consolidated financial statements.

Reference	Title	Summary	Application date Standard*	Impact on Group financial report	Application date for Group*
AASB 9 AASB 2009–11	*Financial Instruments* *Amendments to Australian Accounting Standards arising from AASB 9*	Includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 *Financial Instruments: Recognition and Measurement*.	1 July 2013	The Group has not yet determined the potential effect of the Standard.	1 July 2013
AASB 1054 AASB 2011–1 AASB 2011–2	*Australian Additional Disclosures* *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project* *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements*	These standards remove many of the additional domestic disclosures previously required to align the requirements of accounting standards for publicly accountable entities in Australia and New Zealand.	1 July 2011	The amendments are not expected to have a significant impact on the financial statements.	30 June 2012
AASB 2010–6	*Amendments to Australian Accounting Standards arising from Disclosures on Transfers of Financial Assets*	Introduces new disclosure requirements about transfers of financial assets including disclosures for financial assets that are not derecognised in their entirety; and financial assets that are derecognised in their entirety but for which the entity retains continuing involvement.	1 July 2011	The amendments are not expected to have a significant impact on the financial statements.	30 June 2012
AASB 124 AASB 2009–12	*AASB 124 Related Party Disclosures (revised December 2009)*	Simplifies and clarifies the intended meaning of the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities.	1 January 2011	The amendments are not expected to have a significant impact on the financial statements.	30 June 2012

* Designates the beginning of the applicable reporting period.

NOTES TO THE FINANCIAL STATEMENTS

For the period ending 30 June 2011

(c) Basis of consolidation

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

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(d) Comparative information

Gerard Lighting Group Limited (GLG) was incorporated as a proprietary company on 11 December 2009. On 31 December 2009, GLG became the holding company for the Gerard Lighting Group after Gerard Lighting Pty Ltd, and its then holding company Gerard Lighting Holdings Pty Ltd, undertook various changes to their structure and portfolio of assets to prepare the business for the listing of GLG on the Australian Stock Exchange.

As a result of GLG becoming the holding company, effective 31 December 2009, the results shown for the consolidated group for the period ended 30 June 2010 reflect actual trading for the six months from 1 January 2010 to 30 June 2010. For additional information on the restructure, refer to Note 23.

(e) Business combinations

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

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

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

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

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

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

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

(f) Foreign currency

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

Foreign currency transactions

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

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

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

Foreign currency differences are recognised in other comprehensive income.

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

(g) Property, plant and equipment

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

Buildings:	10 to 40 years
Plant and equipment:	3 to 15 years
Fixtures and fittings:	5 to 10 years
Tools and dies:	7 to 10 years

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

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

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

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

(h) Impairment of assets

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

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

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

(i) Other intangible assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the period ending 30 June 2011

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. Expenditure is amortised over the product's useful life up to a maximum of five years.

(j) Inventories

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

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(k) Trade and other receivables

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

(l) Trade and other payables

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

(m) Cash and cash equivalents

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

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

(n) Interest-bearing liabilities

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

(o) Provisions

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

(p) Employee benefits

Wages, salaries, incentives and annual leave

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

Long service leave

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

Retirement benefit obligations

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

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

(q) Share-based payment transactions
The cost of these equity-settled transactions with Directors is measured by reference to the fair value at the date at which they are granted by reference to the market price of the equity. The fair value of options granted is determined by an external valuer using the Black-Scholes model, further details of which are given in Note 2 (vi) and Note 18.

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

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

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

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

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

Other leases are operating leases and are not recognised in the Group's statement of financial position.

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

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the period ending 30 June 2011

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method. Foreign currency gains and losses are reported on a net basis.

(v) Segment reporting

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

(w) Income tax

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

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

Deferred tax balances

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

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

(x) Tax consolidation

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

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

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

(y) Tax funding arrangements and tax sharing agreements

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

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

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

(z) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(aa) Derivative financial instruments

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

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

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

(ab) Earnings per share

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

(ac) 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.

(ad) Investments in jointly controlled entities (equity accounted investees)

Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Investments in jointly controlled entities are accounted for using the equity method (equity accounted investees) and are initially recognised at cost.

The consolidated financial statements include the Group's share of the profit and loss and other comprehensive income, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

NOTES TO THE FINANCIAL STATEMENTS

For the period ending 30 June 2011

2 Determination of fair values

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

i) Property, plant and equipment

On acquisition the fair value of property, plant and equipment acquired as a result of a business combination is based on market values. The market value of items of plant, equipment, fixtures and fittings is based on quoted market prices for similar items when available and replacement cost when appropriate. On an ongoing basis these items are treated in accordance with Note 1(g).

ii) Intangible assets

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

iii) Inventories

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

iv) Derivatives

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

v) Non-derivative financial liabilities

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

vi) Share-based payment transactions

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

3 Financial risk management

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

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

The Group has exposure to credit risk, liquidity and market risks.

Credit risk

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

Trade and other receivables

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

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

The Group's trade and other receivables relate mainly to the Group's wholesale customers. Approximately 44% (2010: 46%) of the Group's revenue is attributable to net sales transactions, after deducting rebates and settlement discounts, with its three largest customers. These customers are all subsidiaries of large multinational corporations.

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

Guarantees

Group policy is to provide financial guarantees only to subsidiaries which the Group controls. Details of outstanding guarantees are provided in Note 24.

Liquidity risk

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

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

Market risk

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

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

Currency risk

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

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

The Group's borrowings are predominantly denominated in Australian dollars ($AUD). Overseas subsidiaries have limited borrowings in their functional currency. The Group has no material exposure to currency risk associated with its borrowings.

Interest rate risk

Approximately 85% of the Group's interest-bearing liabilities are fixed and not subject to changes in interest rates. The Group does not use derivative financial instruments to manage its interest rate risk.

Operational risk

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the period ending 30 June 2011

Capital management

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

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

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group's target is to achieve a return on capital (net equity) of at least 15%; during the period ended 30 June 2011 the return was 18.8% (30 June 2010; annualised 17%). In comparison, the weighted average interest expense on interest-bearing borrowings was 9.1% (30 June 2010: 9.2%).

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

4 Segment reporting

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

The results presented in the statement of comprehensive income and statement of financial position are consistent with the reportable segment profit, assets and liabilities reviewed by the chief operating decision maker.

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

	Consolidated 2011 $'000	Consolidated 2010 $'000
5 Revenue and expenses		
(a) Revenue		
Sale of goods	**403,601**	180,918
	403,601	180,918
(b) Other income		
Gain/(loss) on disposal of property, plant and equipment	**69**	(53)
Other revenue	**744**	426
	813	373
(c) Employee benefits expense		
Wages and salaries	**81,615**	36,228
Superannuation paid	**6,077**	2,605
Workers' compensation costs	**1,497**	968
Termination payments	**619**	43
Expense of share-based payments	**634**	73
Other personnel costs	**9,413**	3,984
Total employee benefits expense	**99,855**	43,901
(d) Depreciation and amortisation expense		
Land and buildings	**167**	61
Plant and equipment	**3,495**	1,873
Plant and equipment under lease	**166**	80
Product development	**154**	–
Intangibles	**48**	–
Total depreciation and amortisation expense	**4,030**	2,014
(e) Other expenses		
Warehouse and distribution	**17,729**	8,222
Occupancy	**9,792**	4,652
Advertising and promotion	**6,537**	1,991
Professional services	**2,439**	1,229
Motor vehicle	**4,130**	2,070
Marketing, travel and entertainment	**10,403**	4,249
Office cost and other	**19,979**	9,761
Total other expenses	**71,009**	32,174
(f) Finance income		
Bank interest received	**774**	44
Foreign currency gains	**–**	317
Net change in value of financial assets	**–**	154
Total finance income	**774**	515
(g) Finance costs		
Interest on bank loans and overdrafts	**8,235**	6,731
Lease and hire purchase	**19**	15
Foreign currency loss	**854**	–
Net change in value of financial assets	**199**	–
Total finance costs	**9,307**	6,746
(h) Amounts recognised in other comprehensive income		
Foreign currency translation differences – foreign operations	**(926)**	(98)
Income tax applicable	**–**	–
	(926)	(98)
Attributable to:		
Equity holders	**(676)**	(96)
Non controlling interests	**(250)**	(2)
	(926)	(98)

NOTES TO THE FINANCIAL STATEMENTS

For the period ending 30 June 2011

	Consolidated	
	2011 $'000	2010 $'000
6 Income tax		
Income tax expense		
Current period	**11,714**	2,009
Adjustment for prior periods	**(36)**	–
Deferred tax expense		
Origination and reversal of temporary differences	**(1,585)**	1,544
Income tax expense reported in income statement	**10,093**	3,553
Numerical reconciliation between tax expense and pre-tax accounting profit		
Profit for the period	**19,519**	5,668
Total income tax expense	**(10,093)**	(3,553)
Profit before income tax	**29,612**	9,221
Income tax expense at company's tax rate of 30%	**8,884**	2,766
Expenditure not allowable for income tax purposes	**1,209**	787
Income tax expense	**10,093**	3,553
Effective income tax rate	**34.1%**	38.5%
Deferred income tax		
Deferred income tax of the Gerard Lighting Group at 30 June relates to the following:		
Deferred income tax liabilities		
Accelerated depreciation for tax purposes	**–**	201
Other receivables	**488**	488
Set-off of deferred tax balance	**(488)**	(689)
Total	**–**	-
Deferred income tax assets		
Provisions	**6,930**	5,333
Listing costs offset against equity	**897**	1,197
Accruals	**988**	795
Other	**59**	27
Set-off of deferred tax balance	**(488)**	(689)
Total	**8,386**	6,663
Income tax payable – current period		
Opening balance	**5,820**	–
Effect of common control transaction (Note 23)	**–**	3,811
Current period	**5,668**	2,009
	11,488	5,820
Income tax recognised in other comprehensive income		
Foreign currency translation differences – foreign operations	**(926)**	(98)
Income tax applicable	**–**	–
	(926)	(98)

As at 30 June 2011 the consolidated group had income tax losses with a tax benefit of $1,473 thousand which have not been recognised as deferred tax assets (30 June 2010: $763 thousand). Tax losses will only be recognised as a deferred tax asset when recoupment of the loss is probable.

7 Earnings per share

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

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

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

	Consolidated	
	2011 $'000	2010 $'000
Net profit from continuing operations attributable to equity holders of the parent	**20,133**	6,130
	Thousands	Thousands
Weighted average number of ordinary shares for basic earnings per share	**177,000**	107,884
Effect of dilution:		
Effect of share issues	**–**	–
Effect of share options	**–**	–
Adjusted weighted average number of ordinary shares for diluted earnings per share	**177,000**	107,884

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

	Cents per share	**Total amount $'000**	Franked/ unfranked	Date of payment
8 Dividends paid and proposed				
Final 2010 – Ordinary	**2.0**	**3,540**	Fully Franked	22-Oct-10
Interim 2011 – Ordinary	**2.7**	**4,779**	Fully Franked	18-Mar-11
		8,319		

After 30 June 2011 the following dividends were proposed by the directors for 2011. The dividends have not been provided. The declaration and subsequent payment of dividends has no income tax consequences.

	Cents per share	**Total amount $'000**	Franked/ unfranked	Date of payment
Final 2011 – Ordinary	**2.8**	**4,956**	Fully Franked	14-Oct-11

	Consolidated	
	2011 $'000	2010 $'000
Franking credit balance		
The amount of franking credits available for the subsequent financial year:		
– franking account balance as at the end of the financial period at 30%	**19,051**	16,749
– franking credits that will arise from the payment of income tax payable as at the end of the financial period	**11,488**	6,641
– impact on the franking account of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution to equity holders during the period	**(2,124)**	(1,517)
The amount of franking credits available for future reporting periods:	**28,415**	21,873

The tax rate at which paid dividends have been franked is 30%.
Dividends proposed will be fully franked at the rate of 30%.

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For the period ending 30 June 2011

	Consolidated	
	2011 $'000	2010 $'000
9 Cash and cash equivalents		
Cash at bank and in hand	**19,981**	14,690
	19,981	14,690
Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. The average interest rate for the period was 4.1% (30 June 2010: 2.4%).		
The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities is disclosed in Note 22.		
Reconciliation of cash		
For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:		
Cash at bank and in hand	**19,981**	14,690
	19,981	14,690
Reconciliation from the net profit after tax to the net cash flows from operating activities		
Net profit for the period	**19,519**	5,668
Adjustments for:		
Depreciation	**3,828**	1,934
Amortisation	**202**	80
(Profit)/Loss on disposal of property, plant and equipment	**(69)**	53
Other items – net	**(364)**	76
Share-based payments	**634**	73
Net finance expense	**8,533**	6,231
Income tax expense	**10,093**	3,553
Operating profit before changes in working capital and provisions	**42,376**	17,668
Increase in trade and other receivables	**(1,815)**	(9,777)
(Increase)/Decrease in inventory	**(2,473)**	1,686
Increase/(Decrease) in prepayments	**815**	(1,858)
Increase in trade and other creditors	**292**	5,844
Increase in provisions	**3,631**	1,218
Cash generated from operating activities	**42,826**	14,781
Interest paid	**(8,254)**	(6,746)
Income tax paid	**(6,401)**	(89)
Net cash flow from operating activities	**28,171**	7,946

	Consolidated	
	2011 $'000	2010 $'000
10 Trade and other receivables		
Current		
Trade receivables	**79,487**	80,569
Provision for impairment	**(703)**	(1,804)
	78,784	78,765
Other receivables	**800**	1,312
Total trade and other receivables	**80,287**	81,881
Provision for impairment	**(703)**	(1,804)
	79,584	80,077
Non-current		
Loans	**310**	–
Other receivables	**266**	–
	576	–

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

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables is disclosed in Note 22.

Impaired trade receivables

During the period ended 30 June 2011, receivables to the value of $1,095 thousand were considered impaired and written off (30 June 2010: $110 thousand). As at 30 June 2011 trade receivables with a notional value of $703 thousand were provided for as potentially impaired (30 June 2010: $1,804 thousand). Movement in the allowance for impairment loss is as follows:

	Consolidated	
	2011 $'000	2010 $'000
Opening balance	**1,804**	–
Effect of common control transaction (Note 23)	**–**	1,561
Acquisition of subsidiary	**10**	–
Charge for the period	**(16)**	353
Amounts written off as non-recoverable	**(1,095)**	(110)
As at 30 June	**703**	1,804

NOTES TO THE FINANCIAL STATEMENTS

For the period ending 30 June 2011

Debtors ageing

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

	Neither past due or impaired	< 30 days $'000	> 30 < 60 days $'000	> 60 < 90 days $'000	Total $'000
2011	**64,250**	**12,787**	**1,747**	**–**	**78,784**
2010	65,350	8,242	5,173	–	78,765

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

Other debtors ageing

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

	Neither past due or impaired	< 30 days $'000	> 30 < 60 days $'000	> 60 < 90 days $'000	Total $'000
2011	**799**	**–**	**–**	**1**	**800**
2010	1,121	48	143	–	1,312

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

	Consolidated	
	2011 $'000	2010 $'000
11 Inventories		
Raw materials	**19,611**	19,031
Work in progress	**2,666**	2,687
Finished goods	**45,744**	46,161
	68,021	67,879

During the period ended 30 June 2011 the write-down of inventories to net realisable value amounted to $1,962 thousand (30 June 2010: $829 thousand). The write-down is included in the cost of materials and consumables used. Movement in the allowance for impairment loss is as follows:

	Consolidated	
	2011 $'000	2010 $'000
Opening balance	**6,970**	–
Effect of common control transaction (Note 23)	**–**	6,598
Acquisition of subsidiaries	**18**	–
Charge for the period	**4,234**	1,201
Amounts written off as non-recoverable	**(1,962)**	(829)
As at 30 June	**9,260**	6,970

	Consolidated 2011 $'000	Consolidated 2010 $'000
12 Other financial assets		
Current		
Change in fair value – open forward currency contracts	**–**	154
Non-current		
Investments in outside entities	**30**	30

13 Equity accounted investees

During the year the Group acquired a 50% investment in White Lite Pty Limited. White Lite is owned equally by Gerard Lighting Pty Limited, a wholly owned subsidiary of GLG, and Jeta Investments Pty Limited. White-Lite is a NSW based manufacturer of quality emergency lighting and exit signs. The joint venture was effective from 30 July 2010.

The Group's share of the loss in its equity accounted investees for the year was $36 thousand (2010: $Nil). During the year ended 30 June 2011 and the period ended 30 June 2010 the Group did not receive dividends from any of its investments in equity accounted investees.

	Consolidated 2011 $'000	Consolidated 2010 $'000
Value of investment	**614**	–

Summary financial information for equity accounted investees, not adjusted for the percentage ownership held by the Group:

2011	Ownership	Current Assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Revenue	Expenses	Profit/(Loss)
White Lite Pty Limited	**50%**	**1,062**	**1,047**	**2,109**	**566**	**315**	**881**	**2,333**	**2,405**	**(72)**

	Consolidated 2011 $'000	Consolidated 2010 $'000
14 Property, plant and equipment		
Plant and equipment		
Opening net carrying amount	**12,984**	–
Effect of common control transaction (Note 23)	**–**	13,411*
Additions	**1,095**	201
Acquisition of subsidiary	**326**	–
Foreign currency translation – overseas subsidiaries	**(534)**	–
Transfers from capital WIP	**3,928**	1,042
Transfers from leased assets	**28**	–
Disposals	**(162)**	(245)
Depreciation and amortisation	**(2,611)**	(1,425)
Closing net carrying amount	**15,054**	12,984

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For the period ending 30 June 2011

	Consolidated	
	2011 $'000	2010 $'000
Tooling		
Opening net carrying amount	**2,728**	–
Effect of common control transaction (Note 23)	**–**	2,870
Additions	**–**	504
Transfers from capital WIP	**488**	–
Disposals	**–**	(198)
Depreciation and amortisation	**(884)**	(448)
Closing net carrying amount	**2,332**	2,728
Leased plant and equipment		
Opening net carrying amount	**392**	–
Effect of common control transaction (Note 23)	**–**	472
Acquisition of subsidiary	**115**	–
Transfers to plant and equipment	**(28)**	–
Depreciation and amortisation	**(166)**	(80)
Closing net carrying amount	**313**	392
Capital works in progress		
Opening net carrying amount	**620**	–
Effect of common control transaction (Note 23)	**–**	334
Additions	**4,188**	1,328
Transfers to plant and equipment and tooling	**(4,416)**	(1,042)
Closing net carrying amount	**392**	620
Land and buildings		
Opening net carrying amount	**5,805**	–
Effect of common control transaction (Note 23)	**–**	5,800*
Additions	**–**	66
Acquisition of subsidiary	**832**	–
Foreign currency translation – overseas subsidiaries	**(149)**	–
Disposals	**(41)**	–
Depreciation and amortisation	**(167)**	(61)
Closing net carrying amount	**6,280**	5,805

* During the year ending 30 June 2011 an amount totalling $3.9 million was reclassified from plant and equipment to land and buildings. The reclassification was related to the acquisition of Pierlite India which included manufacturing facilities. The reclassification is in accordance with the independent valuation obtained at the time of acquisition. There has been no impact on the net carrying value of property plant and equipment in either of the years ending 30 June 2010 or 30 June 2011 as a result of the reclassification.

	2011 $'000	2010 $'000
Total – carrying amount		
Opening net carrying amount	**22,528**	–
Effect of common control transaction (Note 23)	**–**	22,887
Additions	**5,283**	2,098
Acquisition of subsidiary	**1,273**	–
Foreign currency translation – overseas subsidiaries	**(683)**	–
Disposals	**(203)**	(443)
Depreciation and amortisation	**(3,828)**	(2,014)
Closing net carrying amount	**24,370**	22,528

	Consolidated 2011 $'000	Consolidated 2010 $'000
Summary		
Opening value at cost	**54,566**	–
Effect of common control transaction (Note 23)	**–**	54,096
Additions at cost	**5,283**	2,098
Acquisition of subsidiary	**1,273**	–
Effect of foreign currency translation	**(1,075)**	–
Disposals at cost	**(1,449)**	(1,628)
Closing value at cost	**58,598**	54,566
Accumulated depreciation and amortisation	**(34,620)**	(32,038)
Effect of foreign currency translation	**392**	–
Closing net carrying amount	**24,370**	22,528

15 Intangible assets and goodwill

	Consolidated 2011 $'000	Consolidated 2010 $'000
Opening net carrying amount		
Brand names	**22,100**	–
Product development	**670**	–
Goodwill	**57,594**	–
	80,364	–
Movements current period		
Effect of common control transaction (Note 23)	**–**	79,694
Additions	**9,770**	670
Amortisation	**(202)**	–
	9,568	80,364
Closing net carrying amount		
Brand names	**22,100**	22,100
Product development	**1,166**	670
Other	**383**	–
Goodwill	**66,283**	57,594
	89,932	80,364

Brand names

On acquisition of Lighting Corporation Limited the Gerard Lighting Group secured the exclusive rights to and ownership of the Crompton Lighting, Sylvania Lighting (and derivations) and Concord Lighting Australasia brand names for use in Australia and New Zealand. These brands are highly regarded on a global basis. "Sylvania" remains as one of the 10 biggest lighting brands on a global scale. Material brand equity is considered to exist in relation to the global brands Sylvania Lighting, Concord Lighting and Crompton Lighting.

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

A "relief from royalty" discounted cash flow model was used to calculate the capitalised value of the royalty stream associated with each of the brands acquired. Value in use has been determined using cash flow projections based on financial forecasts approved by senior management covering a five-year period. Key assumptions include royalty rates in the range of 1.5% to 2% and brand maintenance costs of 5%. A pre-tax discount rate of 13.5% was adopted (30 June 2010: 13.5%). This rate approximates the Group's pre-tax Weighted Average Cost of Capital (WACC). Cash flows beyond the five-year period have been extrapolated using a 3% growth rate.

NOTES TO THE FINANCIAL STATEMENTS

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	Consolidated	
	2011 $'000	2010 $'000
	Brand names	Brand names
Sylvania Lighting/Concord Lighting *(incl. derivations)*	**15,400**	15,400
Crompton Lighting *(incl. derivations)*	**6,700**	6,700
	22,100	22,100

Goodwill

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

For the purpose of testing goodwill for impairment, the Directors have determined that the Group has two CGUs being the Australian operations and the overseas operations. $65.6 million of the total goodwill balance of $66.3 million is attributable to the Australian operations.

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

The discount rate applied to the cash flow projections has been determined in accordance with the following parameters: the consolidated entities' WACC, market returns as referenced to the ASX All Ordinaries Index, the volatility in comparable listed companies' share prices and their correlation coefficient to the ASX All Ordinaries Index. The parameters used in calculating the discount rate will vary year on year, reflecting market risks and changing returns.

For the period ended 30 June 2011 the discount rate applied was 13.5% (30 June 2010: 13.5%) which approximates the Group's pre-tax WACC. The Directors believe the pre-tax discount rate appropriately reflects the current business risk applicable to the Group's CGUs and the markets in which they operate.

The Directors believe the impairment model and associated assumptions, including forecast growth rates and the discount rate applied are both reasonable and justified.

Product development

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

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses. Expenditure is amortised over the products' useful life up to a maximum of five years.

	Consolidated	
	2011 $'000	2010 $'000
Movements current period – at cost		
Opening balance	**670**	–
Capitalised during the period	**650**	670
Amortisation	**(154)**	–
Closing balance	**1,166**	670
Closing net carrying amount		
At cost	**1,320**	670
Accumulated amortisation	**(154)**	–
	1,166	670

	Consolidated	
	2011 $'000	2010 $'000
16 Payables		
Current		
Trade creditors	**31,446**	34,634
Effect of common control transaction (Note 23)	**–**	842
Change in fair value – open forward currency contracts	**45**	–
Deferred income	**–**	2,039
Other creditors and accruals	**30,740**	26,306
	62,231	63,821

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

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 22.

17 Provisions

	Employee entitlements $'000	Warranty $'000	Total $'000
Consolidated			
Opening balance	10,042	935	10,977
Acquisition of subsidiaries	376	43	419
Provision made during the period	7,838	2,703	10,541
Provisions used during the period	(6,375)	(1,653)	(8,028)
Closing balance	11,881	2,028	13,909
Current	10,281	2,028	12,309
Non-current	1,600	–	1,600
	11,881	2,028	13,909

The provision for warranty represents management's best estimate, at year end, of warranty costs on past sales that are expected to be incurred.

18 Employee benefits

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

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

Grant date/ employees entitled	Number of instruments	Vesting conditions	Contractual life of options
Option grant to Directors and key management on 19 March 2010	10,000,000	5 years service and continued employment as at the vesting date	5 Years
Total share options	10,000,000		

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

	2011 No.	2011 WAEP	2010 No.	2010 WAEP
Outstanding at the beginning of the period	**10,000,000**	**$1.000**	–	–
Forfeited during the period	**–**	**–**	–	–
Exercised during the period	**–**	**–**	–	–
Granted during the period	**–**	**–**	10,000,000	$1.000
Outstanding at the end of the period	**10,000,000**	**$1.000**	10,000,000	$1.000
Exercisable at the end of the period	**–**	**–**	–	–

No options were forfeited or lapsed under the option plan during the period.

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

	Directors 2011	Directors 2010
Fair value of share options and assumptions		
Fair value at grant date(i)	**–**	3,300,000
Share price (initial listing price)	**–**	$1.00
Exercise price	**–**	$1.00
Expected volatility (weighted average volatility)	**–**	50%
Option life (expected weighted average life)	**–**	5 years
Expected dividends	**–**	5.20%
Risk-free interest rate (based on Government Bonds)	**–**	5.17%

	Consolidated	
	2011 $'000	2010 $'000
Employee expenses		
Share options expensed	**634**	73
Total expense recognised as employee costs	**634**	73
Total carrying amount of liabilities for cash-settled arrangements	**–**	–
Total intrinsic value of liability for vested benefits	**–**	–

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

	Consolidated 2011 $'000	2010 $'000
19 Interest bearing liabilities		
Current		
Secured		
Finance lease and hire purchase liabilities	**290**	172
Bank bills	**–**	3,600
Bank loans	**169**	–
Trade finance	**3,669**	4,675
Unsecured		
Loans other	**1,155**	1,948
	5,283	10,395
Non-current		
Secured		
Finance lease and hire purchase liabilities	**57**	240
Bank bills	**77,800**	76,000
Bank loans	**1,133**	–
	78,990	76,240

Interest rate and liquidity risk

Details regarding interest rate risk and liquidity risk is disclosed in Note 22.

Terms and debt repayment schedule

				Consolidated			
				2011 $'000	**2011 $'000**	2010 $'000	2010 $'000
	Currency	Wtd Avg. interest rate	Year of maturity	**Face value**	**Carrying amount**	Face value	Carrying amount
Bank bills – fixed	$AUD	8.42%	2013	**46,000**	**46,000**	46,000	46,000
Bank bills – fixed	$AUD	8.95%	2013	**20,000**	**20,000**	20,000	20,000
Bank bills – variable	$AUD	7.40%	2013	**11,800**	**11,800**	13,600	13,600
Bank loans	$GBP	5.76%	2017	**1,302**	**1,302**	–	–
Trade finance – variable	$INR	14.40%	2011	**–**	**–**	837	837
Trade finance – variable	$AED	8.00%	2012	**3,669**	**3,669**	3,838	3,838
Finance lease/hire purchase liabilities	$AUD	7.21%	2013	**347**	**347**	412	412
Loan – Kingston	$AED	0.00%	At call	**821**	**821**	1,646	1,646
Loan – other	$MYR	0.00%	At call	**334**	**334**	302	302
Total interest bearing liabilities				**84,273**	**84,273**	86,635	86,635

The Group's banking facilities are provided by St. George Bank. Facilities are secured by a first ranking fixed and floating charge over the Group's assets. Refer also to Note 25.

NOTES TO THE FINANCIAL STATEMENTS

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Finance lease liabilities	**Future minimum lease payments 2011 $'000**	**Interest 2011 $'000**	**Present value of minimum lease payments 2011 $'000**	Future minimum lease payments 2010 $'000	Interest 2010 $'000	Present value of minimum lease payments 2010 $'000
Consolidated						
Less than one year	**306**	**16**	**290**	191	19	172
Between one and five years	**60**	**3**	**57**	248	8	240
More than five years	**–**	**–**	**–**	–	–	–
	366	**19**	**347**	439	27	412

	Notes	Consolidated **2011 Thousands**	2010 Thousands
20 Issued capital and reserves			
Share capital			
On issue 1 July		**177,000**	–
Issued in connection with corporate restructure	i	**–**	87,000
Issued for cash	ii	**–**	85,000
Conversion of debt to equity	iii	**–**	5,000
Share-based payments (net of tax)		**–**	–
On issue 30 June – fully paid		**177,000**	177,000
		$'000	$'000
Share capital issued during the period	ii, iii	**–**	90,000
Costs directly attributable to the issue of shares		**–**	(5,189)
Deferred tax asset in relation to share issue costs		**–**	1,557
Increase in share capital as reflected in the statement of changes in equity		**–**	86,368

(i) On 31 December 2009 GLG became the holding company for the Gerard Lighting Group after Gerard Lighting Pty Ltd and its then holding company Gerard Lighting Holdings Pty Ltd undertook various changes to their structure and portfolio of assets. As a result of the restructure the Gerard family shareholders were allotted 87 million shares in Gerard Lighting Group Limited.
(ii) Issued in accordance with a Prospectus dated 6 April 2010.
(iii) Conversion of the balance of a subordinated debt owed by Gerard Lighting Group Limited to Gerard Corporation Pty Limited. The debt was converted into fully paid ordinary shares issued at $1.00 per share being a value consistent with shares issued under the Prospectus detailed in (ii) above.

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

Foreign currency translation reserve

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

Equity reserve

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

Reserve for own shares

The reserve for own shares is used to record the value of equity benefits provided to Directors as part of their remuneration. Refer to Note 18 for further details of these plans.

21 Business combinations

Acquisition of subsidiaries

On 8 October 2010 the Group obtained control of Frend Lighting Pty Ltd, a company engaged in the manufacture and distribution of commercial and industrial luminaries, battens and downlights for the project market.

In the nine months to 30 June 2011 Frend Lighting Pty Ltd contributed revenues of $5.4 million and profit before tax of $1.1 million. If the acquisition had occurred on 1 July 2010, management estimates that the Group's consolidated revenue would have been $406.1 million and and the Group's consolidated profit before tax would have been $30.1 million. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same as if the acquisition occurred on 1 July 2010.

Consideration	$'000
Cash	8,000
Contingent consideration	1,000
Total consideration	9,000

The Group incurred acquisition costs of $48 thousand relating to external legal fees and due diligence costs. The costs of the transaction have been included in office costs and other in the Group's consolidated statement of comprehensive income.

The Group agreed to pay the vendors of Frend Lighting Pty Ltd up to an additional $1 million if the acquiree's earnings before interest and tax (EBIT) for the year ending 30 June 2011 was between $1.5 million and $2 million. The amount payable was determined on a pro rata basis for an annualised EBIT above $1.5 million. Based on actual results achieved by the business for the 12 months ended 30 June 2011, $0.6 million of the contingent consideration will be paid to the vendors. This amount is scheduled to be paid during September 2011. An amount of $0.4 million was credited to profit during the financial year as a result of EBIT hurdles not being met.

Identifiable assets acquired and liabilities assumed	Book value $'000	Fair value adjustment $'000	Net value acquired $'000
Property, plant and equipment	428	–	428
Inventories	353	–	353
Trade and other receivables	1,247	–	1,247
Cash and cash equivalents	748	–	748
Deferred tax asset	–	139	139
Interest bearing liabilities	(202)	–	(202)
Income tax payable	(391)	–	(391)
Provisions	(484)	–	(484)
Trade and other creditors	(749)	–	(749)
Total net identifiable assets	950	139	1,089

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Goodwill

Goodwill has been recognised as a result of the acquisition as follows:

	$'000
Total consideration	9,000
Less value of identifiable assets	(1,089)
Goodwill	7,911

Effective 22 October 2010 the Group acquired the business of Future Lighting Systems Pty Limited, a distributor of the Group's Austube product in New Zealand. An intangible asset of $231 thousand has been recognised in relation to the acquisition of the distributorship.

Consideration	$'000
Cash	151
Contingent consideration	80
Total consideration	231

The contingent consideration will become payable on the vendor meeting certain performance hurdles over the first 25 months following completion of the acquisition.

Effective 1 February 2011 the Group acquired the business of Pierlite UK Ltd. The business was purchased from the then franchisee. Pierlite UK is a lighting distributor based in the United Kingdom.

Identifiable assets acquired and liabilities assumed	Book value $'000	Fair value adjustment $'000	Net value acquired $'000
Property, plant and equipment	837	–	837
Inventories	327	–	327
Other receivables	24	–	24
	1,188	–	1,188

Goodwill

Goodwill has been recognised as a result of the acquisition as follows:

	$'000
Total consideration	1,188
Less value of identifiable assets	(1,188)
Goodwill	–

Effective 1 April 2011 the Group acquired the business of eneSolve Pty Limited. eneSolve is a national integrated consulting and contracting business that creates and delivers energy-efficient solutions to its clients. The company's products and services are provided to a broad range of industrial companies and retail, commercial and industrial property owners.

Identifiable assets acquired and liabilities assumed	Book value $'000	Fair value adjustment $'000	Net value acquired $'000
Office equipment	8	–	8
Employee leave liabilities	(6)	–	(6)
Customer contracts acquired	–	200	200
	2	200	202

Goodwill

Goodwill has been recognised as a result of the acquisition as follows:

	$'000
Total consideration	980
Less value of identifiable assets	(202)
Goodwill	778

The consideration payable was due in two instalments, with the final payment of $490 thousand being paid in July 2011.

22 Financial instruments

Financial risk management objectives

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

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

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

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

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

Market risk

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

Interest rate risk

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

As at 30 June 2011, the Group has no interest rate derivative financial instruments (30 June 2010: $Nil). The Group uses a combination of fixed and variable rate commercial bills to minimise its exposure to unfavourable movements in interest rates.

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Liquidity risk

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

Year ended 30 June 2011	Note	<1 year $'000	>1–<5 years $'000	> 5 years $'000	Carrying amount $'000	Contractual cash flows $'000	Wtd. Avg. effective interest rate %
Consolidated							
Fixed rate							
Bank bills	19	5,661	69,945	–	66,000	75,606	8.58%
Bank loans	19	254	869	481	1,302	1,604	5.76%
Finance lease and hire purchase	19	306	60	–	347	366	7.21%
Trade and other payables	16	62,186	–	–	62,186	62,186	0.00%
		68,407	70,874	481	129,835	139,762	
Floating rate							
Bank bills	19	873	13,761	–	11,800	14,634	7.40%
Trade finance	19	3,723	–	–	3,669	3,723	8.00%
		4,596	13,761	–	15,469	18,357	
Derivative financial liabilities							
Forward exchange contracts	16	45	–	–	45	45	0.00%
		73,048	84,635	481	145,349	158,164	

Period ended 30 June 2010	Note	<1 year $'000	>1–<5 years $'000	> 5 years $'000	Carrying amount $'000	Contractual cash flows $'000	Wtd. Avg. effective interest rate %
Consolidated							
Fixed rate							
Bank bills	19	6,224	76,076	–	66,000	82,300	9.49%
Finance lease and hire purchase	19	191	248	–	412	439	7.21%
Trade and other payables	16	63,821	–	–	63,821	63,821	0.00%
		70,236	76,324	–	130,233	146,560	
Floating rate							
Bank bills	19	4,641	10,920	–	13,600	15,561	8.37%
Trade finance	19	4,833	–	–	4,675	4,833	8.40%
		9,474	10,920	–	18,275	20,394	
Derivative financial liabilities							
Forward exchange contracts	12	(154)	–	–	(154)	(154)	0.00%
		79,556	87,244	–	148,354	166,800	

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

Year ended 30 June 2011	Total Facility $'000	Debt usage $'000	Cash $'000	Facility available $'000
Bank bill facility	**77,800**	**77,800**	**–**	**–**
Bank loan facility	**1,361**	**1,302**	**–**	**59**
Multi-option facility	**18,500**	**7,145**	**–**	**11,355**
Trade finance facility	**9,277**	**3,669**	**–**	**5,608**
	106,938	**89,916**	**–**	**17,022**
Cash and cash equivalents	**–**	**–**	**19,981**	**19,981**
	106,938	**89,916**	**19,981**	**37,003**

Period ended 30 June 2010	Total Facility $'000	Debt usage $'000	Cash $'000	Facility available $'000
Bank bill facility	80,500	79,600	–	900
Multi-option facility	18,500	–	–	18,500
Trade finance facility	6,243	4,675	–	1,568
	105,243	84,275	–	20,968
Cash and cash equivalents	–	–	14,690	14,690
	105,243	84,275	14,690	35,658

Refer also to Note 25 for additional information in relation to the Group's banking facilities.

Sensitivity analysis

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

	Consolidated Profit After Tax – higher/(lower)	
	2011 $'000	2010 $'000
If interest rates were to increase by 0.25% (25 basis points), profit after tax (PAT) would increase/(decrease) by:	**(157)**	(147)
If interest rates were to decrease by 0.25% (25 basis points), profit after tax (PAT) would increase/(decrease) by:	**157**	147

Credit risk

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

As identified in Note 10 Trade and other receivables, the current level of impairment provision represents less than 1% of the receivables balance, indicating that the balances are actively and effectively managed.

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

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Foreign currency risk

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

	30-June-2011				30-June-2010			
$AUD	**Total $'000**	**USD $'000**	**Euro $'000**	**NZD $'000**	Total $'000	USD $'000	Euro $'000	NZD $'000
Trade receivables	**178**	**178**	**–**	**–**	103	103	–	–
Trade payables	**8,667**	**6,040**	**1,982**	**645**	7,008	4,435	2,033	540
Gross balance sheet exposure	**8,489**	**5,862**	**1,982**	**645**	6,905	4,332	2,033	540
Estimated forecast sales	**–**	**–**	**–**	**–**	–	–	–	–
Estimated forecast purchases	**13,816**	**9,243**	**2,750**	**1,823**	3,915	1,911	1,704	300
Gross exposure	**22,305**	**15,105**	**4,732**	**2,468**	10,820	6,243	3,737	840
Forward exchange contracts	**(1,618)**	**(1,618)**	**–**	**–**	(5,095)	(4,155)	(940)	–
Net exposure	**20,687**	**13,487**	**4,732**	**2,468**	5,725	2,088	2,797	840

The following significant exchange rates applied during the period:

	Average rate		Reporting date – Spot rate	
	2011	2010	**2011**	2010
AUD to:				
USD	**0.9898**	0.8942	**1.0597**	0.8567
EURO	**0.7255**	0.6734	**0.7364**	0.7019
NZD	**1.3053**	1.2684	**1.2966**	1.2309

Sensitivity analysis

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

	Consolidated			
	2011		2010	
	10% $'000	**-10% $'000**	10% $'000	-10% $'000
As at 30 June				
USD	**1,226**	**(1,499)**	190	(232)
EURO	**430**	**(526)**	254	(311)
NZD	**224**	**(274)**	76	(93)
	1,880	**(2,299)**	520	(636)

Fair values versus carrying amounts

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

	Consolidated			
	2011		2010	
	Carrying amount $'000	**Fair value $'000**	Carrying amount $'000	Fair value $'000
Loans and receivables	**80,160**	**80,160**	80,077	80,077
Cash and cash equivalents	**19,981**	**19,981**	14,690	14,690
Investments in outside entities	**30**	**30**	30	30
Forward exchange contracts	**(45)**	**(45)**	154	154
Secured bank loans	**(82,771)**	**(82,771)**	(84,275)	(84,275)
Unsecured loans	**(1,155)**	**(1,155)**	(1,948)	(1,948)
Finance lease liabilities	**(347)**	**(347)**	(412)	(412)
Trade and other payables	**(62,186)**	**(62,186)**	(63,821)	(63,821)
	(46,333)	**(46,333)**	(55,505)	(55,505)

Fair value hierarchy

The Group's only financial instruments carried at fair value are forward exchange contracts used for hedging foreign currency purchases. These forward exchange contracts represent Level 2 financial instruments.

23 Related party disclosures

Corporate restructure

Gerard Lighting Group Limited (GLG) was incorporated as a proprietary company on 11 December 2009. On 31 December 2009, GLG became the holding company for the Gerard Lighting Group, after Gerard Lighting Pty Ltd and its then holding company Gerard Lighting Holdings Pty Ltd undertook various changes to their structure and portfolio of assets to prepare the business for the proposed listing of GLG. The company changed its status to that of a public company on 9 March 2010.

The substance of the transactions were evaluated with reference to Australian Accounting Standard AASB 3 *Business Combinations* and it has been determined that the transactions did not represent a business combination as outlined in that standard. The accounting treatment adopted for recognising the new group structure was on the basis that the transaction is a form of group reorganisation involving entities or businesses under common control (controlled by the same parties both before and after the combination) and that control is not transitory and as a consequence was undertaken at book value.

The effect of the common control transaction is that the assets and liabilities of Gerard Lighting Holdings Pty Ltd, the former holding company of the Gerard Lighting Group, were transferred to GLG as of 31 December 2009 at net book value. Refer also Notes 6, 10, 11, 14, 15 and 16.

Refer also to Note 20 for additional detail of the impact of the corporate restructure on issued capital and reserves.

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Key management personnel compensation

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

	Consolidated	
In AUD	**2011 $**	2010 $
Short-term employee benefits	**7,185,494**	3,212,295
Other long-term benefits	**–**	–
Post-employment benefits	**229,778**	155,515
Termination benefits	**–**	–
Share-based payments	**633,946**	72,950
	8,049,218	3,440,760

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

Individual Directors' and executives' compensation disclosures

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

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

Loans to and from key management personnel and their related parties

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

Loans *to* key management personnel and their related parties

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

Loans *from* key management personnel and their related parties

Entity name	Director	Balance 30-Jun-10 $	**Balance 30-Jun-11 $**	Interest paid $	Highest balance in period $
Robert Gerard		–	**–**	–	–
Gerard Corporation Pty Ltd	Mr Robert Gerard, Mr Simon Gerard and Mr Gary Savage	–	**–**	–	–

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

Secured loans advanced from Gerard Corporation Pty Ltd during the period ended 30 June 2010 amounted to $40 million. During the period, $35 million of the balance outstanding on the loan was repaid in cash as set out in the Prospectus dated 1 April 2010. On 12 May 2010 the balance of the loan was converted to fully paid shares (refer to Note 20). Under the terms of the loan agreement the balance accrued interest at the rate of 15%, which was capitalised. The loan was due to mature on 29 January 2014, and the agreement provided for break costs of $1 million if the loan was terminated prior to maturity. The loan balance was subordinated to the interests of St. George Bank Limited.

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

	Opening Balance $	Closing Balance $	Interest paid $	Number in group at 30 June
Total for key management personnel 2011	**–**	**–**	**–**	**–**
Total for key management personnel 2010	18,131	–	–	1
Total for other related parties 2011	**–**	**–**	**–**	**–**
Total for other related parties 2010	38,534,123	–	1,817,893	1
Total for key management personnel and their related parties 2011	**–**	**–**	**–**	**–**
Total for key management personnel and their related parties 2010	38,552,254	–	1,817,893	2

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

A number of these entities transacted with the Company or its subsidiaries in the reporting period. On 19 March 2010 the Board adopted a policy governing transactions with related parties.

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

	Transactional value		Balance outstanding as at:	
	Year to 30-Jun-11 $	6 months to 30-Jun-10 $	**30-Jun-11 $**	30-Jun-10 $
A) Directors				
a) Gerard Corporation Pty Ltd and its subsidiaries and entities associated with the Gerard family of which Mr Robert Gerard, Mr Simon Gerard and Mr Gary Savage are directors:-				
i) Reimbursement of expenses paid by Gerard Corporation Pty Ltd on behalf of Gerard Lighting Pty Ltd. Expenses are recharged at the cost incurred and include but are not limited to utilities, vehicle leasing and payroll costs.	**375,991**	512,807	**25,183**	45,611
ii) Freight forwarding costs paid to Bell Total Logistics Pty Ltd for the following services provided to Gerard Lighting Group Limited:			**231,662**	535,553
Reimbursement of freight costs at no margin.	**5,910,080**	2,619,980		
Fees paid on an arms length basis.	**656,676**	291,109		
Distribution costs – property outgoings.	**10,386**	225,598		
iii) Purchasing of packaging materials from Custom Cartons Pty Ltd on an arms length basis.	**1,016,179**	636,834	**5,844**	272,091
iv) Property rentals paid for property leased to Gerard Lighting Group Limited being offices and warehousing facilities in SA and NSW.	**567,824**	247,448	**–**	1,072
v) Lease of injection moulding machines (expiring in 2012).	**335,031**	158,851	**–**	–
vi) Accommodation and charter facilities and entertainment provided for Tribe members and other customers on an arms length basis.	**359,040**	(4,456)	**(12,016)**	(12,019)
vii) Operating expenses incurred by Gerard Lighting Pty Ltd and recharged at cost to Gerard Corporation Pty Ltd.	**(519,716)**	(225,316)	**159,245**	225,316
B) Key management personnel Edwin Sargeant who together with a non-related third party owns premises that are leased to the Group on an arms length basis.	**296,745**	164,131	**–**	–

Other related parties
Loans outstanding with equity accounted investees at 30 June 2011 were $310,000 (30 June 2010: $Nil). Transactions during the year with equity accounted investees were $8,404, the balance payable at year end was $8,060 (30 June 2010: $Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the period ending 30 June 2011

Options and rights over equity instruments

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

Year ended 30 June 2011	Held at 1 July 2010	Granted as compen-sation	Exercised	Other changes	Held at 30 June 2011	Vested during the period	Vested and exercisable at 30 June 2011
Directors							
Richard Allert AO, FCA	500,000	–	–	–	**500,000**	–	**–**
Simon Gerard	5,000,000	–	–	–	**5,000,000**	–	**–**
Graham Walters AM, FCA	500,000	–	–	–	**500,000**	–	**–**
Gary Savage FCA	2,000,000	–	–	–	**2,000,000**	–	**–**
Graham Ellis	2,000,000	–	–	–	**2,000,000**	–	**–**

Period ended 30 June 2010	Held at 1 January 2010	Granted as compen-sation	Exercised	Other changes	Held at 30 June 2010	Vested during the period	Vested and exercisable at 30 June 2010
Directors							
Richard Allert AO, FCA	–	500,000	–	–	500,000	–	–
Simon Gerard	–	5,000,000	–	–	5,000,000	–	–
Graham Walters AM, FCA	–	500,000	–	–	500,000	–	–
Gary Savage FCA	–	2,000,000	–	–	2,000,000	–	–
Graham Ellis	–	2,000,000	–	–	2,000,000	–	–

Movements in shares

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

Period ended 30 June 2011	Held at 1 July 2010	Corporate restructure	Purchases	Received on exercise of options	Sales	Held as at 30 June 2011
Directors						
Robert Gerard AO	92,119,647	–	–	–	–	92,119,647
Richard Allert AO, FCA	100,000	–	–	–	–	100,000
Simon Gerard	110,000	–	–	–	–	110,000
Graham Walters AM, FCA	106,000	–	–	–	–	106,000
Gary Savage FCA	52,000	–	25,000	–	–	77,000
Michael Crompton GAICD	120,000	–	–	–	–	120,000
Graham Ellis	44,000	–	–	–	–	44,000
Executives						
Ben Mills, *EGM Pierlite*	124,000	–	74,500	–	–	198,500
Mark West, *EGM Sylvania*	10,000	–	–	–	–	10,000
Michael Cotterill, *EGM Crompton*	100,000	–	–	–	–	100,000
Craig Hewitt, *EGM Moonlighting*	10,000	–	–	–	–	10,000
Phil Eaton, *EGM Inlite*	60,000	–	–	–	–	60,000
Edwin Sargeant, *EGM Austube*	22,000	–	–	–	–	22,000

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

24 Commitments and contingencies

Operating lease commitments – Group as lessee

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

These leases have an average life of between four and 12 years, with renewal terms included in the contracts. Renewals are at the option of the specific entity that holds the lease. There are no restrictions placed upon the lessee by entering into these leases.

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

	Consolidated	
	2011 $'000	2010 $'000
Within one year	**8,304**	7,834
After one year but not more than five years	**21,039**	17,817
More than five years	**11,839**	13,761
Total minimum lease payments	**41,182**	39,412

Capital commitments

At 30 June 2011 the Group has no material or significant capital commitments (30 June 2010: $Nil).

Contingencies

Legal claims

As at 30 June 2011 there were no material or significant legal claims against the Group (30 June 2010: $Nil).

Guarantees

Bank guarantees to satisfy security bonds, necessarily required in relation to commercial leases, for property occupied by the Group and to secure the banking facilities of Pierlite UK Ltd	**4,847**	4,417
Letters of credit and standby letters of credit	**2,222**	–
Corporate credit card facility	**76**	–
	7,145	4,417

NOTES TO THE FINANCIAL STATEMENTS

For the period ending 30 June 2011

25 Events after balance sheet date

On 9 August 2011 the Group announced changes to its banking facilities. Under the new facility agreement, the company intends to appoint two financiers (severally) to provide in aggregate all of the Group's finance requirements. The total available credit under the new facility will be $100 million, approximately equal to that available under its existing facility, but with lower finance charges. It is anticipated that the Australia and New Zealand Banking Group Limited will join St. George Bank as the Group's new banking partner in the first weeks of September 2011. The covenants of the new facility are substantially the same as the Group's current facility.

On 9 August 2011 the Group announced that it had signed a Strategic Alliance Agreement with Illumitex Inc. In addition, GLG has invested $2.75 million into Illumitex to acquire a small minority interest in the company. Under the strategic agreement GLG will became the exclusive general lighting integrator and distributor of Illumitex's innovative LED products in Australia, New Zealand and the Pacific Islands.

Effective 1 July 2011 the shareholders of White Lite Pty Ltd reached an agreement whereby control of the jointly owned entity will now reside with Gerard Lighting Pty Ltd. As a result of this agreement, from 1 July 2011 White Lite Pty Ltd will be reported as part of the consolidated group.

26 Auditors' remuneration

	2011 $	2010 $
Audit services		
Audit and review of financial reports (KPMG Australia)	**431,000**	390,000
Audit and review of financial reports (overseas KPMG firms)	**86,007**	39,971
	517,007	429,971
Other auditors		
Audit and review of financial reports (non-KPMG firms)	**1,852**	27,201
	518,859	457,172
Services other than statutory audit		
KPMG Australia:		
Tax compliance services	**169,158**	68,174
Tax advice	**–**	125,000
Other due diligence and transactional services	**75,774**	–
Due diligence services rendered in connection with listing on ASX	**–**	440,000
Transactional services rendered in connection with listing on ASX	**–**	220,769
	244,932	853,943
KPMG overseas firms:		
Tax compliance services	**5,292**	–
Other due diligence and transactional services	**10,334**	–
Other services	**1,512**	–
	17,138	–
Other auditors:		
Tax compliance services (non-KPMG firms)	**–**	22,025
	262,070	875,968

27 Group entities

Parent and ultimate controlling party

Gerard Lighting Group Limited (GLG) was incorporated as a proprietary company on 11 December 2009. On 31 December 2009 GLG became the holding company for the Gerard Lighting Group after Gerard Lighting Pty Ltd and its then holding company Gerard Lighting Holdings Pty Ltd undertook various changes to their structure and portfolio of assets to prepare the business for the proposed listing of GLG on the Australian Securities Exchange. The company changed its status to that of a public company on 9 March 2010.

	Country of incorporation	Ownership interest 2011	Ownership interest 2010
Parent entity			
Gerard Lighting Group Limited	Australia		
Significant subsidiaries			
Pierlite Australia Pty Limited	Australia	**100%**	100%
Sylvania Lighting Australasia Pty Limited	Australia	**100%**	100%
Crompton Lighting Pty Limited	Australia	**100%**	100%
Moonlighting Pty Limited	Australia	**100%**	100%
Inlite Pty Limited	Australia	**100%**	100%
Austube Pty Limited	Australia	**100%**	100%
Gerard Lighting (NZ) Limited	New Zealand	**100%**	100%
Frend Lighting Industries Pty Limited	Australia	**100%**	–

28 Deed of cross guarantee

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the period ending 30 June 2011

A consolidated income statement and consolidated balance sheet, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 30 June 2011 is set out as follows:

	Consolidated	
	2011 $'000	2010 $'000
Income statement		
Revenue	**337,896**	154,455
Materials and consumables used	**(160,575)**	(91,668)
Operating expenses	**(143,762)**	(46,843)
Finance income	**768**	33
Finance costs	**(7,828)**	(6,075)
Share of loss of equity accounted investees (net of income tax)	**(36)**	–
Profit before tax	**26,463**	9,902
Income tax expense	**(8,300)**	(2,196)
Profit after tax	**18,163**	7,706
Other comprehensive income	**–**	–
Total comprehensive income for the period	**18,163**	7,706
Retained profits at beginning of period	**12,152**	4,446
Dividends paid	**(8,319)**	–
Retained profits at end of period	**21,996**	12,152
Attributable to:		
Equity holders of the Company	**21,996**	12,152
Profit for the period	**21,996**	12,152

	Consolidated	
	2011 $'000	2010 $'000
Balance sheet		
Assets		
Current assets		
Cash and cash equivalents	**16,861**	11,953
Trade and other receivables	**65,353**	72,226
Pre-payments	**2,050**	1,677
Inventories	**55,775**	53,788
Total current assets	**140,039**	139,644
Non-current assets		
Other financial assets	**134,784**	120,102
Investments in equity-accounted investees	**614**	–
Loans to controlled entities	**16,085**	101,873
Deferred income tax assets	**7,545**	6,765
Property, plant and equipment	**12,298**	11,584
Intangible assets	**78,430**	77,934
Total non-current assets	**249,756**	318,258
Total assets	**389,795**	457,902
Liabilities		
Current liabilities		
Trade and other payables	**59,528**	58,306
Interest-bearing liabilities	**240**	3,772
Income tax payable	**9,489**	4,922
Provisions	**10,709**	13,628
Total current liabilities	**79,966**	80,628
Non-current liabilities		
Trade and other payables	**104,364**	184,043
Interest-bearing liabilities	**77,800**	76,240
Provisions	**1,373**	1,177
Total non-current liabilities	**183,537**	261,460
Total liabilities	**263,503**	342,088
Net assets	**126,292**	115,814
Equity		
Equity attributable to equity holders of the Company		
Issued capital	**86,368**	86,368
Reserves	**17,928**	17,294
Retained earnings	**21,996**	12,152
Equity attributable to equity holders of the Company	**126,292**	115,814
Total equity	**126,292**	115,814

NOTES TO THE FINANCIAL STATEMENTS

For the period ending 30 June 2011

29 Parent entity disclosures

As at and throughout the financial period ending 30 June 2011 the parent entity of the Group was Gerard Lighting Group Limited.

	Consolidated	
	2011 $'000	2010 $'000
Results of the parent entity		
Profit for the period	**13,365**	4,927
Other comprehensive income	**–**	–
Total comprehensive income	**13,365**	4,927
Financial position of the parent entity at period end		
Current assets	**–**	5,000
Total assets	**124,352**	113,074
Current liabilities	**11,489**	5,891
Total liabilities	**11,489**	5,891
Equity of the parent entity		
Share capital	**86,368**	86,368
Equity reserve	**15,815**	15,815
Other reserves	**707**	73
Retained earnings	**9,973**	4,927
	112,863	107,183

Parent entity contingencies

As at 30 June 2011 there were no material or significant legal claims (30 June 2010: $Nil).

Parent entity guarantees in respect of debts of its subsidiaries

The parent entity has entered into a Deed of Cross Guarantee with the effect that the company guarantees debts in respect of its subsidiaries. Further details of the Deed of Cross Guarantee are disclosed in Note 28.

DIRECTORS' DECLARATION

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

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

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

(i) giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance for the period ended on that date; and

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

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

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

(2) There are reasonable grounds to believe that the Company and the group entities identified in Note 28 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Class Order 98/1418.

(3) The Directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the financial period ended 30 June 2011.

On behalf of the Board

Simon Gerard
Managing Director

Robert Gerard
Non-executive Chairman

Adelaide, 22 August 2011

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

Report on the financial report

We have audited the accompanying financial report of Gerard Lighting Group Limited (the company), which comprises the statement of financial position as at 30 June 2011, and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 29 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1(b), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

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

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

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

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

KPMG

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

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

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

Report on the remuneration report

We have audited the Remuneration Report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Gerard Lighting Group Limited for the year ended 30 June 2011, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Paul Cenko
Partner

Adelaide

22 August 2011

KPMG

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

To: the directors of Gerard Lighting Group Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2011 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Paul Cenko
Partner

Adelaide

22 August 2011

SHAREHOLDER INFORMATION

As at 15 August 2011

1 Distribution of equity security holders

	Ordinary Shares	
	Number of Holders	Number of Shares
Size of holdings		
1–1,000	33	24,247
1,001–5,000	476	1,439,669
5,001–10,000	159	1,478,221
10,001–100,000	206	6,388,614
100,001 and over	24	167,669,249
	898	177,000,000

The number of shareholders holding less than a marketable parcel of shares is 10.

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

2 Twenty largest shareholders

	Number of Ord. Shares	%
1. Gerard Lighting Investments No 1 Pty Limited	46,919,603	26.5%
2. Gerard Lighting Investments No 2 Pty Limited	45,080,397	25.5%
3. HSBC Custody Nominees (Australia) Limited	16,900,289	9.5%
4. National Nominees Limited	14,447,048	8.2%
5. Citicorp Nominees Pty Limited	13,734,787	7.8%
6. Cogent Nominees Pty Limited	7,666,909	4.3%
7. UBS Nominees Pty Limited	4,248,335	2.4%
8. AMP Life Limited	3,735,099	2.1%
9. JP Morgan Nominees Australia Limited	3,678,583	2.1%
10. China Faith Capital Resources Limited	3,000,000	1.7%
11. Austock Nominees Pty Limited <Custodian A/C>	1,938,129	1.1%
12. JP Morgan Nominees Australia Limited	1,588,797	0.9%
13. RBC Dexia Investor Services Australia Nominees Pty Limited	1,040,275	0.6%
14. Invia Custodian Pty Limited <GSJBW Managed A/C>	989,453	0.6%
15. Cogent Nominees Pty Limited <SMP Accounts>	764,117	0.4%
16. Metal Manufactures Limited	500,000	0.3%
17. HSBC Custody Nominees (Australia) Limited – A/C 2	456,192	0.3%
18. Jag Super Pty Limited <Jag Super Fund A/C>	192,089	0.1%
19. Mr Benjamin Malcolm Mills	190,500	0.1%
20. De Bruin Nominees Pty Limited <De Bruin Super Fund A/C>	150,000	0.1%
	167,220,602	94.5%

SHAREHOLDER INFORMATION

As at 15 August 2011

3 Substantial Shareholders

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

	Name	Notes	Number of shares in which a relevant interest is held	%
1.	Gerard Lighting Investments No 1 Pty Limited	(i)	46,919,603	26.5%
2.	Gerard Lighting Investments No 2 Pty Limited	(i)	45,080,397	25.5%
3.	K2 Asset Management Limited		16,487,637	9.3%
4.	AMP Limited (ACN 079 354 519) and its related bodies corporate		13,365,099	7.6%
5.	IOOF Holdings Limited		12,555,599	7.1%
6.	Commonwealth Bank of Australia (ACN 123 123 124) and its subsidiaries		9,866,285	5.6%

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

4 Voting rights

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

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

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

CORPORATE INFORMATION

Registered office
101 Port Wakefield Road
Cavan, SA 5094

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

Bankers
St. George Bank Limited
Level 4, 1 Chifley Square
Sydney NSW 2000

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

Auditors
KPMG
151 Pirie Street
Adelaide SA 5000