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This Scheme Booklet is important and requires your immediate attention. You should read it in its entirety. If you are in any doubt as to how to deal with this document, please consult your financial, legal or other professional adviser.

# Scheme Booklet

for the scheme of arrangement between **Gerard Lighting Group Limited ACN 141 079 594** and its ordinary shareholders in relation to the proposed acquisition of Gerard Lighting Group Limited by Lighting Investments Australia Pty Limited.

The Gerard Lighting Directors unanimously recommend that, in the absence of a superior proposal, Gerard Lighting Shareholders vote in favour of the Scheme.

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The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of Gerard Lighting Shareholders, in the absence of a superior proposal.

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If you have any questions about the Scheme, please call the Gerard Lighting Shareholder Information Line on 1800 103 943 (free call from within Australia) or +61 3 9415 4108 (from outside Australia).

Legal Advisers

**JOHNSON WINTER & SLATTERY**  
L A W Y E R S

## Important notices and disclaimers

### Important document

This Scheme Booklet is an important document and should be read in its entirety. If you are in any doubt as to the course you should follow, you should seek independent professional advice.

### Date

This Scheme Booklet is dated 29 August 2012.

### Explanatory statement

This Scheme Booklet is an explanatory statement which has been prepared pursuant to section 412(1) of the Corporations Act to explain the effect of the Scheme and provide information which is material to the making of a decision by Gerard Lighting Shareholders about whether or not to vote in favour of the Scheme.

### Role of ASIC, the ASX and the Court

A copy of this Scheme Booklet has been examined by ASIC pursuant to section 411(2)(b) of the Corporations Act and registered by ASIC under section 412(6) of the Corporations Act. ASIC has been or will be requested to provide a statement in accordance with section 411(17) (b) of the Corporations Act that ASIC has no objection to the Scheme. If ASIC provides that statement, it will be produced to the Court at the Second Court Hearing. Neither ASIC nor any of its officers takes any responsibility for the contents of this Scheme Booklet.

A copy of this Scheme Booklet has been lodged with the ASX. Neither the ASX nor any of its officers takes any responsibility for the contents of this Scheme Booklet.

### Important notice associated with Court order under subsection 411(1) of the Corporations Act

The fact that under subsection 411(1) of the Corporations Act the Court has ordered that the Scheme Meeting be convened and has approved the Scheme Booklet required to accompany the notice of the Scheme Meeting does not mean that the Court:

- (a) has formed any view as to the merits of the Scheme or as to how Gerard Lighting Shareholders should vote on the Scheme (on this matter Gerard Lighting Shareholders must reach their own decision); or
- (b) has prepared, or is responsible for the contents of, this Scheme Booklet.

### Responsibility for information in this Scheme Booklet

Gerard Lighting, its related bodies corporate and each of their respective officers, employees, professional advisers and agents are not responsible for, and do not assume responsibility for, any information contained in this Scheme Booklet other than the Gerard Lighting Scheme Booklet Information.

Lighting Investments, its related bodies corporate and each of their respective officers, employees, professional advisers and agents are not responsible for, and do not assume responsibility for, any information contained in this Scheme Booklet other than the Lighting Investments Scheme Booklet Information, which was provided by Lighting Investments and which Lighting Investments is responsible for.

Loneragan Edwards & Associates Limited has prepared the Independent Expert's Report and is responsible for that report. None of Gerard Lighting, Lighting Investments, their respective related bodies corporate and their respective directors, officers, employees and advisers assumes any responsibility for the accuracy or completeness of the information in the Independent Expert's Report except, in the case of Gerard Lighting and Lighting Investments, in relation to information given by them for the purposes of the preparation of the Independent Expert's Report, respectively, to the Independent Expert.

### Investment decisions

This Scheme Booklet does not take into account your individual investment objectives, financial situation, taxation position or particular needs. The information in this Scheme Booklet should not be relied on as the sole basis for any decision in relation to your Gerard Lighting Shares. You should seek independent professional advice before making any investment decision in relation to your Gerard Lighting Shares or how to vote on the Scheme.

### Forward looking statements

This Scheme Booklet contains forward looking statements which are not based solely on historical facts but are based on current expectations of Gerard Lighting and (in relation to the Lighting Investments Scheme Booklet Information) Lighting Investments about future events and results. These forward looking statements are subject to inherent risks and uncertainties. Such risks and uncertainties include factors and risks specific to the industries in which Gerard Lighting and Lighting Investments operate as well as general economic conditions, prevailing exchange rates and interest rates, conditions in the financial markets, government policies and regulations, competitive pressures and changes in technology. Actual events or results may differ materially from the expectations expressed or implied in such forward looking statements.

None of Gerard Lighting, Lighting Investments, their respective related bodies corporate or their respective directors, officers, employees and advisers makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, except to the extent required by law. Accordingly, you are cautioned about placing undue reliance on forward looking statements contained in this Scheme Booklet.

The forward looking statements in this Scheme Booklet reflect views held only at the date of this Scheme Booklet. Subject to any continuing obligations under law or the ASX Listing Rules, Gerard Lighting and Lighting Investments do not give any undertaking to update or revise any forward looking statements after the date of the Scheme Booklet to reflect any change in expectations in relation to those statements or any change in events, conditions or circumstances on which any statement has been based.

### Note to foreign shareholders

This Scheme Booklet complies with Australian disclosure requirements and accounting standards. These requirements and standards may be different to those in jurisdictions outside Australia.

This Scheme Booklet and the Scheme do not in any way constitute an offer of securities in any place in which, or to any person to whom, it would not be lawful to make such an offer.

Gerard Lighting Shareholders who are not Australian resident taxpayers or who are liable for tax outside of Australia should seek specific tax advice in relation to the Australian and overseas tax consequences of the transactions contemplated by this Scheme Booklet.

### Privacy

Gerard Lighting may collect personal information about you in connection with the Scheme. The personal information may include the names, contact details and details of shareholdings of Gerard Lighting Shareholders, together with the names and contact details of individuals appointed by Gerard Lighting Shareholders to act as proxies, attorneys or corporate representatives to vote at the Scheme Meeting.

Such information will be collected for the purpose of the Scheme Meeting and implementing the Scheme. The information may be disclosed to Gerard Lighting, Gerard Lighting's advisers and service providers, and to Lighting Investments and Lighting Investments' advisers and service providers, to the extent necessary in connection with the Scheme Meeting and implementing the Scheme.

You may have certain rights to access personal information which is collected about you. You should contact Gerard Lighting's share registry, Computershare, in the first instance should you wish to exercise these rights. You can contact Computershare by telephone on 1800 103 943 (from within Australia) or +61 3 9415 4108 (from outside Australia).

Gerard Lighting Shareholders who appoint a named person as their proxy, attorney or corporate representative to vote at the Scheme Meeting should inform that individual of the matters outlined above.

### Definitions

Capitalised terms used in this Scheme Booklet are defined in Section 9 of this Scheme Booklet.

### References to time

All references to time in this Scheme Booklet are to the time in Adelaide, Australia unless expressly indicated otherwise.

### Effect of rounding

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Scheme Booklet, including those in respect of the Scheme Consideration, are subject to the effect of rounding. Accordingly, their actual calculation may differ from the calculations set out in this Scheme Booklet.

### Currency

All references in this Scheme Booklet to "\$", "A\$" and "cents" are references to Australian currency, unless otherwise specified.

### No internet site is part of this Scheme Booklet

Gerard Lighting maintains an internet site at [www.gerardlighting.com.au](http://www.gerardlighting.com.au). CHAMP Private Equity maintains an internet site at [www.champequity.com.au](http://www.champequity.com.au). Any references in this Scheme Booklet to an internet site is a textual reference for information only and no information in any internet site forms part of this Scheme Booklet.

### Questions

If you have any questions in relation to the Scheme or this Scheme Booklet, please call the Gerard Lighting Shareholder Information Line on 1800 103 943 (free call from within Australia) or +61 3 9415 4108 (from outside Australia) between 9.00am and 5.00pm (Adelaide time), Monday to Friday.

A copy of this Scheme Booklet can be found on Gerard Lighting's website at [www.gerardlighting.com.au](http://www.gerardlighting.com.au).

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## Key dates and events

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Deadline for receipt of Proxy Forms for Scheme Meeting	Wednesday, 3 October 2012 (11.00am)
Record date for determining entitlement to vote at the Scheme Meeting	Wednesday, 3 October 2012 (6.30pm)
Scheme Meeting to be held at the Sebel Playford, 120 North Terrace, Adelaide, South Australia	Friday, 5 October 2012 (11.00am)
Second Court Hearing to approve the Scheme	Wednesday, 10 October 2012
Effective Date of Scheme	Thursday, 11 October 2012
Suspension of trading in Gerard Lighting Shares	Close of trading on Thursday, 11 October 2012
Scheme Record Date for determining entitlements to Scheme Consideration	Thursday, 18 October 2012 (6.30pm)
Implementation Date	Tuesday, 23 October 2012
Last day for payment of Scheme Consideration	Friday, 26 October 2012

Unless stated otherwise, all times in this Scheme Booklet are references to Adelaide time. These dates and times are indicative only and are subject to change. The actual times and dates will depend on many factors outside the control of Gerard Lighting, including the Court approval process and the satisfaction or, where applicable, waiver of the conditions precedent in the Scheme Implementation Agreement. Any changes to the above timetable will be notified on Gerard Lighting's website at [www.gerardlighting.com.au](http://www.gerardlighting.com.au) and announced to the ASX.

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## Letter from the Chairman of Gerard Lighting

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29 August 2012

Dear Gerard Lighting Shareholder,

On 18 July 2012, Gerard Lighting announced that it had entered into a Scheme Implementation Agreement with Lighting Investments, a company owned by funds managed and/or advised by CHAMP III Management Pty Ltd, under which it is proposed that Lighting Investments will acquire all of the shares in Gerard Lighting for cash consideration of \$1.05 per share (**Scheme**). The Scheme is to be implemented by way of a Court approved scheme of arrangement requiring a Scheme Meeting of Gerard Lighting Shareholders.

### **The Scheme**

If the Scheme is implemented, Gerard Lighting Shareholders will receive cash consideration of \$1.05 per Gerard Lighting Share.

The Scheme Consideration reflects an attractive value for Gerard Lighting Shares, representing a 40% premium to the closing price of Gerard Lighting Shares of \$0.75 on 13 July 2012 (being the last trading day prior to the trading halt on 16 July 2012 before the Scheme was announced). The Scheme also provides a liquidity outcome for Gerard Lighting Shareholders that they may not otherwise receive in the absence of a superior proposal.

### **Gerard Lighting Directors' Recommendation**

The Gerard Lighting Independent Directors, namely Richard Allert AO, Graham Walters AM and Michael Crompton, are of the opinion that the Scheme provides you with a compelling opportunity to realise a significant premium and certain cash proceeds for your Gerard Lighting Shares and is in the best interests of Gerard Lighting Shareholders. This opinion is supported by the other Gerard Lighting Directors, namely Robert Gerard AO, Simon Gerard and Gary Savage.

Accordingly, the Gerard Lighting Directors unanimously believe that the Scheme is in the best interests of Gerard Lighting Shareholders and unanimously recommend that Gerard Lighting Shareholders vote in favour of the Scheme, in the absence of a superior proposal.

Each Gerard Lighting Director who holds or controls the voting rights attached to Gerard Lighting Shares intends to vote those shares, or procure that those shares are voted, in favour of the Scheme, in the absence of a superior proposal.

### **Independent Expert**

The Independent Expert, Lonergan Edwards & Associates Limited, has concluded that the Scheme is fair and reasonable and in the best interests of Gerard Lighting Shareholders, in the absence of a superior proposal. The Independent Expert has valued Gerard Lighting on a controlling basis in the range of \$1.05 to \$1.17 per Gerard Lighting Share.

### **Intention of the Gerard Family Shareholders**

The Gerard Family Shareholders, comprising Gerard Lighting Investments No. 1 Pty Ltd and Gerard Lighting Investments No. 2 Pty Ltd, holding 92 million Gerard Lighting Shares (approximately 52% of the Gerard Lighting Shares), have confirmed that they support the Scheme and intend to vote their Gerard Lighting Shares in favour of the Scheme in the absence of a superior proposal.

The aggregate of the Gerard Lighting Shares held by Gerard Lighting Directors and the Gerard Family Shareholders represents 52.5% of all Gerard Lighting Shares.

## Letter from the Chairman of Gerard Lighting continued

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### **Voting and next steps**

Please read this Scheme Booklet carefully, as it contains important information in relation to the Scheme and will assist you in making an informed decision on how to vote at the Scheme Meeting.

Your vote is important in determining whether or not the Scheme proceeds. You should cast your vote either by attending the Scheme Meeting or by completing the Proxy Form accompanying this Scheme Booklet.

### **Conclusion**

If you have any questions in relation to the Scheme or this Scheme Booklet, please contact the Gerard Lighting Shareholder Information Line on 1800 103 943 (free call from within Australia) or +61 3 9415 4108 (from outside Australia) between 9.00am and 5.00pm (Adelaide time), Monday to Friday.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Robert Gerard', with a long horizontal stroke extending to the right.

Robert Gerard AO  
Chairman  
Gerard Lighting Group Limited

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## What you should do

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### STEP 1: READ THE SCHEME BOOKLET

You should read this Scheme Booklet in its entirety before deciding whether or not to vote in favour of the Scheme.

If you have any questions, please contact the Gerard Lighting Shareholder Information Line on 1800 103 943 (free call from within Australia) or +61 3 9415 4108 (from outside Australia) between 9.00am and 5.00pm (Adelaide time), Monday to Friday.

### STEP 2: VOTE ON THE SCHEME

Vote on the Scheme by doing one of the following:

- **send in the Proxy Form** – complete and return the Proxy Form in accordance with the instructions set out on the Proxy Form so that it is received by Computershare by no later than 11.00am (Adelaide time) on Wednesday, 3 October 2012 and have your proxy attend the Scheme Meeting in person and vote on your behalf;
- **vote in person** – attend the Scheme Meeting in person at the Sebel Playford, 120 North Terrace, Adelaide, South Australia on Friday, 5 October 2012, commencing at 11.00am (Adelaide time);
- **attorney** – have your duly authorised attorney attend the Scheme Meeting in person and vote on your behalf. The power of attorney, or a certified copy of the power of attorney, should be lodged with Computershare before the meeting or be brought to the meeting; or
- **corporate representative** – Gerard Lighting Shareholders which are bodies corporate can also vote at the Scheme Meeting by having your corporate representative attend the Scheme Meeting in person and voting on your behalf. A copy of the certificate of appointment of the representative should be lodged with Computershare before the meeting or be brought to the meeting.

***Your Gerard Lighting Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a superior proposal.***

***If you wish the Scheme to proceed, it is important that you vote in favour of the Scheme Resolution at the Scheme Meeting. The Scheme will not proceed unless the Scheme is approved by Gerard Lighting Shareholders.***

Please refer to Section 3 of this Scheme Booklet for further information regarding how to vote at the Scheme Meeting.

## Why you should vote in favour of the Scheme

This Section should be read in conjunction with page 9 of this Scheme Booklet, which sets out a summary of the potential disadvantages associated with the Scheme, and page 10 of this Scheme Booklet, which sets out other relevant considerations.

### **REASONS TO VOTE IN FAVOUR OF THE SCHEME**

- **The Gerard Lighting Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a superior proposal**
- **The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of Gerard Lighting Shareholders, in the absence of a superior proposal**
- **The Scheme Consideration represents a significant premium to historical Gerard Lighting Share prices**
- **Gerard Lighting Shareholders will receive certain and immediate value for their investment**
- **No superior proposal has emerged since announcement of the Scheme**
- **The Gerard Lighting Share price may fall to trading prices around or below those prior to the announcement of the Scheme if the Scheme is not implemented**
- **The Scheme removes the risks and uncertainties of remaining a Gerard Lighting Shareholder**
- **There will be no transaction costs on the disposal of your Gerard Lighting Shares**

### **1. The Gerard Lighting Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a superior proposal**

The Gerard Lighting Independent Directors, namely Richard Allert, Graham Walters and Michael Crompton, are of the opinion that the Scheme is in the best interests of Gerard Lighting Shareholders. This opinion is supported by the other Gerard Lighting Directors, namely Robert Gerard, Simon Gerard and Gary Savage. Simon Gerard and Gary Savage are executives of Gerard Lighting and, therefore, not considered independent. Robert Gerard and Simon Gerard are not considered independent due to their associations with the Gerard Family Shareholders. Further information regarding the Gerard Family Shareholders, including details of Robert Gerard's and Simon Gerard's associations, is set out in Section 8.3 of this Scheme Booklet.

Accordingly, the Gerard Lighting Directors unanimously believe the Scheme to be in the best interests of Gerard Lighting Shareholders and unanimously recommend that Gerard Lighting Shareholders vote in favour of the Scheme, in the absence of a superior proposal.

Each Gerard Lighting Director who holds or controls the voting rights attached to Gerard Lighting Shares intends to vote those shares, or procure that those shares are voted, in favour of the Scheme, in the absence of a superior proposal. This represents in total 743,821 Gerard Lighting Shares, comprising all of the Gerard Lighting Shares that Gerard Lighting Directors have interests in, as set out in Section 8.2 of this Scheme Booklet, excluding the 92 million Gerard Lighting Shares held by the Gerard Family Shareholders in which the Chairman, Robert Gerard, has a 'relevant interest' for the purposes of the Corporations Act, but does not control. As announced by Gerard Lighting on 18 July 2012, the Gerard Family Shareholders have stated that they support the Scheme and intend to vote their 92 million Gerard Lighting Shares in favour of the Scheme in the absence of a superior proposal. Further details about the interests of the Gerard Lighting Directors in Gerard Lighting Shares are detailed in Section 8.2 of this Scheme Booklet. Further details regarding the intention of the Gerard Family Shareholders in respect of their 92 million Gerard Lighting Shares are contained in Section 1.4 of this Scheme Booklet. The aggregate of the Gerard Lighting Shares held by Gerard Lighting Directors and the Gerard Family Shareholders represents 52.5% aggregate of all Gerard Lighting Shares.

Though the Gerard Lighting Directors acknowledge that there may be reasons to vote against the Scheme, they believe that the advantages of the Scheme significantly outweigh the potential disadvantages (set out on page 9 of this Scheme Booklet).



## 2. The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of Gerard Lighting Shareholders, in the absence of a superior proposal

The Gerard Lighting Directors appointed Lonergan Edwards & Associates Limited as Independent Expert to prepare an Independent Expert's Report providing an opinion as to whether the Scheme is in the best interests of Gerard Lighting Shareholders.

The Independent Expert has valued Gerard Lighting Shares on a control basis in the range of \$1.05 to \$1.17 per Gerard Lighting Share. As the Scheme Consideration of \$1.05 per share is within this range, albeit at the lower end of this range, the Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of Shareholders, in the absence of a superior proposal.

The Independent Expert's Report is set out in full in Appendix 1 of this Scheme Booklet. You should read the Independent Expert's Report in its entirety as part of your assessment of the Scheme before casting your vote in relation to the Scheme.

## 3. The Scheme Consideration represents a significant premium to historical Gerard Lighting Share prices

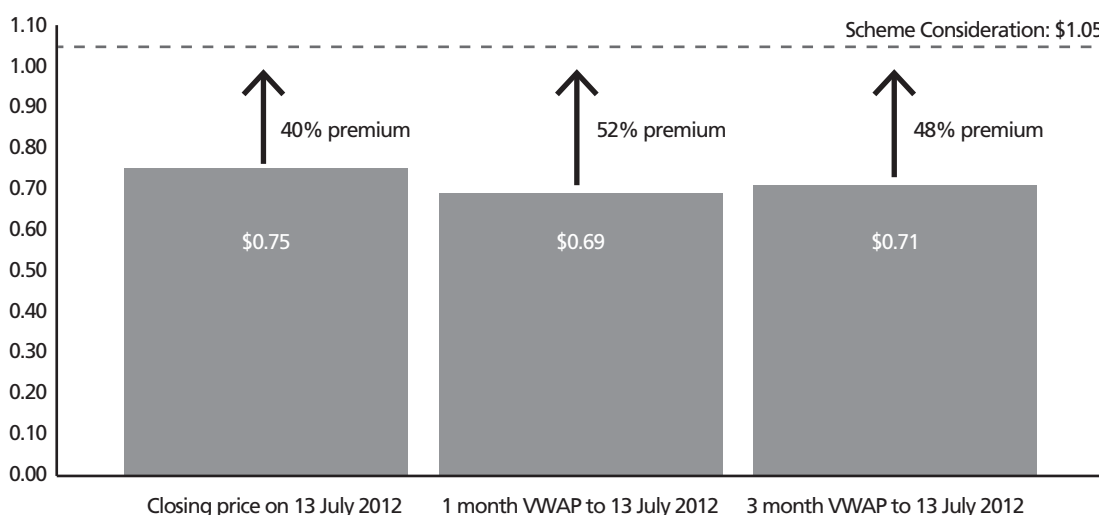
The Scheme Consideration of \$1.05 in cash per Gerard Lighting Share represents a premium of:

- 40% to the closing price of Gerard Lighting Shares of \$0.75 on 13 July 2012, being the last trading day prior to the trading halt on 16 July 2012;
- 52% to the VWAP of Gerard Lighting Shares of \$0.69 in the one month up to and including 13 July 2012; and
- 48% to the VWAP of Gerard Lighting Shares of \$0.71 in the three months up to and including 13 July 2012.<sup>1</sup>

Furthermore, it is noted that the Gerard Lighting Share price has not traded above the \$1.05 Scheme Consideration, or its initial issue price of \$1.00 per Gerard Lighting Share, since listing on the ASX.

The chart below illustrates the premium represented by the Scheme Consideration relative to historical trading prices of Gerard Lighting Shares on the ASX prior to 13 July 2012, being the last trading day prior to the trading halt on 16 July 2012.

Premium over historical share prices



Source: IRESS

<sup>1</sup> Albeit the very low level of trading in Gerard Lighting Shares limits the reference value of this analysis.

## Why you should vote in favour of the Scheme continued

### 4. Gerard Lighting Shareholders will receive certain and immediate value for their investment

The Scheme Consideration of \$1.05 in cash per Gerard Lighting Share provides a high degree of certainty of value and timing, subject to the conditions precedent to the Scheme being satisfied or waived. Further details about the conditions precedent to the Scheme are detailed in Section 4.3 of this Scheme Booklet.

In the absence of the Scheme, the amount which Gerard Lighting Shareholders would be able to realise for their investment in Gerard Lighting would remain subject to the unpredictable impact of the current economic environment and fluctuations in the share market.

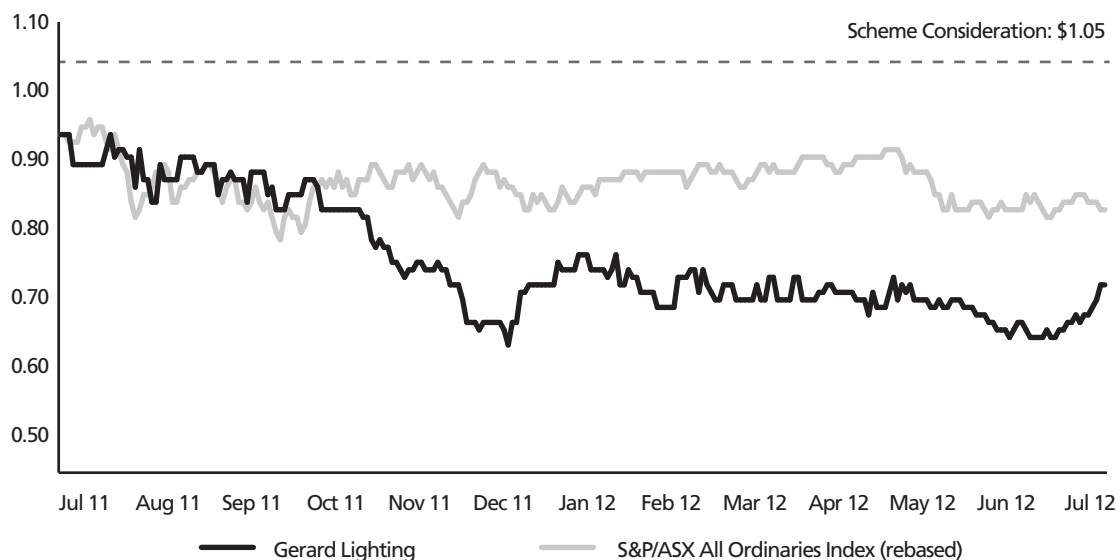
### 5. No superior proposal has emerged since the announcement of the Scheme

Since the announcement of the Scheme to the ASX by Gerard Lighting on 18 July 2012, and up to the date of this Scheme Booklet, no superior proposal has emerged and the Gerard Lighting Directors are not aware of any superior proposal that is likely to emerge.

### 6. The Gerard Lighting Share price may fall to trading prices around or below those prior to the announcement of the Scheme if the Scheme is not implemented

If the Scheme is not approved and no superior proposal emerges, the Gerard Lighting Share price is likely to fall to trading prices around or below those observed prior to 13 July 2012, being the last trading day prior to the trading halt on 16 July 2012.

As illustrated in the graph below, Gerard Lighting has traded at levels significantly below the Scheme Consideration of \$1.05 in the twelve months up to and including 13 July 2012, being the last trading day prior to the trading halt on 16 July 2012.



Source: CapitalIQ

### 7. The Scheme removes the risks and uncertainties of remaining a Gerard Lighting Shareholder

The certain value of \$1.05 in cash per Gerard Lighting Share should be compared to the external and company-specific risks which Gerard Lighting may be subject to and that could affect the future trading price of Gerard Lighting Shares. Further details about the risks relevant to Gerard Lighting are set out in Section 5.13 of this Scheme Booklet.

### 8. No transaction costs on the disposal of your Gerard Lighting Shares

Gerard Lighting Shareholders will not be required to pay any brokerage or stamp duty on the disposal of their Gerard Lighting Shares under the Scheme.

## Why you may consider voting against the Scheme

This Section summarises the potential disadvantages to Gerard Lighting Shareholders if the Scheme is successfully implemented.

The Gerard Lighting Independent Directors consider (and the other Gerard Lighting Directors agree) that these potential disadvantages are outweighed by the advantages of the Scheme proceeding (set out on pages 6 to 8 of this Scheme Booklet) and that the Scheme is in the best interests of Gerard Lighting Shareholders, in the absence of a superior proposal.

### REASONS WHY YOU MAY CONSIDER VOTING AGAINST THE SCHEME

- **You may disagree with the Gerard Lighting Directors' recommendation and the Independent Expert's conclusion**
- **You may wish to participate in any potential upside that may result from remaining a Gerard Lighting Shareholder**
- **You may believe a superior proposal for Gerard Lighting may emerge**
- **You may wish to retain your current investment profile**
- **The potential tax consequences of the Scheme may not be suitable to your financial position**

#### **1. You may disagree with the Gerard Lighting Directors' recommendation and the Independent Expert's conclusion**

You may hold a different view to the Gerard Lighting Directors and the Independent Expert and believe that the Scheme Consideration of \$1.05 in cash per Gerard Lighting Share is inadequate.

#### **2. You may wish to participate in any potential upside that may result from remaining a Gerard Lighting Shareholder**

Under the Scheme, you will receive total Scheme Consideration of \$1.05 in cash for each Gerard Lighting Share you hold on the Scheme Record Date. If the Scheme is implemented, you will no longer participate in the future performance of Gerard Lighting. This will mean that you will not retain any exposure to Gerard Lighting's assets or have the potential to share in the value that could be generated in the future.

If the Scheme is implemented, you will not have the opportunity to receive future dividends from Gerard Lighting.

#### **3. You may believe a superior proposal for Gerard Lighting may emerge**

You may believe that a superior proposal for Gerard Lighting could emerge in the future. However, as at the date of this Scheme Booklet, the Gerard Lighting Directors have not received or become aware of any alternative proposal.

#### **4. You may wish to retain your current investment profile**

You may wish to maintain your investment in Gerard Lighting in order to have an investment in a publicly listed company with the specific characteristics of Gerard Lighting in terms of industry, operational profile, size, capital structure and potential dividend stream.

Implementation of the Scheme may result in disadvantages to those who wish to maintain their current investment profile. Gerard Lighting Shareholders who wish to maintain their investment profile may find it difficult to identify an investment with a similar profile to that of Gerard Lighting and they may incur transaction costs in undertaking any new investment.

#### **5. The potential tax consequences of the Scheme may not be suitable to your financial position**

Implementation of the Scheme may result in taxation consequences, potentially including taxable capital gains, for Gerard Lighting Shareholders, which will arise earlier than may otherwise have been the case.

Section 7 of this Scheme Booklet provides a general outline of the Australian taxation implications of the Scheme. You should read Section 7 in detail and seek independent taxation advice regarding the taxation consequences applicable to your own circumstances.

## Other relevant considerations

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Gerard Lighting Shareholders should also take into account the following additional considerations in deciding whether to vote in favour of the Scheme.

### **1. If the Scheme does not proceed**

If the Scheme does not proceed (e.g. because the Scheme is not approved by Gerard Lighting Shareholders or the approval of the Court is not obtained at the Second Court Hearing or the Scheme Implementation Agreement is terminated):

- Gerard Lighting Shareholders will continue to hold their Gerard Lighting Shares and the rights of Gerard Lighting Shareholders will not change;
- Gerard Lighting Shareholders will not receive the Scheme Consideration;
- Gerard Lighting will continue to operate as a standalone entity listed on the ASX under the leadership of the current Gerard Lighting Board and management; and
- in the absence of a superior proposal, the market price for Gerard Lighting Shares may fall.

See paragraphs 182 and 183 of Part VII of the Independent Expert's Report for the Independent Expert's assessment of the implications if the Scheme is not approved and does not proceed.

### **2. The Scheme may be implemented even if you do not vote, or if you vote against the Scheme**

You should be aware that even if you do not vote, or you vote against the Scheme, the Scheme may still be implemented if it is approved by the requisite majorities of Gerard Lighting Shareholders and by the Court.

If this occurs and you are a Gerard Lighting Shareholder, your Gerard Lighting Shares will be transferred to Lighting Investments and you will receive the Scheme Consideration even though you did not vote on, or voted against, the Scheme.

### **3. Conditionality of the Scheme**

There are a number of conditions precedent which must be satisfied or waived prior to the Scheme being implemented. Full details of these conditions are provided in Section 4.3 of this Scheme Booklet.

As at the date of this Scheme Booklet, Gerard Lighting is not aware of any circumstances which would cause the outstanding conditions precedent not to be satisfied.

### **4. Break fees**

Gerard Lighting has agreed to pay Lighting Investments a break fee of \$1,863,000 (excluding GST) in certain circumstances. Please refer to the summary of the break fee arrangements set out in Section 4.8 of this Scheme Booklet.

A copy of the Scheme Implementation Agreement is set out in Appendix 2 to this Scheme Booklet.

### **5. Warranties from Gerard Lighting Shareholders**

Gerard Lighting Shareholders' attention is drawn to the warranties that Gerard Lighting Shareholders who participate in the Scheme will be deemed to have given, if the Scheme is implemented, including a warranty that their Gerard Lighting Shares will be transferred fully paid and free from all mortgages, charges, liens, encumbrances, security interests and other interests of third parties of any kind. See clause 6.3 of the Scheme (as set out in Appendix 3 to this Scheme Booklet) for further information regarding the warranties given by Gerard Lighting Shareholders. If the warranty is breached, Gerard Lighting Shareholders may be liable to pay to Lighting Investments any amount paid by Lighting Investments to acquire clear title to their Gerard Lighting Shares.

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## Overview of the Scheme

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# 1 Overview of the Scheme

## 1.1 Background

On 18 July 2012, Gerard Lighting announced that it had signed a Scheme Implementation Agreement under which it is proposed that Lighting Investments will acquire all of the issued Gerard Lighting Shares under a scheme of arrangement.

Subject to the Scheme being implemented, all of the Gerard Lighting Options will be cancelled under the Option Cancellation Deeds. Further information regarding the cancellation of the Gerard Lighting Options can be found in Section 5.9 of this Scheme Booklet.

The Scheme is subject to a number of conditions precedent, details of which can be found in Section 4.3 of this Scheme Booklet.

## 1.2 Summary of the Scheme

### Overview

The Scheme is proposed to be implemented by way of a scheme of arrangement, involving the transfer of all the Gerard Lighting Shares to Lighting Investments in consideration for the payment of \$1.05 in cash for each Gerard Lighting Share held on the Scheme Record Date.

### Conditions for implementing the Scheme

Implementation of the Scheme is subject to a number of conditions precedent being satisfied or (where applicable) waived, including, but not limited to, the following conditions precedent which remain outstanding as at the date of this Scheme Booklet:

- approval of the Scheme by Gerard Lighting Shareholders;
- approval of the Scheme by the Court;
- Foreign Investment Review Board (FIRB) approval;
- each member of the Gerard Lighting Board not withdrawing, changing or qualifying its recommendation to Gerard Lighting Shareholders that the Scheme be approved or its statement that it considers the Scheme to be in the best interests of Gerard Lighting Shareholders (subject to there being no Superior Proposal);
- the Gerard Family Shareholders making a public announcement confirming that in the absence of a superior proposal they support the Scheme and intend to vote or cause to be voted the 92,000,000 Gerard Lighting Shares held or controlled by them in favour of the Scheme, and the Gerard Family Shareholders not changing (including by attaching qualifications to) or withdrawing that announcement before the Scheme Meeting;

- all conditions precedent (other than a condition requiring Court approval for the Scheme) to draw-down of funding in Lighting Investments' Finance Documentation being satisfied or waived before 8.00am (Adelaide time) on the Second Court Date;
- no occurrence of a Gerard Lighting Material Adverse Change;
- no occurrence of a Gerard Lighting Prescribed Event or a Lighting Investments Prescribed Event;
- the representations and warranties provided by Gerard Lighting and Lighting Investments in the Scheme Implementation Agreement being true and correct in all material respects; and
- no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal restraint or prohibition preventing any aspect of the Scheme being in effect.

As at the date of this Scheme Booklet, the Gerard Lighting Directors are not aware of any circumstances which would cause the outstanding conditions precedent not to be satisfied or (where applicable) waived.

Further information regarding the conditions precedent to implementation of the Scheme is set out in Section 4.3 of this Scheme Booklet.

### Scheme Consideration

The Scheme Consideration payable if the Scheme is implemented is \$1.05 in cash for each Gerard Lighting Share held on the Scheme Record Date.

Further information regarding the Scheme Consideration is set out in Section 4.5 of this Scheme Booklet.

### Effect of the Scheme

If the Scheme becomes Effective and is implemented:

- Lighting Investments will acquire all of the Gerard Lighting Shares;
- all of the Gerard Lighting Options will be cancelled;
- each Scheme Shareholder will receive \$1.05 in cash for each Gerard Lighting Share held by them on the Scheme Record Date; and
- Gerard Lighting will become a subsidiary of Lighting Investments and will be delisted from the ASX.

A copy of the Scheme is set out in Appendix 3 to this Scheme Booklet.

### Steps for implementing the Scheme

There are a number of steps that need to be taken to implement the Scheme. These steps are described in greater detail in Section 4.2 of this Scheme Booklet.

#### 1.3 Recommendation of Gerard Lighting Directors

The Gerard Lighting Independent Directors are of the opinion that the Scheme is in the best interests of Gerard Lighting Shareholders. This opinion is supported by the other Gerard Lighting Directors. Accordingly, the Gerard Lighting Directors unanimously believe the Scheme to be in the best interests of Gerard Lighting Shareholders and unanimously recommend that Gerard Lighting Shareholders vote in favour of the Scheme, in the absence of a superior proposal.

The Gerard Lighting Independent Directors are:

- Richard Allert AO, FCA, Deputy Chairman;
- Graham Walters AM, FCA; and
- Michael Crompton GAICD.

The other Gerard Lighting Directors are:

- Robert Gerard AO, Chairman;
- Simon Gerard, Managing Director;
- Gary Savage FCA, Executive Director; and
- Graham Ellis CPA, Chief Financial Officer, alternate to Gary Savage.

The other Gerard Lighting Directors are not considered to be independent. Simon Gerard, Gary Savage and Graham Ellis are executives of Gerard Lighting and, therefore, not considered independent. Robert Gerard and Simon Gerard are not considered independent due to their associations with the Gerard Family Shareholders. Further information regarding the Gerard Family Shareholders, including details of Robert Gerard's and Simon Gerard's associations, is set out in Section 8.3 of this Scheme Booklet.

The interests of the Gerard Lighting Directors in the Scheme are disclosed in Section 8 of this Scheme Booklet.

Each Gerard Lighting Director who holds or controls the voting rights attached to Gerard Lighting Shares intends to vote those shares, or procure that those shares are voted, in favour of the Scheme, in the absence of a superior proposal. This represents in total 743,821 Gerard Lighting Shares, comprising all of the Gerard Lighting Shares that Gerard Lighting Directors have interests in, as set out in Section 8.2 of this Scheme Booklet, excluding the 92 million Gerard Lighting Shares held by the Gerard Family Shareholders in which the Chairman, Robert Gerard, has a 'relevant interest' for the purposes of the Corporations Act, but does not control. Further details regarding the intention of the Gerard Family Shareholders in respect of their 92 million Gerard Lighting Shares are contained in Section 1.4 of this Scheme Booklet. Further details about the interests of the Gerard Lighting Directors in Gerard Lighting Shares are detailed in Section 8.2 of this Scheme Booklet.

In making their recommendations, the Gerard Lighting Directors have in particular considered the following:

- (a) the advantages of, and the reasons for voting in favour of, the Scheme set out on pages 6 to 8 of this Scheme Booklet;
- (b) the potential disadvantages of, and reasons for voting against, the Scheme set out on page 9 of this Scheme Booklet; and
- (c) the other relevant considerations noted on page 10 of this Scheme Booklet.

#### 1.4 Intention of Gerard Family Shareholders

The Gerard Family Shareholders comprise Gerard Lighting's largest shareholder group, together holding approximately 52% of the Gerard Lighting Shares. As announced by Gerard Lighting on 18 July 2012, the Gerard Family Shareholders have stated that they support the Scheme and intend to vote in favour of the Scheme in the absence of a superior proposal. As at the date of this Scheme Booklet, that statement of intention has not been withdrawn or qualified.

# 1 Overview of the Scheme continued

Further information regarding the Gerard Family Shareholders and their interests in Gerard Lighting Shares is set out in Section 8.3 of this Scheme Booklet.

## 1.5 Independent Expert's Report

Loneragan Edwards & Associates Limited was appointed by the Gerard Lighting Directors as the Independent Expert to prepare a report on whether the Scheme is in the best interests of Gerard Lighting Shareholders.

The Independent Expert has concluded that the Scheme is, in the absence of a superior proposal, fair and reasonable and in the best interests of Gerard Lighting Shareholders.

A copy of the Independent Expert's Report in relation to the Scheme is set out in Appendix 1 to this Scheme Booklet. You should read it carefully.

## 1.6 Approvals required

For the Scheme to be implemented, it must be approved by:

- a majority (i.e. more than 50%) in number of Gerard Lighting Shareholders present and voting on the Scheme Resolution (in person or by proxy, attorney or, in the case of a corporate Gerard Lighting Shareholder, by a corporate representative);<sup>2</sup> and
- at least 75% of the total number of votes cast on the Scheme Resolution by Gerard Lighting Shareholders (in person or by proxy, attorney or, in the case of a corporate Gerard Lighting Shareholder, by a corporate representative).

The Scheme Meeting has been convened for 11.00am (Adelaide time) on Friday, 5 October 2012 at the Sebel Playford, 120 North Terrace, Adelaide, South Australia.

The Scheme is also conditional on approval by the Court.

## 1.7 Entitlement to vote

All Gerard Lighting Shareholders on the Gerard Lighting Register at 6.30pm (Adelaide time) on Wednesday, 3 October 2012 are entitled to vote at the Scheme Meeting.

For further details on how to vote, please refer to Section 3 of this Scheme Booklet.

## 1.8 Exclusivity arrangements

Gerard Lighting Shareholders' attention is drawn to the exclusivity obligations agreed to by Gerard Lighting, including "no shop" and "no talk" restrictions, full details of which can be found in clause 11 of the Scheme Implementation Agreement set out in Appendix 2 to this Scheme Booklet.

A summary of the exclusivity arrangements is set out in Section 4.7 of this Scheme Booklet.

## 1.9 Tax considerations for Gerard Lighting Shareholders

A summary of the general Australian taxation implications of the Scheme for Gerard Lighting Shareholders who are Australian residents for tax purposes is set out in Section 7 of this Scheme Booklet.

Your decision regarding how to vote on the Scheme should be made only after consultation with your financial, legal or other professional adviser based on your own investment objectives, financial situation, taxation position and particular needs.

## 1.10 How to obtain further information

For further information, you can call the Gerard Lighting Scheme Information Line on 1800 103 943 (free call from within Australia) or +61 3 9415 4108 (from outside Australia) between 9.00am and 5.00pm (Adelaide time), Monday to Friday.

If you are in doubt about anything in this Scheme Booklet, please contact your financial, legal or other professional adviser.

<sup>2</sup> The Court has a discretion to approve the Scheme where it is approved by at least 75% of all votes cast on the Scheme Resolution but not by a majority in number of Gerard Lighting Shareholders voting on the Scheme Resolution: refer to section 411(4)(a)(ii)(A) of the Corporations Act.



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Key questions

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2

## 2 Key questions

This Section answers some frequently asked questions about the Scheme. It is not intended to address all relevant issues for Gerard Lighting Shareholders and should be read together with all other sections of this Scheme Booklet.

Question	Answer	More Information
<b>QUESTIONS ABOUT THE SCHEME</b>		
<p>Why have I received this Scheme Booklet?</p>	<p>This Scheme Booklet has been sent to you because you are a Gerard Lighting Shareholder and Gerard Lighting Shareholders are being asked to vote on a Scheme, which if approved will result in Lighting Investments acquiring all Gerard Lighting Shares. If you continue to hold Gerard Lighting Shares on the Scheme Record Date and the Scheme becomes Effective, your Gerard Lighting Shares will be acquired by Lighting Investments for the Scheme Consideration.</p> <p>This Scheme Booklet is intended to help you to decide how to vote on the Scheme Resolution which needs to be passed at the Scheme Meeting to allow the Scheme to proceed.</p>	
<p>What is the Scheme?</p>	<p>The Scheme is a scheme of arrangement, which is a statutory procedure under the Corporations Act that is commonly used to enable one company to acquire another company.</p> <p>If the Scheme proceeds, Lighting Investments will acquire all of the issued Gerard Lighting Shares and Gerard Lighting will be delisted from the ASX.</p> <p>The Scheme is subject to a number of conditions precedent set out in clause 2.1 of the Scheme Implementation Agreement, and summarised in Section 4.3 of this Scheme Booklet.</p>	<p>Section 1 of this Scheme Booklet provides information on the implementation of the Scheme.</p> <p>A copy of the Scheme is contained in Appendix 3 of this Scheme Booklet.</p>
<p>What is the effect of the Scheme?</p>	<p>If the Scheme becomes Effective and is implemented:</p> <ul style="list-style-type: none"> <li>• all Gerard Lighting Shares as at the Scheme Record Date will be transferred to Lighting Investments;</li> <li>• all Gerard Lighting Options will be cancelled;</li> <li>• Gerard Lighting will become a wholly owned subsidiary of Lighting Investments and will be delisted from the ASX; and</li> <li>• all Gerard Lighting Shareholders at the Scheme Record Date (whether or not they voted for or against the Scheme) will receive the Scheme Consideration, being \$1.05 in cash per Gerard Lighting Share.</li> </ul>	<p>Section 4.5 of this Scheme Booklet contains detailed information about the Scheme Consideration.</p>

Question	Answer	More Information
<b>QUESTIONS ABOUT LIGHTING INVESTMENTS</b>		
Who is Lighting Investments and what are its intentions towards Gerard Lighting?	<p>Lighting Investments is wholly-owned by the CHAMP III Funds. The CHAMP III Funds are funds managed and/or advised by CHAMP III Management Pty Ltd which is part of CHAMP Private Equity, an Australian based private equity firm with offices in Sydney and Brisbane and affiliated offices in Singapore and New York.</p> <p>Lighting Investments' intentions in relation to Gerard Lighting are set out in Section 6.3 of this Scheme Booklet.</p>	Section 6 of this Scheme Booklet contains detailed information about Lighting Investments and its intentions.
<b>ASSESSMENT OF THE SCHEME</b>		
What is the opinion of the Independent Expert?	The Independent Expert has concluded that the Scheme is, in the absence of a superior proposal, fair and reasonable and in the best interests of Gerard Lighting Shareholders.	A copy of the Independent Expert's Report is set out in Appendix 1 to this Scheme Booklet.
What are the Gerard Lighting Directors' recommendations in respect of the Scheme?	The Gerard Lighting Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a superior proposal.	Pages 6 to 10 of this Scheme Booklet set out the reasons for the Gerard Lighting Directors' unanimous recommendations.
How are the Gerard Lighting Directors intending to vote?	Each of the Gerard Lighting Directors who holds or controls Gerard Lighting Shares intends to vote in favour of the Scheme in respect of all their Gerard Lighting Shares, in the absence of a superior proposal. This represents in total 743,821 Gerard Lighting Shares comprising all of the Gerard Lighting Shares that Gerard Lighting Directors have interests in, as set out in Section 8.2 of this Scheme Booklet, excluding the 92 million Gerard Lighting Shares held by the Gerard Family Shareholders in which the Chairman, Robert Gerard, has a 'relevant interest' for the purposes of the Corporations Act, but does not control.	<p>Section 1.3 of this Scheme Booklet contains more information about the recommendations and voting intentions of the Gerard Lighting Directors.</p> <p>Details about the interests of the Gerard Lighting Directors in Gerard Lighting Shares are detailed in Section 8.2 of this Scheme Booklet.</p>
How do the Gerard Family Shareholders intend to vote?	<p>The Gerard Family Shareholders comprise Gerard Lighting's largest shareholder group, together holding approximately 52% of the Gerard Lighting Shares.</p> <p>The Gerard Family Shareholders have stated that they intend to vote in favour of the Scheme in the absence of a superior proposal. As at the date of this Scheme Booklet, that statement of intention has not been withdrawn or qualified.</p>	<p>Section 1.4 of this Scheme Booklet contains more information about the intentions of the Gerard Family Shareholders.</p> <p>Section 8.3 of this Scheme Booklet contains further information regarding the Gerard Family Shareholders.</p>

## 2 Key questions continued

Question	Answer	More Information
<b>ASSESSMENT OF THE SCHEME (CONT)</b>		
Are there any disadvantages associated with the Scheme?	<p>The Gerard Lighting Directors unanimously believe that the potential advantages of the Scheme outweigh the potential disadvantages of the Scheme.</p> <p>However, Gerard Lighting Shareholders should be aware of the potential disadvantages and risks related to the Scheme.</p>	Page 9 of this Scheme Booklet sets out some of the potential disadvantages of the Scheme. You should also review page 10 of this Scheme Booklet which sets out other considerations relevant to your assessment of the Scheme.
<b>SCHEME CONSIDERATION</b>		
What is the Scheme Consideration?	<p>If the Scheme becomes Effective and you hold Gerard Lighting Shares at the Scheme Record Date, you will receive the Scheme Consideration.</p> <p>The Scheme Consideration comprises \$1.05 in cash for each Gerard Lighting Share you hold at the Scheme Record Date.</p> <p>The Scheme Consideration will only be paid in respect of Gerard Lighting Shares held at the Scheme Record Date.</p>	Detailed information about the Scheme Consideration is provided in Section 4.5 of this Scheme Booklet.
When will I receive my Scheme Consideration?	If the Scheme becomes Effective and is implemented the Scheme Consideration to which you are entitled will be sent to you within three Business Days of the Implementation Date. The Implementation Date is currently expected to occur on or about Tuesday, 23 October 2012.	Refer to Section 4.5 of this Scheme Booklet for further information regarding the Scheme Consideration.
What are the tax implications of the Scheme?	Your decision on whether or not to vote in favour of the Scheme should be made only after your consultation with a financial, legal or other professional adviser based on your own investment objectives, financial situation, taxation position and particular needs.	A summary of the general Australian taxation implications of the Scheme for Gerard Lighting Shareholders who are Australian residents for tax purposes is set out in Section 7 of this Scheme Booklet.
Will I have to pay any brokerage or stamp duty in relation to the Scheme?	You will not have to pay brokerage or stamp duty if your Gerard Lighting Shares are acquired under the Scheme.	

Question	Answer	More Information
<b>SCHEME MEETING, VOTING AND APPROVAL</b>		
Who is entitled to vote at the Scheme Meeting?	Gerard Lighting Shareholders who are recorded on the Gerard Lighting Register as the holder of Gerard Lighting Shares as at 6.30pm (Adelaide time) on Wednesday, 3 October 2012 are entitled to attend and vote at the Scheme Meeting.	See Section 3 of this Scheme Booklet for further information regarding how to vote.
When and where will the Scheme Meeting be held?	The Scheme Meeting is scheduled to be held at the Sebel Playford, 120 North Terrace, Adelaide, South Australia at 11.00am (Adelaide time) on Friday, 5 October 2012.	The Notice of Meeting for the Scheme Meeting is set out in Appendix 5 to this Scheme Booklet.
If I wish to vote in favour of the Scheme, how do I vote?	<p>You can vote at the Scheme Meeting:</p> <ul style="list-style-type: none"> <li>• by sending in the Proxy Form in accordance with the instructions set out on the Proxy Form and have your proxy attend the Scheme Meeting in person and vote on your behalf;</li> <li>• in person; or</li> <li>• by attorney.</li> </ul> <p>Gerard Lighting Shareholders which are bodies corporate can also vote at the Scheme Meeting through a corporate representative.</p>	<p>See Section 3 of this Scheme Booklet for further information regarding how to vote.</p> <p>A Proxy Form for the Scheme Meeting accompanies this Scheme Booklet.</p>
Is voting compulsory? Should I vote?	<p>Voting is not compulsory. However, the Gerard Lighting Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a superior proposal, and urge you to exercise your right to vote at the Scheme Meeting.</p> <p>If the Scheme becomes Effective, you will be bound by the Scheme whether or not you voted and whether or not you voted in favour of the Scheme.</p> <p>Your vote is important.</p>	<p>Refer to pages 6 to 10 of this Scheme Booklet for further information regarding the Gerard Lighting Directors' unanimous recommendations.</p> <p>Detailed information on how to vote is set out in Section 3 of this Scheme Booklet.</p>
How do I vote if I am unable to attend the Scheme Meeting?	If you cannot attend the Scheme Meeting, you should complete and return the Proxy Form in accordance with the instructions set out on the Proxy Form and have your proxy attend the Scheme Meeting in person and vote on your behalf.	Detailed information on how to vote is set out in Section 3 of this Scheme Booklet.
Will I be bound by the Scheme if I do not vote or if I vote against the Scheme?	Yes, if the Scheme is approved and becomes Effective, then all Gerard Lighting Shares held by you at the Scheme Record Date will be transferred to Lighting Investments and you will receive the Scheme Consideration, notwithstanding that you did not vote, or that you voted against the Scheme.	

## 2 Key questions continued

Question	Answer	More Information
<b>SCHEME MEETING, VOTING AND APPROVAL (CONT)</b>		
What is the approval threshold for the Scheme?	<p>The Scheme Resolution must be approved by:</p> <ul style="list-style-type: none"> <li>• a majority (i.e. more than 50%) in number of Gerard Lighting Shareholders who vote on the Scheme Resolution (in person or by proxy, attorney or, in the case of a corporate Gerard Lighting Shareholder, by a corporate representative); and</li> <li>• at least 75% of the total number of votes cast by Gerard Lighting Shareholders on the Scheme Resolution (in person or by proxy, attorney or, in the case of a corporate Gerard Lighting Shareholder, by a corporate representative).</li> </ul> <p>The Court has a discretion to waive the first of these two requirements if it considers it appropriate to do so.</p> <p>Voting at the Scheme Meeting will be by poll.</p> <p>For the Scheme to become Effective, it must also be approved by the Court.</p>	Further details of the approval thresholds required are set out in Section 1.6.
Are there any conditions to the Scheme?	<p>There are a number of conditions precedent which must be satisfied or waived prior to the Scheme being implemented.</p> <p>As at the date of this Scheme Booklet, Gerard Lighting is not aware of any circumstances which would cause the outstanding conditions precedent not to be satisfied.</p>	Further details of the conditions precedent are set out in Section 4.3 of this Scheme Booklet.
When will the results of the Scheme Meeting be known?	<p>The results of the Scheme Meeting will be available shortly after the conclusion of the Scheme Meeting on Friday, 5 October 2012 and will be announced to the ASX once available.</p> <p>Even if the Scheme Resolution is passed, the Scheme will be subject to the approval of the Court.</p>	
What happens if the Scheme is not approved?	<p>If the Scheme is not approved by the requisite majorities of Gerard Lighting Shareholders, or if the Scheme is not approved by the Court, then the Scheme will not become Effective and will not proceed. Gerard Lighting Shareholders will not receive the Scheme Consideration but will retain their Gerard Lighting Shares and Gerard Lighting will continue to operate as a standalone entity.</p>	<p>See Section 1.6 of this Scheme Booklet for further information on the required approvals.</p> <p>Further details of what will or may happen to Gerard Lighting and Gerard Lighting Shareholders if the Scheme does not proceed are set out on pages 8 and 10 of this Scheme Booklet.</p>

Question	Answer	More Information
<b>OTHER QUESTIONS</b>		
What happens if a Superior Proposal emerges?	If a Superior Proposal emerges, this will be announced to the ASX and the Gerard Lighting Directors will carefully consider the proposal and advise you of their recommendation.	
Is there a break fee payable?	Under the Scheme Implementation Agreement, Gerard Lighting must pay to Lighting Investments a break fee of \$1,863,000 (excluding GST) if certain events occur.	Details of the circumstances in which the break fee will be payable are set out in Section 4.8 of this Scheme Booklet.
What if the Independent Expert changes its opinion?	<p>The Independent Expert has concluded that the Scheme is, in the absence of a superior proposal, fair and reasonable and in the best interests of Gerard Lighting Shareholders.</p> <p>If the Independent Expert changes its opinion, this will be announced to the ASX and the Gerard Lighting Directors will carefully consider the Independent Expert's revised opinion and advise you of their recommendation.</p>	A copy of the Independent Expert's Report is set out in Appendix 1 to this Scheme Booklet.
Can I sell my Gerard Lighting Shares now?	You can sell your Gerard Lighting Shares on market at any time before the close of trading on the ASX on the Effective Date at the prevailing market price, in which case you will not receive any Scheme Consideration. The Effective Date is currently expected to be Thursday, 11 October 2012.	
What is the form enclosed with this Scheme Booklet?	<p>The form accompanying this Scheme Booklet is a Proxy Form.</p> <p>If you are unable or do not wish to attend the Scheme Meeting in person, you should complete the Proxy Form and return it in accordance with the instructions set out therein and have your proxy attend the Scheme Meeting in person and vote on your behalf.</p>	Section 3 of this Scheme Booklet provides more detailed information on how to vote at the Scheme Meeting.
<b>FURTHER INFORMATION</b>		
How can I get further information if I have any questions?	<p>For further information, you can call the Gerard Lighting Scheme Information Line on 1800 103 943 (free call from within Australia) or +61 3 9415 4108 (from outside Australia) between 9.00am and 5.00pm (Adelaide time), Monday to Friday.</p> <p>If you are in doubt about anything in this Scheme Booklet, please contact your financial, legal or other professional adviser.</p>	

## How to Vote

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### 3.1 Scheme Meeting

The Scheme Meeting has been convened for 11.00am (Adelaide time) on Friday, 5 October 2012 at the Sebel Playford, 120 North Terrace, Adelaide, South Australia.

At the Scheme Meeting, Gerard Lighting Shareholders will be asked to consider and, if thought fit, pass the following resolution:

*“That pursuant to and in accordance with section 411 of the Corporations Act, the scheme of arrangement proposed to be entered into between Gerard Lighting and the Gerard Lighting Shareholders, as more particularly set out in the Scheme Booklet accompanying this notice of meeting, is agreed to (with or without modification as approved by the Court).”*

In order for the Scheme Resolution to be passed, unless the Court orders otherwise, it must be approved by a majority (i.e. greater than 50%) in number of Gerard Lighting Shareholders voting on the Scheme Resolution (in person or by proxy, attorney or, in the case of corporate Gerard Lighting Shareholders, by a corporate representative).<sup>3</sup> In addition, those Gerard Lighting Shareholders who vote in favour must cast at least 75% of the total number of votes cast by Gerard Lighting Shareholders on the Scheme Resolution (in person or by proxy, attorney or, in the case of corporate Gerard Lighting Shareholders, by a corporate representative).

Voting at the Scheme Meeting will be by poll.

***If you wish the Scheme to proceed, it is important that you vote in favour of the Scheme Resolution at the Scheme Meeting. The Scheme will not proceed unless the Scheme is approved by Gerard Lighting Shareholders and the Court.***

### 3.2 Entitlement to vote

All Gerard Lighting Shareholders who are on the Gerard Lighting Register as at 6.30pm (Adelaide time) on Wednesday, 3 October 2012 will be entitled to vote at the Scheme Meeting.

If Gerard Lighting Shares are jointly held, only one of the joint holders is entitled to vote. If more than one shareholder votes in respect of jointly held Gerard Lighting Shares, only the vote of the shareholder whose name appears first on the Gerard Lighting Register will be counted.

### 3.3 How to vote

You may vote in person at the Scheme Meeting. If you are unable to attend the Scheme Meeting in person, you may vote by using the Proxy Form or by a duly authorised attorney.

A corporate shareholder or corporate proxy may vote by corporate representative appointed pursuant to section 250D of the Corporations Act.

Further details are set out below:

#### (a) Voting in person

To vote in person at the Scheme Meeting, you must attend the Scheme Meeting commencing at 11.00am (Adelaide time) on Friday, 5 October 2012 at the Sebel Playford, 120 North Terrace, Adelaide, South Australia.

All persons attending the Scheme Meeting must register their attendance by disclosing their name at the point of entry to the meeting.

#### (b) Voting by proxy

If you cannot attend the Scheme Meeting, you may vote by proxy by completing and sending in the Proxy Form and have your proxy attend the Scheme Meeting in person and vote on your behalf. A proxy need not be a Gerard Lighting Shareholder.

The Proxy Form (together with any power of attorney or other authority under which the Proxy Form is signed or a certified copy of that power of attorney or authority) must be:

- (i) posted to Computershare in the reply paid envelope provided or, if you are outside of Australia or do not otherwise use the reply paid envelope, to Computershare Investor Services Pty Ltd at GPO Box 242, Melbourne, VIC 3001;
- (ii) successfully transmitted by facsimile to Computershare on 1800 783 447 (from within Australia) or +61 3 9473 2555 (from outside Australia); or
- (iii) posted, delivered or successfully transmitted by facsimile to the registered office of Gerard Lighting,

so that it is received by no later than 11.00am (Adelaide time) on Wednesday, 3 October 2012.

<sup>3</sup> The Court has a discretion to approve the Scheme where it is approved by at least 75% of all votes cast on the Scheme Resolution but not by a majority in number of Gerard Lighting Shareholders voting on the Scheme Resolution: refer to Section 411(4)(a)(ii)(A) of the Corporations Act.

## 3 How to Vote *continued*

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Your proxy should retain a copy of the Proxy Form (together with any power of attorney or other authority under which the Proxy Form is signed or a certified copy of that power of attorney or authority) to assist with admission to the Scheme Meeting.

Alternatively, you may submit your proxy vote online at [www.investorvote.com.au](http://www.investorvote.com.au) by no later than 11.00am (Adelaide time) on Wednesday, 3 October 2012. To use this facility you will need your Shareholder Reference Number (SRN) or Holder Identification Number (HIN), postcode and control number as shown on the Proxy Form. For Intermediary Online subscribers (custodians) please visit [www.intermediaryonline.com](http://www.intermediaryonline.com) to submit your proxy vote online. If you submit your proxy vote online, you do not need to complete and return the enclosed Proxy Form.

### **(c) Voting by attorney**

Alternatively, if you cannot attend the Scheme Meeting, you may have a duly authorised attorney attend and vote on your behalf. An attorney need not be a Gerard Lighting Shareholder.

The power of attorney, or a certified copy of the power of attorney, should be lodged with Computershare before the Scheme Meeting or be brought to the meeting.

### **(d) Corporate representative**

Gerard Lighting Shareholders which are bodies corporate can also vote at the Scheme Meeting by having your corporate representative attend the Scheme Meeting in person and voting on your behalf. If a representative of a Gerard Lighting Shareholder or corporate proxy is to attend the Scheme Meeting pursuant to section 250D of the Corporations Act, a certificate of appointment of the representative (or such other document as the Chairman of the Scheme Meeting considers sufficient together with any power of attorney or other authority under which the certificate or other document is signed or a certified copy of that power of attorney or authority) should be lodged with Computershare prior to the Scheme Meeting or be brought to the meeting.

A form of certificate can be obtained from Computershare.

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## Implementation of the Scheme

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## 4 Implementation of the Scheme

### 4.1 Introduction

The Scheme is a scheme of arrangement under the Corporations Act. Schemes of arrangement are commonly used to give effect to the acquisition of one company by another company. A scheme of arrangement is an arrangement between a company and either its shareholders (or a class of shareholders) or its creditors (or a class of creditors) given effect in accordance with the Corporations Act.

The key terms of the Scheme, if approved and implemented, will involve:

- (a) the acquisition by Lighting Investments of all of the Gerard Lighting Shares as at the Scheme Record Date; and
- (b) the provision of the Scheme Consideration to Gerard Lighting Shareholders who hold Gerard Lighting Shares at the Scheme Record Date (currently expected to be 6.30pm (Adelaide time) on Thursday, 18 October 2012).

A copy of the Scheme is set out in full in Appendix 3 to this Scheme Booklet. This Section 4 explains the steps involved in implementing the Scheme.

The Scheme is subject to the satisfaction or waiver of a number of conditions precedent. These are described in Section 4.3 of this Scheme Booklet.

### 4.2 Steps in implementing the Scheme

#### (a) Execution of Scheme Implementation Agreement

On 18 July 2012, Gerard Lighting and Lighting Investments entered into the Scheme Implementation Agreement under which Gerard Lighting agreed to propose the Scheme to Gerard Lighting Shareholders and Gerard Lighting and Lighting Investments agreed to take all steps reasonably necessary to implement the Scheme.

A copy of the Scheme Implementation Agreement is set out in Appendix 2 to this Scheme Booklet. Certain key aspects of the Scheme Implementation Agreement are summarised in Sections 4.7, 4.8 and 4.9 of this Scheme Booklet.

#### (b) Execution of Deed Poll by Lighting Investments

On 24 August 2012, Lighting Investments executed the Deed Poll pursuant to which Lighting Investments agreed, subject to the Scheme becoming Effective, to provide to each Gerard Lighting Shareholder the Scheme Consideration to which that shareholder is entitled under the Scheme. A copy of the Deed Poll is included in Appendix 4 to this Scheme Booklet.

Details regarding the Scheme Consideration are set out in Section 4.5 of this Scheme Booklet.

#### (c) Scheme Meeting

On 29 August 2012, the Court ordered that Gerard Lighting convene the Scheme Meeting at 11.00am (Adelaide time) on Friday, 5 October 2012 at the Sebel Playford, 120 North Terrace, Adelaide, South Australia for the purpose of Gerard Lighting Shareholders considering and, if thought fit, approving the Scheme.

For the Scheme to proceed, the Scheme Resolution must be passed at the Scheme Meeting. The required approval thresholds are set out in Section 1.6 of this Scheme Booklet.

The Notice of Meeting for the Scheme Meeting is set out in Appendix 5 to this Scheme Booklet.

The vote at the Scheme Meeting will be conducted by poll.

All Gerard Lighting Shareholders who are on the Gerard Lighting Register as at 6.30pm (Adelaide time) on Wednesday, 3 October 2012 will be entitled to vote at the Scheme Meeting.

#### (d) Court order approving the Scheme

In order to become Effective, the Scheme must be approved by the Court at the Second Court Hearing.

Gerard Lighting will apply to the Court for an order approving the Scheme, if the Scheme is approved by the requisite majorities of Gerard Lighting Shareholders voting at the Scheme Meeting<sup>4</sup> and all other conditions to the Scheme (other than approval of the Court) have been satisfied or waived.

Each Gerard Lighting Shareholder has the right to seek leave to appear at the Second Court Hearing and be heard in respect of the Scheme.

The Court may refuse to approve the Scheme or may approve the Scheme subject to conditions or variations, even if the Scheme is approved by the requisite majorities of Gerard Lighting Shareholders.

#### (e) Implementation of the Scheme

The Implementation Date of the Scheme is the date which is five Business Days after the Scheme Record Date, or such other date agreed by Gerard Lighting and Lighting Investments in writing, ordered by the Court or as may be required by the ASX.

On the Implementation Date of the Scheme, subject to the provision of the Scheme Consideration as described in Section 4.5 of this Scheme Booklet, all of the Gerard Lighting Shares, together with all rights and entitlements attaching to the Gerard Lighting Shares, will be transferred to Lighting Investments, without the need for any further act by any Gerard Lighting Shareholder (other than acts performed by Gerard Lighting or its officers as agent and attorney of the Gerard Lighting Shareholders) by:

<sup>4</sup> The Court has a discretion to approve the Scheme where it is approved by at least 75% of all votes cast on the Scheme Resolution but not by a majority in number of Gerard Lighting Shareholders voting on the Scheme Resolution: refer to section 411(4)(a)(ii)(A) of the Corporations Act.

- (i) Gerard Lighting delivering to Lighting Investments a duly completed and executed share transfer form to transfer all of the Gerard Lighting Shares to Lighting Investments; and
- (ii) Lighting Investments duly executing that share transfer form and delivering it to Gerard Lighting for registration.

Immediately following receipt of the duly executed share transfer form, Gerard Lighting will register Lighting Investments as the holder of all of the Gerard Lighting Shares.

**(f) Removal from official quotation**

Following the Implementation Date of the Scheme, Gerard Lighting will request the ASX to end official quotation of Gerard Lighting Shares and remove Gerard Lighting from the official list of the ASX.

**4.3 Conditions precedent**

The Scheme will not proceed unless all of the conditions precedent set out in clause 2.1 of the Scheme Implementation Agreement are satisfied or, where applicable, have been waived in accordance with the Scheme Implementation Agreement. In summary, the conditions precedent are as follows:

**(a) Conditions for the benefit of both Gerard Lighting and Lighting Investments**

The following conditions precedent were included in the Scheme Implementation Agreement for the benefit of both Gerard Lighting and Lighting Investments. Waiver of any breach or non-fulfilment of any of these conditions requires the written consent of both Gerard Lighting and Lighting Investments:

- (i) **Independent Expert:** the Independent Expert concludes that the Scheme is in the best interests of Gerard Lighting Shareholders and does not withdraw or adversely modify that conclusion before 8.00am (Adelaide time) on the Second Court Date; and
- (ii) **Restraints:** no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal restraint or prohibition preventing any aspect of the Scheme is in effect as at 8.00am (Adelaide time) on the Second Court Date.

**(b) Conditions for the benefit of Gerard Lighting only**

The following conditions were included in the Scheme Implementation Agreement for the sole benefit of Gerard Lighting. Only Gerard Lighting can waive any breach or non-fulfilment of these conditions:

- (i) **No Lighting Investments Prescribed Event:** no Lighting Investments Prescribed Event occurs between the date of the Scheme Implementation Agreement and 8.00am (Adelaide time) on the Second Court Date; and

- (ii) **Lighting Investments Representations, Warranties and Undertakings:** the representations and warranties of Lighting Investments set out in clause 8.2 of the Scheme Implementation Agreement are true and correct in all material respects on the date of the Scheme Implementation Agreement and as at 8.00am (Adelaide time) on the Second Court Date and the undertakings in that clause have been complied with in all material respects.

**(c) Conditions for the benefit of Lighting Investments only**

The following conditions were included in the Scheme Implementation Agreement for the sole benefit of Lighting Investments. Only Lighting Investments can waive any breach or non-fulfilment of these conditions:

- (i) **No Gerard Lighting Prescribed Event:** no Gerard Lighting Prescribed Event occurs between the date of the Scheme Implementation Agreement and 8.00am (Adelaide time) on the Second Court Date;
- (ii) **No Gerard Lighting Material Adverse Change:** no Gerard Lighting Material Adverse Change occurs, or is discovered, announced, disclosed or otherwise becomes known to Lighting Investments between the date of the Scheme Implementation Agreement and before 8.00am (Adelaide time) on the Second Court Date;
- (iii) **Gerard Lighting Representations, Warranties and Undertakings:** the representations and warranties of Gerard Lighting set out in clause 8.1 of the Scheme Implementation Agreement are true and correct in all material respects on the date of the Scheme Implementation Agreement and as at 8.00am (Adelaide time) on the Second Court Date and the undertakings in that clause have been complied with in all material respects;
- (iv) **Gerard Lighting Options:** Gerard Lighting and Lighting Investments enter into option cancellation deeds on terms and conditions reasonably satisfactory to Lighting Investments with each of the holders of the Gerard Lighting Options under which all of the Gerard Lighting Options that are not exercised by the Effective Date are cancelled, with effect from the Effective Date for cash consideration of an amount per Gerard Lighting Option calculated by subtracting the exercise price of the relevant Gerard Lighting Option from the Scheme Consideration;

## 4 Implementation of the Scheme continued

- (v) **Statement of Voting Intention and Recommendation:**
- (A) no later than the date of the Scheme Implementation Agreement, the Gerard Family Shareholders make a public announcement either directly or through Gerard Lighting confirming to the effect that in the absence of a superior proposal they:
- (1) support the Scheme; and
  - (2) intend to vote or cause to be voted the 92,000,000 Gerard Lighting Shares held or controlled by them in favour of the Scheme,
- and the Gerard Family Shareholders do not change (including by attaching qualifications to) or withdraw their above announcement before the Scheme Meeting; and
- (B) before the Scheme Meeting, each member of the Gerard Lighting Board not withdrawing, changing or qualifying his recommendation to Gerard Lighting Shareholders that the Scheme be approved or his statement that he considers the Scheme to be in the best interests of Gerard Lighting Shareholders (subject to there being no Superior Proposal and the Independent Expert concluding that the Scheme is fair and reasonable and in the best interests of Gerard Lighting Shareholders);
- (vi) **Pre-emptive Rights and Margin Loan:** before 8.00am (Adelaide time) on the Second Court Date:
- (A) Gerard Lighting Investments No. 2 Pty Limited has provided evidence to Lighting Investments' reasonable satisfaction that it has entered into a deed of release of all security interests over any Gerard Lighting Shares that are collateral under any margin loan or other evidence that such security interests will be released upon payment of the Scheme Consideration, on terms acceptable to Lighting Investments, acting reasonably. Gerard Lighting Investments No. 1 Pty Ltd has granted Investec Bank (Australia) Limited (**Investec**) security over 13,880,551 of the 46,919,603 Gerard Lighting Shares it holds and Gerard Lighting Investments No. 2 Pty Ltd has granted Investec security over all of the 45,080,397 Gerard Lighting Shares it holds. Gerard Lighting Investments No. 1 Pty Ltd, Gerard Lighting Investments No. 2 Pty Ltd and Investec have entered into a deed of release pursuant to which Investec has agreed to release its security over those Gerard Lighting Shares on the Implementation Date so that Lighting Investments will get clear title to those Gerard Lighting Shares on implementation of the Scheme; and
- (B) Gerard Lighting Investments No. 1 Pty Ltd, Gerard Lighting Investments No. 2 Pty Ltd and Gerard Group Lighting Pty Ltd each entering into the Consent Deed, with the Consent Deed not having been terminated, rescinded or amended (without the consent of Lighting Investments). Gerard Lighting Investments No. 1 Pty Ltd, Gerard Lighting Investments No. 2 Pty Ltd and Gerard Group Lighting Pty Ltd have entered into the Pre-Emption Deed pursuant to which Gerard Lighting Investments No. 1 Pty Ltd and Gerard Lighting Investments No. 2 Pty Ltd have granted each other pre-emptive rights in respect of their Gerard Lighting Shares. Pursuant to the Consent Deed, each of Gerard Lighting Investments No. 1 Pty Ltd, Gerard Lighting Investments No. 2 Pty Ltd and Gerard Group Lighting Pty Ltd agree that the Pre-Emptive Rights Deed will not apply to a disposal of Gerard Lighting Shares by Gerard Lighting Investments No. 1 Pty Ltd and Gerard Lighting Investments No. 2 Pty Ltd pursuant to the Scheme;
- (vii) **Funding Conditions:** any condition precedent (other than a condition requiring Court approval for the Scheme) to draw-down of funding in Lighting Investments' Finance Documentation is satisfied or waived before 8.00am (Adelaide time) on the Second Court Date; and
- (viii) **Restraint Deeds:** before 8.00am (Adelaide time) on the Second Court Date, Gerard Lighting and each of Simon Gerard, Robert Geoffrey Gerard, John Douglas Gerard, Helen Mary Gerard and Margaret Lesetta Castronova having entered into the Restraint Deeds to which they are proposed to be a party and each of those Restraint Deeds not having been terminated, rescinded or amended (other than with Lighting Investments' consent). Pursuant to the Restraint Deeds each of Simon Gerard, Robert Geoffrey Gerard, John Douglas Gerard, Helen Mary Gerard and Margaret Lesetta Castronova agree that they will not, with effect from implementation of the Scheme, engage in certain activities, including engaging in a

business or activity that is the same or similar to, or competitive with, the business or any material part of the business of the Gerard Lighting Group or solicit or induce employees or suppliers away from any member of the Gerard Lighting Group. The restraints apply for a period of up to seven years for each of Robert Geoffrey Gerard, John Douglas Gerard, Helen Mary Gerard and Margaret Lesetta Castronova and five years for Simon Gerard. See Section 8.6(d) for further details regarding the Restraint Deeds entered into by Robert Gerard and Simon Gerard.

**(d) Conditions that cannot be waived**

The following conditions relate to mandatory legal requirements which cannot be waived by Gerard Lighting and Lighting Investments:

- (i) **Gerard Lighting Shareholder approval of Scheme:** before 8.00am (Adelaide time) on the Second Court Date, the Scheme Resolution is approved by Gerard Lighting Shareholders at the Scheme Meeting by the requisite majorities required under section 411(4)(a)(ii) of the Corporations Act;
- (ii) **Court approval:** the Court makes orders under section 411(4)(b) of the Corporations Act approving the Scheme on the Second Court Date; and
- (iii) **FIRB approval:** before 8.00am (Adelaide time) on the Second Court Date, the Treasurer of the Commonwealth of Australia either:
  - (A) gives an approval to the proposed acquisition of all of the Gerard Lighting Shares by Lighting Investments and that approval is not subject to conditions, or is subject only to conditions that Lighting Investments, acting reasonably, considers to be acceptable; or
  - (B) has issued a notice stating that the Commonwealth Government does not object to Lighting Investments acquiring the Gerard Lighting Shares pursuant to the Scheme and that notice is not subject to conditions, or is subject only to conditions that Lighting Investments, acting reasonably, considers to be acceptable; or
  - (C) has become precluded (at any time before the Scheme becomes Effective) from making an order in respect of the acquisition of the Gerard Lighting Shares by Lighting Investments pursuant to the Scheme.

**4.4 Status of conditions precedent**

Based on the information available to Gerard Lighting as at the date of this Scheme Booklet, the following conditions precedent are expected to be satisfied:

(a) **Independent Expert:** the Independent Expert has given a report to Gerard Lighting that in its opinion the Scheme is, in the absence of a superior proposal, in the best interests of Gerard Lighting Shareholders. A copy of the Independent Expert's Report is set out in Appendix 1 to this Scheme Booklet;

(b) **Gerard Lighting Options:** as at the date of this Scheme Booklet, Gerard Lighting and Lighting Investments have entered into the Option Cancellation Deeds on terms and conditions reasonably satisfactory to Lighting Investments with each of the holders of the Gerard Lighting Options under which all of the Gerard Lighting Options that are not exercised by the Effective Date will be cancelled with effect from the Effective Date for cash consideration of an amount per Gerard Lighting Option calculated by subtracting the exercise price of the relevant Gerard Lighting Option from the Scheme Consideration;

(c) **Statement of voting intention:** on 18 July 2012, the Gerard Family Shareholders made a public announcement through Gerard Lighting confirming that in the absence of a superior proposal they:

- (i) support the Scheme; and
- (ii) intend to vote or cause to be voted the 92,000,000 Gerard Lighting Shares held or controlled by them in favour of the Scheme,

and, as at the date of this Scheme Booklet, the Gerard Family Shareholders have not changed (including by attaching qualifications to) or withdrawn their above announcement;

(d) **Pre-Emptive Rights and Margin Loan:** as at the date of this Scheme Booklet:

- (i) Gerard Lighting Investments No. 2 Pty Ltd has provided evidence to Lighting Investments' reasonable satisfaction that it has entered into a deed of release of all security interests over any Gerard Lighting Shares that are collateral under any margin loan; and
- (ii) Gerard Lighting Investments No. 1 Pty Ltd, Gerard Lighting Investments No. 2 Pty Ltd and Gerard Group Lighting Pty Ltd have entered into the Consent Deed, with the Consent Deed not having been terminated, rescinded or amended (without the consent of Lighting Investments) as at the date of this Scheme Booklet; and

## 4 Implementation of the Scheme continued

(e) **Restraint Deeds:** as at the date of this Scheme Booklet, Gerard Lighting and each of Simon Gerard, Robert Geoffrey Gerard, John Douglas Gerard, Helen Mary Gerard and Margaret Lesetta Castronova have entered into the Restraint Deeds to which they are a party and each of those Restraint Deeds has not been terminated, rescinded or amended as at the date of this Scheme Booklet.

If any of the conditions precedent are not satisfied or (where appropriate) waived by the time specified for their satisfaction or if there is an omission or occurrence which will prevent a condition precedent being satisfied by the time so specified or, if no date is specified, by the End Date, then either Lighting Investments or Gerard Lighting may serve notice on the other and then Gerard Lighting and Lighting Investments will consult in good faith to determine whether:

- (a) the Scheme may proceed by way of alternative means or methods;
- (b) to extend the relevant time or date for satisfaction of the condition precedent;
- (c) to change the date of the application to be made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Scheme or adjourning that application (as applicable) to another date agreed by the parties and, if required, approved by the Court (being a date no later than five Business Days before the End Date); and/or
- (d) to extend the End Date.

If Gerard Lighting and Lighting Investments are unable to reach agreement regarding an appropriate course of action within the shorter of:

- (a) five Business Days following the date of a notice that a condition precedent has not been satisfied or waived, or is prevented from being satisfied, by the time for satisfaction; or
- (b) the period commencing on the date of a notice that a condition precedent has not been satisfied or waived, or is prevented from being satisfied, by the time for satisfaction and ending at 8.00am (Adelaide time) on the Second Court Date,

either of them may, provided that it has complied with its obligations (if any) in respect of that condition precedent and the relevant condition precedent is for its benefit (whether solely or jointly with the other party) or cannot be waived, terminate the Scheme Implementation Agreement by notice in writing to the other party.

Each of the conditions precedent, other than Court approval, must be satisfied or (where appropriate) waived by the Second Court Hearing. As at the date of lodgement of this Scheme Booklet with ASIC for registration, Gerard Lighting is not aware of any circumstances which would cause the outstanding conditions precedent not to be satisfied or (where appropriate) waived in accordance with the terms of the Scheme Implementation Agreement.

### 4.5 Scheme Consideration

If the Scheme is implemented, Gerard Lighting Shareholders will receive the Scheme Consideration equal to \$1.05 in cash for each Gerard Lighting Share held by them as at the Scheme Record Date.

Pursuant to clause 4.3 of the Scheme, the obligation of Lighting Investments to pay the Scheme Consideration will be deemed to be satisfied if Lighting Investments before 10.00am (Adelaide time) on the Implementation Date, deposits in cleared funds into an account established by, or on behalf of, Gerard Lighting and in the name of Gerard Lighting (**Trust Account**), an amount equal to the aggregate Scheme Consideration payable to all Gerard Lighting Shareholders such amount to be held on trust by Gerard Lighting for the Gerard Lighting Shareholders (except that any interest on the amount will be for the benefit of Lighting Investments), for the purpose of Gerard Lighting paying the Scheme Consideration to the Gerard Lighting Shareholders.

Subject to Lighting Investments depositing the aggregate Scheme Considerations into the Trust Account, Gerard Lighting must within three Business Days after the Implementation Date, pay from the Trust Account to each Gerard Lighting Shareholder an amount equal to the Scheme Consideration due to that Gerard Lighting Shareholder.

Gerard Lighting will pay the Scheme Consideration to Gerard Lighting Shareholders by:

- (a) depositing the relevant amount into the Gerard Lighting Shareholder's bank account notified by the Gerard Lighting Shareholder to Gerard Lighting and recorded in the Gerard Lighting Register as at the Scheme Record Date; or
- (b) if Gerard Lighting has not been notified of the Gerard Lighting Shareholder's bank account, by sending the Gerard Lighting Shareholder a cheque for the relevant amount.

In the case of Gerard Lighting Shares held in joint names, any cheque required to be paid will be payable to the joint holders and forwarded to the registered address as it appears on the Gerard Lighting Register as at the Scheme Record Date.

It is expected that the Scheme Consideration will be sent to Gerard Lighting Shareholders within three Business Days after the Implementation Date. Based on an expected Implementation Date of Tuesday, 23 October 2012, the Scheme Consideration is expected to be sent by Friday, 26 October 2012.



#### 4.6 Determination of persons entitled to Scheme Consideration

Gerard Lighting Shareholders whose names appear on the Gerard Lighting Register as at the Scheme Record Date, expected to be 6.30pm (Adelaide time) on Thursday, 18 October 2012, will be entitled to receive the Scheme Consideration under the Scheme.

##### Dealings on or prior to the Scheme Record Date

For the purpose of establishing the persons who are entitled to participate in the Scheme, dealings in Gerard Lighting Shares will only be recognised if:

- (a) in the case of dealings of the type to be effected using CHES, the transferee is registered in the Gerard Lighting Register as a holder of the relevant Gerard Lighting Shares as at 6.30pm (Adelaide time) on the Scheme Record Date; and
- (b) in all other cases, registrable transfers or transmission applications in respect of those dealings are received at the place where the Gerard Lighting Register is maintained by 5.00pm (Adelaide time) on the Scheme Record Date.

Gerard Lighting will not accept registration or recognise for any purpose any transmission application or transfer in respect of Gerard Lighting Shares received after such times or received prior to those times but not in registrable form.

##### Dealings after the Scheme Record Date

For the purposes of determining entitlements to Scheme Consideration, Gerard Lighting will, until the Scheme Consideration has been paid to Gerard Lighting Shareholders, maintain the Gerard Lighting Register in accordance with the terms of the Scheme, and the Gerard Lighting Register in this form will solely determine entitlements to the Scheme Consideration.

As from 6.30pm (Adelaide time) on the Scheme Record Date (other than for Lighting Investments after the Implementation Date), each entry current on the Gerard Lighting Register will cease to be of any effect other than as evidence of entitlement of Gerard Lighting Shareholders to the Scheme Consideration in respect of the Gerard Lighting Shares relating to that entry.

Any share statements of holding in respect of Gerard Lighting Shares shall, from the Scheme Record Date, cease to have any effect as documents of evidence of title in respect of such Gerard Lighting Shares.

#### 4.7 Exclusivity Arrangements

Under the Scheme Implementation Agreement, Gerard Lighting has agreed to certain exclusivity obligations including "no shop" and "no talk" restrictions, full details of which can be found in clause 11 of the Scheme Implementation Agreement set out in Appendix 2 to this Scheme Booklet. These restrictions apply to Gerard Lighting from the date of the Scheme Implementation Agreement until the first to occur of:

- (a) the date the Scheme Implementation Agreement is terminated in accordance with its terms;
- (b) the Implementation Date (which is currently expected to be Tuesday, 23 October 2012); and
- (c) the End Date (which is 31 December 2012, or such later date as Gerard Lighting and Lighting Investments agree in writing),

##### (Exclusivity Period).

###### (a) No shop restriction

Under the no shop restriction, during the Exclusivity Period, Gerard Lighting must not, and must ensure that its representatives do not, directly or indirectly solicit or invite, or initiate any enquiries, negotiations or discussions, or communicate any intention to do any of these things, with a view to obtaining any offer, expression of interest or proposal from any person in relation to a Competing Proposal.

###### (b) No talk restriction and no due diligence

Under the no talk restriction, during the Exclusivity Period, Gerard Lighting must not, and must ensure that its representatives do not, enter into, continue or participate in negotiations or discussions with, any person regarding or in connection with a Competing Proposal (or potential Competing Proposal) and must not, and must ensure that its representatives do not:

- (i) solicit, initiate, facilitate or encourage any party (other than Lighting Investments or its representatives) to undertake due diligence on Gerard Lighting or its related bodies corporate; or
- (ii) make available to any other person (other than Lighting Investments or its representatives) or permit such person to receive any non-public information relating to Gerard Lighting or its related bodies corporate.

## 4 Implementation of the Scheme continued

The no talk restriction does not apply if the Gerard Lighting Board, acting in good faith, after consultation with Gerard Lighting's financial advisers and after receiving written legal advice from its external legal advisers, determines that the Competing Proposal is, or if it was proposed is, reasonably capable of becoming a Superior Proposal and that failure to take such action would involve, or would be likely to involve, a breach of the Gerard Lighting Board's fiduciary or statutory duties.

### (c) Notice of Competing Proposal

During the Exclusivity Period, Gerard Lighting must promptly notify Lighting Investments if it or any of its representatives is approached by any person to engage in any activity, or take any other action, that would breach Gerard Lighting's no shop, no talk and no due diligence restrictions. Gerard Lighting must promptly inform Lighting Investments in writing of the fact of the approach and the identity of the person who made the approach and must provide details of the expression of interest and/or proposal or proposed Competing Proposal and details of any discussions between such persons and Gerard Lighting or its representatives.

The obligations set out in this paragraph (c) above do not apply if the Gerard Lighting Board has determined, in good faith, after having obtained written advice from its legal and, if appropriate, financial advisers that notifying Lighting Investments would or would be likely to involve a breach of the Gerard Lighting Board's fiduciary or statutory duties.

### (d) Lighting Investments response to a Competing Proposal

During the Exclusivity Period, Gerard Lighting must not recommend a Competing Proposal, or enter into any agreement, arrangement or understanding to undertake or facilitate a Competing Proposal, unless it has first:

- (i) notified Lighting Investments in writing of the material terms of the Competing Proposal and the person or persons proposing the Competing Proposal; and
- (ii) given Lighting Investments at least 72 hours after provision of that information in which to provide a matching or superior deal to the relevant Competing Proposal (**Lighting Investments Counter Proposal**).

Gerard Lighting must use its reasonable endeavours to procure that the Gerard Lighting Directors consider any Lighting Investments Counter Proposal in good faith and, if the Gerard Lighting Directors determine that the terms and conditions of the Lighting Investments Counter Proposal taken as a whole are no less favourable than those of the relevant Competing Proposal, Gerard Lighting and Lighting Investments must each use their reasonable endeavours to agree and enter into such documentation as is necessary to give effect to and implement the Lighting Investments Counter Proposal as soon as reasonably practicable, and Gerard Lighting must use its reasonable endeavours to procure that each of the Gerard Lighting Directors makes a public statement to the Gerard Lighting Shareholders recommending the Lighting Investments Counter Proposal to the Gerard Lighting Shareholders (subject to there being no further superior proposal in respect of Gerard Lighting and the Independent Expert concluding that the Lighting Investments Counter Proposal is in the best interests of Gerard Lighting Shareholders).

### 4.8 Break Fee

Clause 13 of the Scheme Implementation Agreement provides that:

- (a) Gerard Lighting acknowledges that Lighting Investments will incur significant costs in connection with performing its obligations under the Scheme Implementation Agreement and the Scheme;
- (b) Lighting Investments has requested that provision be made for the payment of a break fee of \$1.863 million (excluding GST) (**Break Fee**), without which it would not have entered into the Scheme Implementation Agreement; and
- (c) Gerard Lighting believes that it is appropriate to agree to the payment of the Break Fee in order to secure the participation of Lighting Investments in the Scheme. Further, Gerard Lighting acknowledges that the amount of the Break Fee is appropriate to compensate Lighting Investments for their reasonable external and internal costs and opportunity costs in connection with the Scheme.

Gerard Lighting has agreed to pay the Break Fee to Lighting Investments if:

- (a) Gerard Lighting is in material breach of any provision of the Scheme Implementation Agreement (including a material breach of a representation or warranty) and the Scheme Implementation Agreement is terminated as a result of that material breach;
- (b) any member of the Gerard Lighting Board adversely changes, or withdraws, his recommendation that the Scheme is in the best interests of Gerard Lighting Shareholders or makes any public statement that he has adversely changed, or withdrawn, his recommendation that the Scheme is in the best interests of Gerard Lighting Shareholders, or makes an announcement in support of a Competing Proposal or any other transaction that would be likely to substantially reduce the likelihood of success of the Scheme or announces an intention to do any of those acts, other than in circumstances:
  - (A) where the Scheme:
    - (1) is not implemented by the End Date; or
    - (2) becomes incapable, for any reason, of being implemented by the End Date because a condition precedent to the Scheme has not been satisfied or becomes incapable of being satisfied (other than as a result of a breach by Gerard Lighting of any obligation it may have in the Scheme Implementation Agreement);
  - (B) where Lighting Investments is in material breach of any provision of the Scheme Implementation Agreement (including a material breach of a representation or warranty); or
  - (C) where the Independent Expert concludes (whether in its original or any subsequent opinion) that the Scheme is not in the best interests of Gerard Lighting Shareholders other than because of the existence of a Superior Proposal; or
- (c) the Gerard Lighting Board or any member of it recommends a Competing Proposal, other than in circumstances:
  - (A) where Lighting Investments is in material breach of any provision of the Scheme Implementation Agreement (including a material breach of a representation or warranty); or
  - (B) where the Independent Expert concludes (whether in its original or any subsequent opinion) that the Scheme is not in the best interests of Gerard Lighting Shareholders other than because of the existence of a Superior Proposal; or
- (d) Lighting Investments validly terminates the Scheme Implementation Agreement as a consequence of one of the conditions precedent in clause 2.1(e) (No Gerard Lighting Prescribed Event), clause 2.1(j) (Gerard Lighting Options), clause 2.1(l) (Statement of Voting Intention), clause 2.1(m) (Pre-emptive Rights and Margin Loan) or clause 2.1(o) (Restraint Deeds) of the Scheme Implementation Agreement, is not satisfied or waived, other than in circumstances:
  - (A) where Lighting Investments is in material breach of any provision of the Scheme Implementation Agreement (including a material breach of a representation or warranty); or
  - (B) where the Independent Expert concludes (whether in its original or any subsequent opinion) that the Scheme is not in the best interests of Gerard Lighting Shareholders other than because of the existence of a Superior Proposal,

provided that the Break Fee will not be payable if the Scheme (or a Lighting Investments Counter Proposal as described in Section 4.7(d) of this Scheme Booklet) is implemented with Lighting Investments.

The Break Fee is not payable merely because Gerard Lighting Shareholders do not approve the Scheme.

## 4 Implementation of the Scheme continued

### 4.9 Termination of the Scheme Implementation Agreement

Either Gerard Lighting or Lighting Investments may terminate the Scheme Implementation Agreement by notice in writing to the other:

- (a) in the circumstances summarised in Section 4.4 of this Scheme Booklet (relating to the non-satisfaction of a condition precedent);
- (b) before 8.00am (Adelaide time) on the Second Court Date, if the other party (defaulting party) is in breach of any provision of the Scheme Implementation Agreement (including a breach of a representation or warranty) and:
  - (i) that breach is material;
  - (ii) the non-defaulting party has given prompt written notice to the defaulting party setting out the breach; and
  - (iii) if the breach is capable of remedy, the breach is not remedied by the defaulting party within five Business Days (or such shorter period ending at 11.59pm (Adelaide time) on the Business Day before the Second Court Date) of it receiving a notice under sub-paragraph (ii);
- (c) before 5.00pm (Adelaide time) on the Business Day before the Second Court Date, if at the Scheme Meeting or any adjournment or postponement of it at which the Scheme is voted on, the Scheme is not approved by the requisite majority of Gerard Lighting Shareholders required under the Corporations Act; or
- (d) if the Scheme has not become Effective by the End Date, or becomes incapable, for any reason, of being Implemented by the End Date.

Further, Lighting Investments may terminate the Scheme Implementation Agreement by notice in writing to Gerard Lighting before 8.00am (Adelaide time) on the Second Court Date, if any Gerard Lighting Director:

- (a) adversely changes (including by attaching any qualifications to) or withdraws his recommendation that the Scheme is in the best interests of Gerard Lighting Shareholders or makes any public statement that he has qualified, adversely changed or withdrawn his recommendation that the Scheme is in the best interests of Gerard Lighting Shareholders; or
- (b) recommends, promotes or otherwise endorses a Competing Proposal; or
- (c) states an intention to change their voting intention in respect of any of their Gerard Lighting Shares (or any Gerard Lighting Shares that they can control the voting of).

Gerard Lighting may also terminate the Scheme Implementation Agreement by notice in writing to Lighting Investments before 8.00am (Adelaide time) on the Second Court Date:

- (a) if the Independent Expert concludes (whether in its original or any subsequent opinion) that the Scheme is not in the best interests of Gerard Lighting Shareholders;
- (b) if a majority of the Gerard Lighting Board withdraws its recommendation that the Scheme is in the best interests of Gerard Lighting Shareholders where:
  - (i) the Independent Expert concludes in the Independent Expert's Report (either initially or in any updated report) that the Scheme is not in the best interests of Gerard Lighting Shareholders;
  - (ii) the Gerard Lighting Board has determined in good faith after having obtained written advice from their legal and, if appropriate, their financial advisers that the Gerard Lighting Board, by virtue of their fiduciary or statutory duties:
    - (A) are no longer able to recommend to Gerard Lighting Shareholders that the Scheme be approved; or
    - (B) no longer consider that the Scheme is in the best interests of Gerard Lighting Shareholders and accordingly are required to withdraw such recommendation; or
  - (iii) Gerard Lighting receives a Competing Proposal that constitutes a Superior Proposal to the Scheme, Gerard Lighting has complied with its obligations referred to in Section 4.7 of this Scheme Booklet and either Lighting Investments decides not to exercise its matching right described in Section 4.7(d) of this Scheme Booklet or Lighting Investments has exercised its matching right and Gerard Lighting has complied with its obligations in relation thereto; or
- (c) if the Gerard Lighting Board, in good faith and acting reasonably, publicly recommends a Superior Proposal in accordance with clause 11 of the Scheme Implementation Agreement.

Gerard Lighting and Lighting Investments can also terminate the Scheme Implementation Agreement by written agreement between them.

If the Scheme Implementation Agreement is terminated, Gerard Lighting and Lighting Investments will no longer be obliged to proceed with the Scheme.

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Information about Gerard Lighting

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## 5 Information about Gerard Lighting

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### 5.1 Responsibility for information

The information set out in this Section 5 was prepared by Gerard Lighting and Gerard Lighting is responsible for the information contained in this Section 5.

### 5.2 Background

Gerard Lighting's origins trace back to the formation of Pierlite during the 1950s, which was acquired by the Gerard family in the late 1980s. Pierlite initially specialised in adverse and hazardous lighting. Under the ownership of the Gerard family, Gerard Lighting, with Pierlite as its first business, grew both organically and via the acquisition of businesses, including Moonlighting, Aluminium Louvre Company, and CSE. Pierlite established a strategic alliance with Philips in March 2003 and continues to be a major distributor of Philips branded lamps to the Australian trade sector.

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

The initial public offering and ASX listing (**IPO**) of Gerard Lighting in 2010 marked a new chapter in Gerard Lighting's history. Since the IPO, Gerard Lighting has acquired Frend Lighting, White Lite, eneSolve, Pierlite UK, Nimbus Lighting Group and Home Lighting. In August 2011, Gerard Lighting announced the signing of a strategic alliance with, and minority investment in, Illumitex Inc, a leading United States-based LED technology firm.

### 5.3 Overview of Gerard Lighting

The 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 FY2012 of \$389 million. The business is vertically integrated, incorporating research, design, manufacture, global sourcing, importation and distribution.




The Gerard Lighting Group 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 brand portfolio consists of a diverse range of businesses of varying sizes servicing all segments of the lighting industry, incorporating Pierlite, Sylvania, Crompton, Moonlighting, Inlite and Austube, all of which are leading lighting businesses in their respective market segments.

The Gerard Lighting Group's operations are conducted primarily in Australia and New Zealand. The group has offshore operations in the region bordered by the Indian Ocean, with strategic investments in India, the Middle East and Asia. In addition, the Gerard Lighting Group has a small trading operation in the United Kingdom, because most of the lighting trends emanate from Europe. The following table provides a brief description of Gerard Lighting's key businesses and brands:

Brand/Business	Business description
	<ul style="list-style-type: none"> <li>• Designs and distributes a diverse range of light fittings for the architectural, industrial and commercial markets.</li> <li>• Customer sales are supported by an extensive distribution network, with warehousing facilities in New Zealand, and every major city in Australia.</li> <li>• Holds exclusive agency agreements in Australia with a number of prestigious international lighting companies, including Hoffmeister, Accuity Brands, DOT Downlights, Disano, V-Lux, Holophane and Goccia. The Hoffmeister and Disano agencies also extend to New Zealand.</li> <li>• Remains a major distributor of Philips branded lamps to the Australian trade sector.</li> </ul>
	<ul style="list-style-type: none"> <li>• Sylvania Lighting is a manufacturer and distributor of luminaries for architectural, industrial, commercial, and public lighting applications. Sylvania Lighting is also a major distributor of lamps.</li> <li>• Owns highly regarded brand names such as Sylvania Lighting (and derivations) and Concord Lighting and Lumiance for use in Australia and New Zealand. Sylvania is the exclusive distributor for Siteco (formerly Siemens Lighting) in Australia and New Zealand.</li> <li>• Also incorporates the CSE business which designs and manufactures electrical equipment for hazardous and arduous locations in Australia.</li> </ul>
	<ul style="list-style-type: none"> <li>• Has been operating since 1887 and is one of the largest lighting brands in Australia.</li> <li>• Operations consist of sourcing low-cost lamps and lighting products, primarily from China and Europe and distributing lighting products under its own brand and other brands such as Expo Light, Focus, Lightstar, Bug Zapper and Insect-o-Cutter.</li> <li>• Has extensive distribution channels through electrical wholesalers, lighting retailers, lighting specialists and hardware stores.</li> <li>• Exclusively distributes TridonicAtco lighting control equipment into the electrical wholesale market.</li> </ul>
	<ul style="list-style-type: none"> <li>• Moonlighting operates as a project lighting supply specialist of commercial, architectural, light industrial and medical luminaries to the electrical construction industry.</li> <li>• Moonlighting works with the professional sectors of the construction market focussed on both specification and design and construct projects.</li> <li>• Moonlighting owns the brands Sun Lighting, Cellite, Regal Lighting, Aero and Select Lighting. In addition the business is the exclusive Australian distributor of Lithonia, Troll, Luxo, Luxit, SIDE, Fosnova, Planet and Atomis ranges.</li> </ul>

## 5 Information about Gerard Lighting continued

Brand/Business	Business description
	<ul style="list-style-type: none"> <li>• Is a high end project-based light distributor focused on commercial architectural projects in the architectural and specification market.</li> <li>• Its products are sold to specification and require a high level of technical sophistication, with no commodity products in its range.</li> <li>• Exclusive distributor in Australia of Delta Light, Dark, Prandina, Marset and Meyer.</li> </ul>
 <small>TUBULAR LIGHTING SYSTEMS</small>	<ul style="list-style-type: none"> <li>• Established in 1994, Austube is the Gerard Lighting Group's specialist division, supplying linear aluminium lighting systems.</li> <li>• Working closely with engineers, architects and key specifiers, Austube focuses on custom designed lighting.</li> <li>• Austube lighting profiles 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.</li> </ul>
	<ul style="list-style-type: none"> <li>• Is one of the few manufacturers of lighting products remaining in Australia.</li> <li>• Operates from the largest facility of its type in Australia.</li> </ul>

### 5.4 Directors and senior management

#### (a) Directors

The current directors of Gerard Lighting are:

- Mr Robert Gerard AO, Chairman
- Mr Simon Gerard, Managing Director and Chief Executive
- Mr Richard Allert AO FCA, Deputy Chairman, Independent Non-Executive Director
- Mr Graham Walters AM FCA, Independent Non-Executive Director
- Mr Michael Crompton GAICD, Independent Non-Executive Director
- Mr Gary Savage FCA, Executive Director, Company Secretary (Joint)
- Mr Graham Ellis CPA, CFO, alternate to Gary Savage

#### (b) Senior management

Key members of Gerard Lighting's senior management team include:

- Mr Mark Pearson CA, Group General Manager & Company Secretary (Joint)
- Mr Ben Mills, Executive General Manager Pierlite
- Mr Mark West, Executive General Manager Sylvania Lighting
- Mr Michael Cotterill, Executive General Manager Crompton Lighting
- Mr Edwin Sargeant, Executive General Manager Austube
- Mr Martin Kaye, Executive General Manager Moonlighting
- Mr Phil Eaton, Executive General Manager Inlite



## 5.5 Gerard Lighting financial overview

### (a) Overview

The sections below set out summary financial information in relation to Gerard Lighting. The summary historical financial information has been extracted from Gerard Lighting's audited financial statements for the financial years ended 30 June 2011 and 30 June 2012, released to the ASX on 22 August 2011 and 10 August 2012, respectively.

The financial information contained in this section has been presented in an abbreviated form and does not contain all of the disclosures, statements or comparative information as required by Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act.

Copies of the audited financial statements and company announcements from which the following historical financial information has been extracted can be found on Gerard Lighting's website at [www.gerardlighting.com.au](http://www.gerardlighting.com.au). Gerard Lighting shareholders may also contact Gerard Lighting for copies of published audited financial statements free of charge.

### (b) Consolidated income statement

Set out below is a summary of Gerard Lighting's consolidated income statements for FY2011 and FY2012.

Year to 30 June (\$'000)	Audited	
	FY2011	FY2012
Revenue	403,601	388,296
Other income	813	999
	<b>404,414</b>	<b>389,295</b>
Materials and consumables used	(191,339)	(181,662)
Employee benefits expense	(99,855)	(100,530)
Depreciation and amortisation expense	(4,030)	(4,768)
Other expenses	(71,009)	(66,899)
<b>Results from operating activities</b>	<b>38,181</b>	<b>35,436</b>
Finance income	774	527
Finance costs	(9,307)	(8,773)
Net finance costs	(8,533)	(8,246)
Share of loss of equity accounted investees (net of income tax)	(36)	–
Profit before income tax	29,612	27,190
Income tax expense	(10,093)	(9,568)
<b>Profit for the period</b>	<b>19,519</b>	<b>17,622</b>

## 5 Information about Gerard Lighting continued

### (c) Consolidated balance sheet

Set out below is a summary of Gerard Lighting's consolidated balance sheet for FY2011 and FY2012.

As at 30 June (\$'000)	Audited	
	FY2011	FY2012
<b>Current assets</b>		
Cash and cash equivalents	19,981	7,409
Trade and other receivables	79,584	79,167
Inventories	68,021	75,651
Prepayments	2,551	2,600
<b>Total current assets</b>	<b>170,137</b>	<b>164,827</b>
<b>Non-current assets</b>		
Trade and other receivables	576	1,510
Other financial assets	30	882
Investments in equity accounted investees	614	–
Deferred tax assets	8,386	7,093
Property, plant and equipment	24,370	29,330
Intangible assets	89,932	102,720
<b>Total non-current assets</b>	<b>123,908</b>	<b>141,535</b>
<b>Total assets</b>	<b>294,045</b>	<b>306,362</b>
<b>Current liabilities</b>		
Trade and other payables	62,231	62,910
Interest-bearing liabilities	5,283	7,391
Income tax payable	11,488	2,186
Provisions	12,309	12,426
<b>Total current liabilities</b>	<b>91,311</b>	<b>84,913</b>
<b>Non-current liabilities</b>		
Interest-bearing liabilities	78,990	91,071
Provisions	1,600	1,925
<b>Total non-current liabilities</b>	<b>80,590</b>	<b>92,996</b>
<b>Total liabilities</b>	<b>171,901</b>	<b>177,909</b>
<b>Net assets</b>	<b>122,144</b>	<b>128,453</b>
<b>Equity</b>		
<b>Equity attributable to equity holders of the company</b>		
Share capital	86,368	86,168
Retained earnings	17,944	26,143
Other reserves	15,750	13,688
<b>Equity attributable to equity holders of the company</b>	<b>120,062</b>	<b>125,999</b>
Non controlling interest	2,082	2,454
<b>Total equity</b>	<b>122,144</b>	<b>128,453</b>

**(d) Consolidated cash flow statement**

Set out below is a summary of Gerard Lighting's consolidated cash flow statements for FY2011 and FY2012.

As at 30 June (\$'000)	Audited	
	FY2011	FY2012
<b>Cash flows from operating activities</b>		
Cash receipts from customers	445,788	428,790
Cash paid to suppliers and employees	(402,962)	(395,610)
Cash generated from operations	42,826	33,180
Interest paid	(8,254)	(8,773)
Income taxes paid	(6,401)	(17,527)
<b>Net cash from operating activities</b>	<b>28,171</b>	<b>6,880</b>
<b>Cash flows from investing activities</b>		
Interest received	774	391
Acquisition of subsidiaries – net of cash acquired	(7,252)	56
Acquisition of business	(1,829)	(11,022)
Investments in equity accounted investees	(650)	–
Investments in outside entities	–	(2,721)
Proceeds from sale of property, plant and equipment	272	72
Product development – capitalised	(650)	(1,109)
Acquisition of property, plant and equipment	(5,283)	(9,340)
<b>Net cash flows used in investing activities</b>	<b>(14,618)</b>	<b>(23,673)</b>
<b>Cash flows from financing activities</b>		
Payment for share buy-back	–	(200)
Net increase in borrowings	237	14,398
Finance lease repayments	(65)	(209)
Payment of dividends on ordinary shares	(8,319)	(9,735)
<b>Net cash flows used in financing activities</b>	<b>(8,147)</b>	<b>4,254</b>
Net increase in cash and cash equivalents	5,406	(12,539)
Effect of exchange rate fluctuations on cash held	(115)	(33)
Cash and cash equivalents at beginning of period	14,690	19,981
<b>Cash and cash equivalents at end of period</b>	<b>19,981</b>	<b>7,409</b>

**5.6 Material changes in financial position since 30 June 2012 and other developments**

The Directors are not aware of any material changes to the financial position of Gerard Lighting since 30 June 2012.

The Directors are not aware of any likely developments that may significantly affect Gerard Lighting not included within this Scheme Booklet.

**5.7 Historical share price performance**

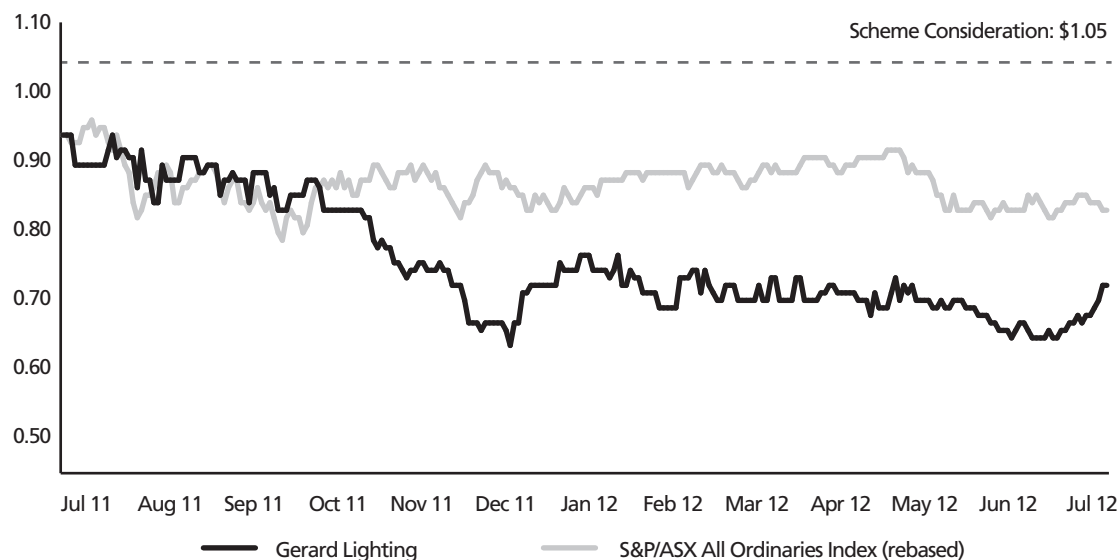
The last recorded sale price of Gerard Lighting Shares traded on the ASX was \$0.81 on 16 July 2012, being the day on which the trading halt was requested prior to the announcement of the Scheme on 18 July 2012.

The closing price of Gerard Lighting Shares on 13 July 2012, being the last trading day prior to the trading halt on 16 July 2012, was \$0.75.

The VWAP of Gerard Lighting Shares on the ASX for the one, three and six month periods prior to 13 July 2012 were \$0.69, \$0.71 and \$0.72, respectively.

## 5 Information about Gerard Lighting continued

The chart below shows the Gerard Lighting Share price performance from 13 July 2011 to 13 July 2012.



Source: CapitalIQ

### 5.8 Issued Gerard Lighting Shares

As at the date of this Scheme Booklet, Gerard Lighting had 176,729,681 fully paid ordinary shares on issue.

Gerard Lighting does not anticipate that it will be required to issue any Gerard Lighting Shares before the Implementation Date, but if it did such issue will be made in accordance with the terms of the Scheme Implementation Agreement.

### 5.9 Gerard Lighting Options

#### (a) Details about Gerard Lighting Options

As at the date of this Scheme Booklet, there are 14,800,000 Gerard Lighting Options on issue, all of which are held by Gerard Lighting Directors and members of Gerard Lighting's senior management team, details of which are set out below.

	Grant Date	Number of options	Exercise price	Expiry date
Richard Allert AO, FCA	19-Mar-10	500,000	\$1.00	31-Dec-15
Simon Gerard	19-Mar-10	5,000,000	\$1.00	31-Dec-15
	28-Nov-11	1,000,000	\$1.00	30-Apr-16
Graham Walters AM, FCA	19-Mar-10	500,000	\$1.00	31-Dec-15
Gary Savage FCA	19-Mar-10	2,000,000	\$1.00	31-Dec-15
	28-Nov-11	500,000	\$1.00	30-Apr-16
Graham Ellis CPA	19-Mar-10	2,000,000	\$1.00	31-Dec-15
	28-Nov-11	500,000	\$1.00	30-Apr-16
Senior management	28-Nov-11	2,800,000	\$1.00	30-Apr-16

The Gerard Lighting Options are not quoted on the ASX. The Gerard Lighting Options are not capable of being exercised before the Effective Date.

#### (b) Option Cancellation Deeds

Gerard Lighting and Lighting Investments have entered into Option Cancellation Deeds with each of the holders of Gerard Lighting Options.

Under the terms of the Option Cancellation Deeds, the Gerard Lighting Options will be cancelled with effect from the Effective Date and, in consideration for their cancellation, Gerard Lighting will pay each holder of Gerard Lighting Options on the Implementation Date an amount per Gerard Lighting Option calculated by subtracting the exercise price of the relevant Gerard Lighting Option from the Scheme Consideration.

The ASX has granted a waiver of ASX Listing Rule 6.23.2 to permit the cancellation of the Gerard Lighting Options in accordance with the terms of the Options Cancellation Deeds.

Sections 8.5 and 8.6 of this Scheme Booklet contain information regarding the interests of Gerard Lighting Directors in relation to the cancellation of the Gerard Lighting Options under the Option Cancellation Deeds.

#### 5.10 Top 20 Gerard Lighting Shareholders

As at close of trading on the last trading day prior to the date of this Scheme Booklet the top 20 Gerard Lighting Shareholders in the Gerard Lighting Register held approximately 93.7% of all issued Gerard Lighting Shares.

#### 5.11 Gerard Lighting Substantial Shareholders

The substantial holders (within the meaning of the Corporations Act) of Gerard Lighting Shares as at close of trading on the last trading day prior to the date of this Scheme Booklet are as follows:

Name	Number of Gerard Lighting Shares	Percentage of Gerard Lighting Shares
Gerard Lighting Investments No. 1 Pty Ltd	46,919,603	26.5%
Gerard Lighting Investments No. 2 Pty Ltd	45,080,397	25.5%
K2 Asset Management	16,487,637	9.3%
AMP Life Limited (and its subsidiaries)	13,655,099	7.6%
IOOF Holdings Limited	12,172,901	6.9%

For this purpose, the Corporations Act provides that a person has a substantial holding in a body corporate if the total votes attached to voting shares in the body corporate in which the person, or their associates, have relevant interests (and would have a relevant interest but for sections 609(6) (market traded options) or 609(7) (conditional agreements) of the Corporations Act) is 5% or more of the total number of votes attached to voting shares in the body corporate.

Gerard Lighting has relied on substantial holder notices provided to it up to the date of this Scheme Booklet, which are available on the ASX website, to compile the above table. Information in regard to substantial holdings arising, changing or ceasing after this time or in respect of which the relevant announcement is not available on the ASX website is not included above.

#### 5.12 Litigation

As at the date of this Scheme Booklet, Gerard Lighting is not involved in, and to the best of its knowledge, is not party to, any material litigation.

#### 5.13 Risk factors

The risk factors in this Section 5.13 are existing risks relating to Gerard Lighting's business and the industry in which it operates. These risks will only continue to be relevant to Gerard Lighting Shareholders if the Scheme is not implemented and Gerard Lighting Shareholders retain their current investment in Gerard Lighting.

If the Scheme proceeds, Gerard Lighting Shareholders will cease to be Gerard Lighting Shareholders and will no longer be exposed to the risks set out in this Section 5.13.

##### (a) General risk factors

As with any entity with listed securities on the ASX, the future prospects, operating and financial performance of Gerard Lighting and the value of Gerard Lighting Shares are affected by a variety of general business cycles, economic and political factors in Australia and overseas, including economic growth, inflation, interest rates, employment levels, changes in government fiscal or regulatory regimes and foreign trade policies, changes in accounting or financial reporting standards, and changes in taxation laws (or their interpretation) or regulations in the markets in which Gerard Lighting sells its products. Deterioration of the general economic conditions, adverse foreign exchange rate movements, the Australian and overseas stock markets, natural disasters and catastrophic events may also affect Gerard Lighting's operating and financial position.

##### (b) Specific risk factors

Specific risk factors for Gerard Lighting include, but are not limited to, the following:

###### (i) Competition

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

## 5 Information about Gerard Lighting continued

### (ii) Building industry

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

### (iii) Project sales revenue

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

### (iv) Customer concentration

A significant proportion of the Gerard Lighting Group's revenue and earnings is generated from Australian electrical wholesalers. Over recent years, the Australian electrical wholesale industry has consolidated to four major participants. In addition, the Gerard Lighting Group has a significant long standing retailer as a key customer of one of its businesses. These customers may materially reduce their business with the Gerard Lighting Group which may adversely affect the Gerard Lighting Group's financial performance and position.

### (v) Technological change

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

### (vi) Loss or changes to distribution arrangements

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

### (vii) Suppliers and supply chain

The Gerard Lighting Group is subject to a number of risks in relation to its suppliers and supply chain, which include, but are not limited to, changes in pricing or other key terms of business, failure or delay in supply of products, failure of distribution service providers or infrastructure, and risks associated with sourcing products from overseas, including political instability, increased security requirements for foreign goods, costs and delays in international shipping arrangements, imposition of taxes and other charges, as well as restrictions on imports, currency and exchange rate risks.

The impact of these risks could mean that the Gerard Lighting Group may suffer inventory shortages, a reduction in revenue, higher raw materials or inventory costs, a reduction in margins and overall profitability and a loss of market share which may materially adversely affect its future financial performance and financial position.

### (viii) Foreign exchange rates

The majority of goods that are sourced by the Gerard Lighting Group from Asia are priced in United States dollars (**US\$**). As the Gerard Lighting Group has a practice of hedging a proportion of its foreign currency exposure through forward exchange contracts, significant fluctuations in the A\$/US\$ exchange rates could result in its competitors sourcing their products at relatively more favourable exchange rates. This may require the Gerard Lighting Group to reduce its pricing to maintain its competitive position.

### (ix) Performance of overseas entities

The Gerard Lighting Group has international offices in India, the Middle East and Asia. In addition, the Gerard Lighting Group has a small trading operation in the United Kingdom, because most of the lighting trends emanate from Europe. The risk of under-performance in these regions due to deterioration in domestic economic conditions, political instability, difficulty of managing operations due to distance and foreign exchange rate risks, may adversely impact the Gerard Lighting Group's future performance and financial position.

### (x) Loss of key management personnel

The Gerard Lighting Group's success depends to a significant extent on its key personnel, in particular, the senior management team discussed in Section 5.4. The loss of key personnel and an inability to recruit or retain suitable replacement or additional personnel may adversely affect the Gerard Lighting Group's future financial performance.

## (xi) Management of growth strategy including acquisition growth

The Gerard Lighting Group's growth profile and business plan includes the development of new products. There is a risk that these new products may be unsuccessful or require high levels of advertising spend which may have an adverse effect on the Gerard Lighting Group's financial performance or operating margins.

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

## (xii) Litigation

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

**5.14 ASIC and ASX lodgements and disclosures**

Gerard Lighting is a disclosing entity for the purpose of the Corporations Act, and as such is subject to continuous reporting and disclosure obligations. Specifically, as an ASX listed company, Gerard Lighting is subject to the ASX Listing Rules which require it (subject to certain exceptions) to notify the ASX immediately of any information of which it becomes aware concerning Gerard Lighting that a reasonable person would expect to have a material effect on the price or value of its shares. The following table summarises key announcements made by Gerard Lighting in the period since 31 December 2011:

Date	Announcement
28 August 2012	Change in substantial holding from IOOF Holdings Limited
10 August 2012	Media Release – Preliminary Final Report
10 August 2012	Appendix 4E
2 August 2012	Ceasing to be a substantial holder from Commonwealth Bank of Australia
25 July 2012	Change in substantial holding from Commonwealth Bank of Australia
18 July 2012	Appendix 3F – Final Share Buy-Back Notice
18 July 2012	Scheme Implementation Agreement
16 July 2012	Request for Trading Halt
2 July 2012	Form 484 – Cancellation of Shares
2 July 2012	Shareholder Newsletter
16 May 2012	Change in substantial holding from Commonwealth Bank of Australia
29 March 2012	Appendix 3E – Daily Buy-Back Notice
9 March 2012	Shareholder Newsletter
2 March 2012	Appendix 3E – Daily Buy-Back Notice
20 February 2012	Dec 2011 Half Year – CEO presentation
20 February 2012	Dec 2011 Half Year Results – Media Announcement
20 February 2012	Half Yearly Report and Accounts
14 February 2012	Notice of change of interests of substantial holder from IOOF Holdings Limited
7 February 2012	Release Date – Half Year Results
31 January 2012	Acquisition completion – Nimbus Lighting Group Ltd and Home Lighting Ltd

The disclosures made by Gerard Lighting to the ASX are available from the ASX's website at [www.asx.com.au](http://www.asx.com.au). Further announcements concerning material developments in relation to Gerard Lighting will continue to be available on that website after the date of this Scheme Booklet.

In addition, Gerard Lighting is required to lodge annual and half yearly financial reports with ASIC. Copies of these and other documents lodged with ASIC by Gerard Lighting may be obtained from ASIC. Gerard Lighting will provide free of charge, to any holder of Gerard Lighting Shares who requests it before the Scheme is approved by order of the Court, a copy of:

- any continuous disclosure notice given to the ASX by Gerard Lighting after the lodgement with ASIC of the annual financial report of Gerard Lighting for the year ended 30 June 2012 referred to above and before the date of this Scheme Booklet; and
- the annual financial report, directors' report and auditor's report of Gerard Lighting for the year ended 30 June 2012.

Copies of Gerard Lighting's continuous disclosure notices and annual and half yearly financial reports may also be obtained from Gerard Lighting's website at [www.gerardlighting.com.au](http://www.gerardlighting.com.au).

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Information about the CHAMP III Funds and the CHAMP Bid Entities

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### 6.1 Responsibility for information

The information set out in this Section 6 was prepared by Lighting Investments and Lighting Investments is responsible for the information contained in this Section 6.

### 6.2 Background and corporate structure

#### (a) CHAMP III Funds

CHAMP Private Equity is an Australian-based private equity firm with offices in Sydney and Brisbane and affiliated offices in Singapore and New York.

CHAMP Private Equity closed its latest fund, CHAMP III Funds, with aggregate committed capital of approximately \$1.5 billion.

The CHAMP III Funds comprise a number of entities managed or advised by CHAMP III Management Pty Ltd and its Related Bodies Corporate, which are part of CHAMP Private Equity. The CHAMP III Funds comprise:

- CHAMP Buyout III LP which invests via CHAMP Buyout III Pte Ltd (which is wholly owned by CHAMP Buyout III GP Limited which is the General Partner of CHAMP Buyout III LP);
- CHAMP Buyout III Trust;
- CHAMP Buyout III (WW) Trust; and
- CHAMP Buyout III (SWF) Trust.

Current investments held by the CHAMP III Funds are:

- Accolade Wines, the largest wine company by volume in Australia;
- ATF Services, a provider of temporary fencing and height safety services in Australia and New Zealand; and
- oOh!media, a leading out-of-home media company with a presence in all major metropolitan and regional markets in Australia.

As at the date of this Scheme Booklet, the CHAMP Bid Entities and the CHAMP III Funds do not hold any Gerard Lighting Shares.

Further information about CHAMP Private Equity is available on its website at [www.champequity.com.au](http://www.champequity.com.au).

#### (b) CHAMP Bid Entities

The CHAMP Bid Entities are Lighting Investments Australia Pty Ltd, Lighting Investments Australia Finance Pty Ltd and Lighting Investments Australia Holdings Pty Limited.

Lighting Investments is a private Australian company that was incorporated on 17 July 2012 for the purpose of acquiring the Gerard Lighting Shares. Lighting Investments has not undertaken any trading activities. All of the shares in Lighting Investments are owned by Lighting Investments Australia Finance Pty Limited (**Lighting Finance**) and will continue to be so held on and from the Implementation Date. If the Scheme

becomes Effective, Lighting Investments will own 100% of the Gerard Lighting Shares on or shortly after the Implementation Date.

Lighting Finance is a private Australian company that was incorporated on 17 July 2012 for the purpose of holding all of the shares in Lighting Investments. Lighting Finance has not undertaken any trading activities. All of the shares in Lighting Finance are owned by Lighting Investments Australia Holdings Pty Limited (**Lighting Holdings**) and will continue to be so held on and from the Implementation Date.

Lighting Holdings is a private Australian company that was incorporated on 17 July 2012 for the purpose of holding all of the shares in Lighting Finance. Lighting Holdings has not undertaken any trading activities. All of the shares in Lighting Holdings are owned by entities comprising the CHAMP III Funds and will continue to be so held on and from the Implementation Date.

The CHAMP III Funds will subscribe for shares in Lighting Holdings to enable Lighting Investments to fund the Scheme Consideration and other amounts. Following implementation of the Scheme, the CHAMP III Funds will hold all the share capital of Lighting Holdings.

### 6.3 Post-acquisition intentions of Lighting Investments

This Section sets out Lighting Investments' present intentions in relation to:

- the continuation of the business of Gerard Lighting;
- any major changes to be made to the business of Gerard Lighting including any redeployment of its fixed assets; and
- the future employment of the present employees of Gerard Lighting.

The statements made in this Section are statements of present intention only and are based on the information concerning Gerard Lighting made available by Gerard Lighting to Lighting Investments prior to the entry into the Scheme Implementation Agreement and the general business environment which is known to Lighting Investments. Accordingly, the statements set out in this Section 6.3 may change as new information becomes available or as circumstances change.

#### (a) Removal from the ASX

Lighting Investments intends to arrange for Gerard Lighting to be removed from the official list of the ASX after the Implementation Date.

#### (b) Head office

Lighting Investments intends for Gerard Lighting to maintain its current head office and other regional Australian offices following implementation of the Scheme.

## 6 Information about the CHAMP III Funds and the CHAMP Bid Entities continued

### (c) Employees

Lighting Investments' current intention is to retain Gerard Lighting's present employees, including the existing senior management team led by Simon Gerard.

### (d) Changes to Gerard Lighting constitution

Lighting Investments has no current intention to make changes to Gerard Lighting's constitution following implementation of the Scheme unless required under the terms of Lighting Investments' banking facilities. However, the constitution will be considered as part of Lighting Investments' broader review of Gerard Lighting and, if deemed appropriate, will be amended. As the sole shareholder of Gerard Lighting, Lighting Investments will alone be able to make changes to Gerard Lighting's constitution.

### (e) Business, operations and assets

It is the current intention of Lighting Investments to continue Gerard Lighting's focus on the lighting market and largely operate Gerard Lighting in its current form, while providing support to pursue organic and acquisition-based growth opportunities as appropriate.

Lighting Investments intends to continue to operate Gerard Lighting under its current name.

Lighting Investments will undertake a full strategic review of Gerard Lighting and its operations following implementation of the Scheme to determine how best to operate and further develop and grow the company. Decisions regarding future business operations will be made following the completion of that review. However, as at the date of this Scheme Booklet, Lighting Investments does not intend to dispose of any of Gerard Lighting's material assets.

### (f) Intentions generally

Other than as set out in this Section 6.3 and elsewhere in this Scheme Booklet, it is Lighting Investments' intention:

- to continue the business of Gerard Lighting;
- not to make any major changes to the business of Gerard Lighting;
- not to redeploy any of Gerard Lighting's fixed assets; and
- to continue the employment of Gerard Lighting's present employees.

## 6.4 Funding of the Scheme Consideration

Lighting Investments will fund the cash component of the Scheme Consideration through a combination of external debt facilities (subject to meeting conditions precedent to draw-down) and funds provided to Lighting Investments by the CHAMP III Funds. Each of these funding sources is described below. Although no final decision has been made as to the relative proportions of equity funding to debt funding that will be used to pay the aggregate Scheme Consideration, as at the date of this Scheme Booklet, the funding for the payment of the Scheme Consideration is likely to be approximately 70–75% from equity funding.

### (a) External debt facilities

Lighting Investments and Lighting Finance have entered into the Facility Agreement with the Transaction Financiers in respect of facilities, which when drawn in conjunction with the equity commitments to be provided by the CHAMP III Funds as described in Section 6.4(b) of this Scheme Booklet, will be sufficient to fund the acquisition of Gerard Lighting Shares pursuant to the Scheme, repay the existing indebtedness of the Gerard Lighting Group and pay related costs and expenses (**Lighting Investments Debt Facilities**).

The proceeds available under the Lighting Investments Debt Facilities, together with the CHAMP Funding (as described below), are in excess of the maximum amount that could be required to fund the Scheme Consideration and any required refinancing of the existing bank debt facilities of the Gerard Lighting Group. The Lighting Investments Debt Facilities are available subject to the satisfaction of a number of conditions precedent, the correctness of certain representations and warranties and that certain events of default have not occurred, all of which are customary for facilities of this nature.

Lighting Investments has no reason to believe that the Lighting Investments Debt Facilities will not be available to be drawn down on the Implementation Date.

### (b) Funding from CHAMP III Funds

Lighting Investments has a legally binding equity commitment letter from the manager of CHAMP Buyout III Trust, CHAMP Buyout III (SWF) Trust and CHAMP Buyout III (WW) Trust, CHAMP III Management Pty Limited, and the general partner of CHAMP Buyout III LP, CHAMP Buyout III GP Limited, dated 16 July 2012 (**Equity Commitment Letter**) under which each committed to Gerard Lighting that they will respectively arrange for the requisite funding to be drawn down from investors in the CHAMP III Funds to pay, and will ensure that Lighting Investments is in a position to meet its obligations to pay the Scheme Consideration (**CHAMP Funding**).

The obligation of the CHAMP III Funds to provide the CHAMP Funding under the Equity Commitment Letter is conditional on the Scheme becoming Effective and on the funds to be provided under the Lighting Investments Debt Facilities being available in full to Lighting Investments, subject only to the funding of the CHAMP Funding (i.e. the conditions precedent under the Lighting Investments Debt Facilities have been fulfilled other than in relation to the CHAMP Funding).

On the basis of the arrangements described above, the CHAMP Bid Entities believe they have reasonable grounds for holding the view, and hold the view, that Lighting Investments will be able to satisfy its obligation to pay the Scheme Consideration as and when it is due under the terms of the Scheme.

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## Australian taxation implications of the Scheme

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## 7 Australian taxation implications of the Scheme

### 7.1 Introduction

The following is an outline of the Australian tax consequences that will generally apply for Gerard Lighting Shareholders who dispose of their Gerard Lighting Shares under the Scheme. It does not take into account the specific circumstances of any particular Gerard Lighting Shareholder.

The outline reflects the current provisions of the *Income Tax Assessment Act 1936* (Cth), the *Income Tax Assessment Act 1997* (Cth), *Duties Act 1997 (NSW)*, the *New Tax System (Goods and Services Tax) Act 1999* (Cth) and the associated GST regulations, collectively referred to as “**the Tax Law**”, the regulations made under those acts and current administrative practices of the Australian Taxation Office. The Tax Law is frequently being changed, both prospectively and retrospectively. A number of key tax reform measures have been implemented, a number of other key reforms have been deferred and the status of some key reforms remains unclear at this stage.

No one should act on the information contained in this outline without seeking appropriate professional advice and without examining their particular situation.

### 7.2 Income tax implications – Australian resident shareholders

The following discussion applies to you if you are an Australian resident for the purposes of the Tax Law.

#### (a) Shares held on capital account

If the Scheme is approved, you will dispose of your Gerard Lighting Shares for tax purposes as a result of the implementation of the Scheme. Where your Gerard Lighting Shares are held on capital account, the disposal will give rise to a Capital Gains Tax (**CGT**) event (CGT Event A1). The CGT event will happen on the Implementation Date.

The tax implications for you from the disposal of your Gerard Lighting Shares will depend upon your specific circumstances, including your taxpayer status (e.g. whether you are an individual, a company, the trustee of a trust or a complying superannuation fund).

You will make a capital gain on the disposal of your Gerard Lighting Shares if the capital proceeds you receive exceed the cost base of your Gerard Lighting Shares. You will make a capital loss if the capital proceeds are less than the reduced cost base of your Gerard Lighting Shares.

All capital gains and capital losses of a taxpayer in a year of income are aggregated, together with any unapplied net capital loss from prior years (subject to satisfaction of any applicable loss utilisation rules). Any net capital gain for the year is included in the taxpayer’s assessable income and is subject to income tax at the taxpayer’s marginal tax rate, whilst a net capital loss may be carried forward to later income years.

#### CGT discount

You will be entitled to benefit from the CGT discount if:

- you have beneficially owned your Gerard Lighting Shares for at least 12 months at the Implementation Date; and
- you are an individual, the trustee of a trust, a complying superannuation entity, or in certain circumstances a life insurance company.

Where the CGT discount applies, you will be entitled to reduce your taxable capital gain realised on disposal of your Gerard Lighting Shares by 50% (for individuals and trustees holding Gerard Lighting Shares) or 33.33% (for complying superannuation entities and life insurance companies).

The CGT discount is applied only after available capital losses have been applied to reduce the capital gain. The CGT discount does not apply to capital losses.

The CGT discount will not be available to you if you are a company.

The rules relating to discount capital gains and trusts are complex. Trustees should seek their own advice as to how the discount capital gains provisions apply to them and their beneficiaries, having regard to their own particular circumstances.

#### (b) Shares held on revenue account

If the Scheme is approved, you will dispose of your Gerard Lighting Shares for tax purposes as a result of the implementation of the Scheme. If you hold your Gerard Lighting Shares as trading stock, or otherwise on revenue account, the profit that you realise on the disposal of your Gerard Lighting Shares will be included in your assessable income. Alternatively, if you realise a loss on sale, the loss should be an allowable deduction to you.

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### 7.3 Income tax implications – foreign shareholders

The following discussion applies to you if you are a non-resident of Australia for the purposes of the Tax Law.

#### (a) Shares held on capital account

Any capital gains or losses on disposal of your Gerard Lighting Shares may be disregarded where the following criteria are met:

- you have not used the Gerard Lighting Shares in carrying on business through an Australian permanent establishment; and
- you (and your associates) hold less than 10% of the Gerard Lighting Shares on the Implementation Date and have held less than 10% of the Gerard Lighting Shares throughout a 12 month period during the two years preceding the sale of your Gerard Lighting Shares.

Foreign Gerard Lighting Shareholders that have held 10% or more of the Gerard Lighting Shares, either alone or together with their associates, should obtain specific advice on the application of the Australian CGT rules to any gain or loss realised on sale.

#### (b) Shares held on revenue account

If you hold your Gerard Lighting Shares as trading stock, or otherwise on revenue account, you should obtain specific advice in determining the tax consequences of the disposal of your Gerard Lighting Shares in respect of the Tax Law in Australia and the tax laws of your country of residence, including the application of any double tax treaty between your country of residence and Australia.

### 7.4 Stamp duty implications

No stamp duty will be payable by any Gerard Lighting Shareholder on the disposal of the Gerard Lighting Shares to Lighting Investments. Lighting Investments, as the transferee/acquirer of those Gerard Lighting Shares, will be the party who will be liable for any stamp duty that is payable in respect of the Scheme.

### 7.5 Goods and services tax (GST) implications

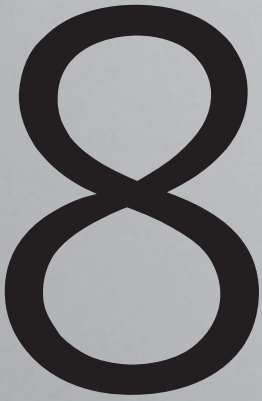
You will not be liable to pay GST on the Scheme consideration you receive for your Gerard Lighting Shares, regardless as to whether you are registered for GST. In the event that you are registered for GST, the disposal of the Gerard Lighting Shares should be considered an input taxed financial supply.

Gerard Lighting Shareholders may incur GST on costs (such as advisor fees) that relate to their participation in the Scheme. Gerard Lighting Shareholders that are registered, or required to be registered, for GST may not be entitled to full input tax credits for any GST payable on such costs, but may be entitled to reduced input tax credits for some acquisitions. This will depend on each Gerard Lighting Shareholder's individual circumstances.

Gerard Lighting Shareholders should seek their own independent tax advice in relation to the GST implications of their participation in the Scheme.

## Additional information

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## 8.1 Gerard Lighting Directors

The Gerard Lighting Directors in office at the date of lodgement of this Scheme Booklet for registration by ASIC are:

Name	Position
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 CPA	Chief Financial Officer, alternate to Gary Savage

Each of the Gerard Lighting Directors recommends Gerard Lighting Shareholders vote in favour of the Scheme, in the absence of a superior proposal. Pages 6 to 10 of this Scheme Booklet set out the reasons for the Gerard Lighting Directors' unanimous recommendations.

## 8.2 Interests in Gerard Lighting held by Gerard Lighting Directors

As at the date of this Scheme Booklet, the Gerard Lighting Directors have the following interests in securities in Gerard Lighting:

Name	No. of Gerard Lighting Shares in which an interest is held	No. of Gerard Lighting Options held
Robert Gerard AO	92,132,147 <sup>1</sup>	Nil
Richard Allert AO, FCA	100,000 <sup>2</sup>	500,000 options over ordinary shares with an exercise price of \$1.00 exercisable from 1 August 2015 to 31 December 2015
Simon Gerard	125,674 <sup>3</sup>	5,000,000 options over ordinary shares with an exercise price of \$1.00 exercisable from 1 August 2015 to 31 December 2015 1,000,000 options over ordinary shares with an exercise price of \$1.00 exercisable from 1 December 2015 to 30 April 2016
Graham Walters AM, FCA	120,000 <sup>4</sup>	500,000 options over ordinary shares with an exercise price of \$1.00 exercisable from 1 August 2015 to 31 December 2015
Michael Crompton GAICD	120,000 <sup>5</sup>	Nil
Gary Savage FCA	102,000 <sup>6</sup>	2,000,000 options over ordinary shares with an exercise price of \$1.00 exercisable from 1 August 2015 to 31 December 2015 500,000 options over ordinary shares with an exercise price of \$1.00 exercisable from 1 December 2015 to 30 April 2016
Graham Ellis CPA	44,000 <sup>7</sup>	2,000,000 options over ordinary shares with an exercise price of \$1.00 exercisable from 1 August 2015 to 31 December 2015 500,000 options over ordinary shares with an exercise price of \$1.00 exercisable from 1 December 2015 to 30 April 2016

<sup>1</sup> As described in Section 8.3, Robert Gerard is a director of each of the Gerard Family Shareholders and has other interests in respect of the 92 million Gerard Lighting Shares held by the Gerard Family Shareholders. Further, Robert Gerard also has an interest in 119,647 Gerard Lighting Shares held by Aranj Pty Ltd as trustee of the R&J Superannuation Fund and 12,500 Gerard Lighting Shares held by Jemic Pty Ltd as trustee of the F.E.G Superannuation Fund (Mr Gerard is a director and shareholder of both Aranj Pty Ltd and Jemic Pty Ltd and a beneficiary of the R&J Superannuation Fund and the F.E.G Superannuation Fund).

<sup>2</sup> Richard Allert has an interest in 100,000 Gerard Lighting Shares held by Kanjo Pty Ltd as trustee of the RH Allert Super Fund Account (Mr Allert is a director and shareholder of Kanjo Pty Ltd and a beneficiary of the RH Allert Super Fund).

<sup>3</sup> Simon Gerard has an interest in 115,674 Gerard Lighting Shares held by Madurta Pty Ltd as trustee of the SC Gerard Super Fund Account (Mr Gerard is a director and shareholder of Madurta Pty Ltd and a beneficiary of the SC Gerard Super Fund). He also has an interest in 10,000 Gerard Lighting Shares held by family members.

<sup>4</sup> Graham Walters has an interest in 114,000 Gerard Lighting Shares held by Zaru Pty Ltd as trustee of the GD Walters Superannuation Fund (Mr Walters is a director and shareholder of Zaru Pty Ltd and a beneficiary of the GD Walters Superannuation Fund). He also has an interest in 6,000 Gerard Lighting Shares held by family members.

<sup>5</sup> Michael Crompton has an interest in 120,000 Gerard Lighting Shares held by him as trustee for the Roundhead Super Fund (Mr Crompton is the trustee and a beneficiary of the Roundhead Super Fund).

<sup>6</sup> Gary Savage holds 100,000 Gerard Lighting Shares in his own name and has an interest in 2,000 Gerard Lighting Shares held by family members.

<sup>7</sup> Graham Ellis holds 32,000 Gerard Lighting Shares in his own name and has an interest in 12,000 Gerard Lighting Shares held by family members.

## 8 Additional information continued

The effect of the Scheme on the interests in Gerard Lighting Shares held by Gerard Lighting Directors will be no different from the effect on the like interests of other persons.

In relation to the Gerard Lighting Options referred to above, each of the Gerard Lighting Directors who holds Gerard Lighting Options has entered into an Option Cancellation Deed with Gerard Lighting and Lighting Investments pursuant to which those Gerard Lighting Options will be cancelled with effect from the Effective Date of the Scheme in consideration for the payment in cash on the Implementation Date of an amount calculated by subtracting the exercise price of the relevant Gerard Lighting Option from the Scheme Consideration.

### 8.3 Interests of Gerard Family Shareholders

As at the date of this Scheme Booklet, Gerard Lighting has 92,000,000 Gerard Lighting Shares on issue held by the Gerard Family Shareholders as follows:

Shareholder	Number of Gerard Lighting Shares	Percentage of Gerard Lighting Shares
Gerard Lighting Investments No. 1 Pty Ltd	46,919,603	26.5%
Gerard Lighting Investments No. 2 Pty Ltd	45,080,397	25.5%
TOTAL	92,000,000	52%

Gerard Lighting Investments No. 1 Pty Ltd (**GLI1**) is owned by Gerard Group Lighting Pty Ltd (**GGL**) which is in turn owned by five entities, each of which is trustee of a family trust for a branch of the Gerard family. Gerard Lighting Investments No. 2 Pty Ltd (**GLI2**) is owned by the same five entities on the same trusts.

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

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

Gary Savage, an Executive Director of Gerard Lighting, is also a director of GLI1, GLI2 and GGL and one of the trustee companies.

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

An effect of the pre-emption deed is that GLI1 and GLI2 have a 'relevant interest' in each other's Gerard Lighting Shares, and the shareholders in GLI1, GLI2 and GGL are deemed to have a 'relevant interest' in the Gerard Lighting Shares held by GLI1 and GLI2.

It is a condition precedent to the Scheme that, before 8.00am (Adelaide time) on the Second Court Date, GLI1, GLI2 and GGL each enter into the Consent Deed and not terminate, rescind or amend that Consent Deed (without the consent of Lighting Investments). Pursuant to the Consent Deed, each of GLI1, GLI2 and GGL will consent to the transfer pursuant to the Scheme of any Gerard Lighting Shares the subject of the Pre-Emption Deed. See Sections 4.3 and 4.4 of this Scheme Booklet for further information regarding the conditions precedent to the Scheme.



#### **8.4 Interests in CHAMP Bid Entities held by Gerard Lighting Directors**

Other than as set out in this Section 8.4, no marketable securities in the CHAMP Bid Entities or their Related Bodies Corporate are held by, or on behalf of, any Gerard Lighting Director as at the date of this Scheme Booklet.

Richard Allert has an interest in a \$64,288 investment as at 31 March 2012 (committed capital \$200,000) in the CHAMP Buyout II Trust and an interest in a \$64,243 investment as at 31 March 2012 (committed capital \$250,000) in the CHAMP Buyout III Trust, both of which interests are held by Kanjo Pty Ltd as trustee of the RH Allert Super Fund Account. Mr Allert is a director and shareholder of Kanjo Pty Ltd and a beneficiary of the RH Allert Super Fund.

Graham Walters has an interest in a \$35,241 investment as at 31 March 2012 (committed capital \$50,000) in the CHAMP Ventures Investments Trust No. 6A and an interest in a \$35,241 investment as at 31 March 2012 (committed capital \$50,000) in the CHAMP Ventures Investments Trust No. 6B, both of which interests are held by Zaru Pty Ltd as trustee of the GD Walters Superannuation Fund. Mr Walters is a director and shareholder of Zaru Pty Ltd and a beneficiary of the GD Walters Superannuation Fund.

Messrs Allert and Walters believe that their respective interests set out above are not material and do not affect their independence.

#### **8.5 Payments or other benefits to Gerard Lighting Directors, secretaries and executive officers**

Save as set out in this Section 8.5, no payment or other benefit will be made or given to any Gerard Lighting Director or any secretary or executive officer of Gerard Lighting, or any body corporate related to Gerard Lighting, as compensation for loss of, or as consideration for or in connection with, his or her retirement from office as Gerard Lighting Director, secretary or executive officer of Gerard Lighting or a body corporate connected with Gerard Lighting.

##### **(a) Entitlements under services agreements**

Pursuant to the Managing Director's employment contract:

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

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

Standard terms of the senior managers' employment contracts include:

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

Gary Savage, Executive Director, is required to give six months' notice in writing to Gerard Lighting to terminate his employment. Gerard Lighting may terminate Gary Savage's employment by giving six months' notice (or payment in lieu of notice).

Graham Ellis, alternate Director to Gary Savage, is required to give six months' notice in writing to Gerard Lighting to terminate his employment. Gerard Lighting may terminate Graham Ellis' employment by giving twelve months' notice (or payment in lieu of notice).

Mark Pearson, Gerard Lighting's joint company secretary with Gary Savage, is required to give three months' notice in writing to Gerard Lighting to terminate his employment. Gerard Lighting may terminate Mark Pearson's employment by giving twelve months' notice (or payment in lieu of notice).

On termination, the Executive Directors and executive officers are entitled to payment of accrued annual and long service leave.

Michael Crompton, one of Gerard Lighting's Independent Non-Executive Directors, is entitled to receive a termination payment of \$100,000 on ceasing to be a Gerard Lighting Director. Except as disclosed in this Section 8.5, no other Gerard Lighting Directors are entitled to any termination payments.

##### **(b) Entitlements conditional upon the Schemes becoming Effective**

If the Schemes become Effective, the Gerard Lighting Directors will be entitled to the following payments:

- (i) Richard Allert – a payment of \$25,000 in consideration for the cancellation of the 500,000 Gerard Lighting Options he holds (see Section 8.6 of this Scheme Booklet for further details);

## 8 Additional information continued

- (ii) Simon Gerard – a payment of \$300,000 in consideration for the cancellation of the 6,000,000 Gerard Lighting Options he holds (see Section 8.6 of this Scheme Booklet for further details);
- (iii) Graham Walters – a payment of \$25,000 in consideration for the cancellation of the 500,000 Gerard Lighting Options he holds (see Section 8.6 of this Scheme Booklet for further details);
- (iv) Gary Savage – a payment of \$125,000 in consideration for the cancellation of the 2,500,000 Gerard Lighting Options he holds (see Section 8.6 of this Scheme Booklet for further details); and
- (v) Graham Ellis – a payment of \$125,000 in consideration for the cancellation of the 2,500,000 Gerard Lighting Options he holds (see Section 8.6 of this Scheme Booklet for further details).

Further, Mark Pearson, Gerard Lighting's joint company secretary with Gary Savage, is entitled to a payment of \$12,500 in consideration for the cancellation of the 250,000 Gerard Lighting Options he holds (see Section 8.6 of this Scheme Booklet for further details).

### 8.6 Other agreements or arrangements connected with or conditional on the Scheme

Except as set out in this Section 8.6, in Section 8.10 or as set out elsewhere in this Scheme Booklet, there is no agreement or arrangement made between any Gerard Lighting Director or any secretary or executive officer of Gerard Lighting and any other person in connection with or conditional on the outcome of the Scheme:

- (a) each Gerard Lighting Director and any secretary or executive officer of Gerard Lighting who holds Gerard Lighting Shares at the Scheme Record Date will be entitled to receive the Scheme Consideration in accordance with the terms of the Scheme;
- (b) Lighting Investments has acknowledged in the Scheme Implementation Agreement, that none of Gerard Lighting and its representatives, to the maximum extent permitted by law, makes any representation or warranty as to the accuracy, reasonableness, completeness or relevance of any Gerard Lighting due diligence information disclosed to Lighting Investments (**Gerard Lighting DD Information**), accepts any responsibility for any false, inaccurate or misleading Gerard Lighting DD Information or for any opinion formed or conclusion drawn as a result of examining the Gerard Lighting DD Information, accepts any responsibility to inform Lighting Investments or any of its representatives of any matter arising or coming to the notice of Gerard Lighting which may affect or qualify any Gerard Lighting DD Information or is liable for any loss of any kind (including without limitation any consequential or economic loss) arising from any inaccuracy, incompleteness or similar defect in the Gerard Lighting DD Information or any default, negligence or lack of care in relation to the preparation or provision of the Gerard Lighting DD Information;
- (c) Richard Allert, Simon Gerard, Graham Walters, Gary Savage, Graham Ellis and Mark Pearson have each entered into an Option Cancellation Deed with Gerard Lighting and Lighting Investments in respect of the Gerard Lighting Options they hold. Under the Option Cancellation Deeds, their respective Gerard Lighting Options will be cancelled with effect from the Effective Date of the Scheme in consideration for the payment on the Implementation Date of an amount per Gerard Lighting Option calculated by subtracting the exercise price of the relevant Gerard Lighting Option from the Scheme Consideration. Details of the payment to be made to each of Richard Allert, Simon Gerard, Graham Walters, Gary Savage, Graham Ellis and Mark Pearson in consideration for the cancellation of their Gerard Lighting Options is set out in Section 8.5(b) of this Scheme Booklet; and

- (d) Robert Gerard and Simon Gerard have each entered into the Restraint Deeds to which they are a party with Gerard Lighting pursuant to which each of them has agreed that they will not, with effect from implementation of the Scheme, engage in certain activities, including engaging in a business or activity that is the same or similar to, or competitive with, the business or any material part of the business of the Gerard Lighting Group or solicit or induce employees or suppliers away from any member of the Gerard Lighting Group. Robert Gerard's restraint applies for a period of up to seven years from the Implementation Date. Simon Gerard's restraint applies for a period of up to five years from the Implementation Date.

### **8.7 Interests held by Gerard Lighting Directors in contracts of Lighting Investments**

Other than as set out in Section 8.6 above, no Gerard Lighting Director has an interest in any contract entered into by Lighting Investments.

### **8.8 Other Interests of Gerard Lighting Directors**

Except as set out in this Scheme Booklet, no Gerard Lighting Director has any other interest material to the Scheme.

### **8.9 Gerard Lighting Directors' intentions regarding the business, assets and employees of Gerard Lighting**

If the Scheme becomes Effective, all Gerard Lighting Shares will be transferred to Lighting Investments, all Gerard Lighting Options will be cancelled and Lighting Investments will be the sole shareholder of Gerard Lighting. It is the present intention of Lighting Investments to reconstitute the Gerard Lighting Board so that it controls the Gerard Lighting Board. As such, it is not possible for the Gerard Lighting Directors to provide a statement of their intentions regarding:

- the continuation of the business of Gerard Lighting;
- any major changes to be made to the business of Gerard Lighting, including any redeployment of the fixed assets of Gerard Lighting; or
- the future employment of the present employees of Gerard Lighting.

The intentions of Lighting Investments in relation to these matters are outlined above in Section 6.3 of this Scheme Booklet.

### **8.10 Consequences of the Scheme for Gerard Lighting employee incentive schemes**

Under the Scheme Implementation Agreement, Gerard Lighting must suspend the operation of the Gerard Lighting Non-Executive Director Option Plan and the Gerard Lighting Long Term Incentive Plan (subject to any rights or options already issued or agreed to be issued as at the date of the Scheme Implementation Agreement provided that any dealings or issues are not made without the prior consent of Lighting Investments, such consent not to be unreasonably withheld).

#### **Non-Executive Director Option Plan**

On 19 March 2010, Richard Allert and Graham Walters, both Non-Executive Directors of Gerard Lighting, were each issued 500,000 Gerard Lighting Options with an exercise price of \$1.00 exercisable from 1 August 2015 to 31 December 2015 under the Gerard Lighting Non-Executive Director Option Plan.

Each of Richard Allert and Graham Walters has entered into an Option Cancellation Deed with Gerard Lighting and Lighting Investments pursuant to which their respective Gerard Lighting Options will be cancelled with effect from the Effective Date of the Scheme in consideration for the payment per Gerard Lighting Option of an amount calculated by subtracting the exercise price of the relevant Gerard Lighting Option from the Scheme Consideration payable in cash on the Implementation Date.

#### **Long Term Incentive Plan**

On 19 March 2010, Simon Gerard, Managing Director, was issued 5,000,000 Gerard Lighting Options with an exercise price of \$1.00 exercisable from 1 August 2015 to 31 December 2015 under the Gerard Lighting Long Term Incentive Plan (**LTIP**). On 19 March 2010, Gary Savage, Executive Director and Graham Ellis, Chief Financial Officer and alternate to Gary Savage, were also each issued 2,000,000 Gerard Lighting Options with an exercise price of \$1.00 exercisable from 1 August 2015 to 31 December 2015 under the LTIP.

## 8 Additional information continued

On 28 November 2011, Simon Gerard was issued a further 1,000,000 Gerard Lighting Options and Gary Savage and Graham Ellis were each issued a further 500,000 Gerard Lighting Options under the LTIP, all with an exercise price of \$1.00 exercisable from 1 December 2015 to 30 April 2016.

Each of Simon Gerard, Gary Savage and Graham Ellis has entered into an Option Cancellation Deed with Gerard Lighting and Lighting Investments pursuant to which their respective Gerard Lighting Options will be cancelled with effect from the Effective Date of the Scheme in consideration for the payment per Gerard Lighting Option of an amount calculated by subtracting the exercise price of the relevant Gerard Lighting Option from the Scheme Consideration payable in cash on the Implementation Date.

### **New management equity plan**

After implementation of the Scheme, Lighting Investments intends to replace the Gerard Lighting Non-Executive Director Option Plan and the Gerard Lighting Long Term Incentive Plan with a new management equity plan pursuant to which certain officers and employees of Gerard Lighting who are eligible to participate in the plan will be offered securities in one of the CHAMP Bid Entities or one of their Related Bodies Corporate.

The terms of the new management equity plan are yet to be determined by Lighting Investments and is expected to be finalised after consultation with Gerard Lighting senior management.

### **8.11 Consents**

The following parties have given and, before the date on which this Scheme Booklet was lodged with ASIC for registration, have not withdrawn, their consent to be named in this Scheme Booklet in the form and context in which they are named:

- (a) Johnson Winter & Slattery, as Australian legal adviser to Gerard Lighting;
- (b) Lonergan Edwards & Associates Limited, as Independent Expert;
- (c) Computershare Investor Services Pty Ltd, as Gerard Lighting's share registry; and
- (d) Lighting Investments, in respect of the Lighting Investments Scheme Booklet Information.

The following persons have given and, before the date on which this Scheme Booklet was lodged with ASIC for registration, have not withdrawn, their consent to the inclusion in this Scheme Booklet of the following statements in the form and context in which they are included:

- (a) Lonergan Edwards & Associates Limited, in respect of the Independent Expert's Report and references to that report in this Scheme Booklet.

Each person referred to in this Section 8.11 has not authorised or caused the issue of this Scheme Booklet, does not make, or purport to make, any statement in this Scheme Booklet or any statement on which a statement in this Scheme Booklet is based other than as specified in this Section 8.11 and, to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Scheme Booklet except in respect of those reports or statements to which they have consented as specified in this Section 8.11.

### **8.12 Creditors of Gerard Lighting**

The Scheme, if implemented, is not expected to materially prejudice Gerard Lighting's ability to pay its creditors as it involves the acquisition of shares, and cancellation of options to acquire shares, in Gerard Lighting. Other than in respect of the Lighting Investments Debt Facilities described in Section 6.4 of this Scheme Booklet, no material new liability (other than transaction costs) is expected to be incurred by Gerard Lighting as a consequence of the implementation of the Scheme. Gerard Lighting has paid and is paying all of its creditors within normal terms of trade and is solvent and trading in an ordinary commercial manner.

### **8.13 No interests of CHAMP Bid Entities in Gerard Lighting Shares**

As at the date of this Scheme Booklet, the CHAMP Bid Entities and the CHAMP III Funds do not have a relevant interest in any Gerard Lighting Shares.

### **8.14 No interests of CHAMP Bid Entities directors in Gerard Lighting Shares**

As at the date of this Scheme Booklet, none of the directors of the CHAMP Bid Entities or the CHAMP III Funds has a relevant interest in any Gerard Lighting Shares.

### **8.15 No dealings of CHAMP Bid Entities in Gerard Lighting Shares in the previous four months**

None of the CHAMP Bid Entities nor any of their Associates has provided, or agreed to provide, consideration for Gerard Lighting Shares during the period of four months before the date of this Scheme Booklet.

### 8.16 Benefits from CHAMP Bid Entities to the holders of Gerard Lighting Shares

None of the CHAMP Bid Entities nor any of their Associates, during the period of four months before the date of this Scheme Booklet, gave, or offered to give or agreed to give, a benefit to another person which was likely to induce the other person, or an Associate, to:

- vote in favour of the Scheme; or
- dispose of Gerard Lighting Shares,

and which benefit was not offered to all other Gerard Lighting Shareholders under the Scheme.

### 8.17 Benefits from CHAMP Bid Entities to Gerard Lighting Directors

None of the CHAMP Bid Entities will be making any payment or giving any benefit to any current Gerard Lighting Directors as compensation or consideration for, or otherwise in connection with, their resignation from the Gerard Lighting Board, if the Scheme becomes Effective and the Gerard Lighting Board is accordingly reconstituted, other than as required under the relevant person's employment contract with Gerard Lighting (as to which see Section 8.5 of this Scheme Booklet).

### 8.18 Right to inspect and obtain copies of the Gerard Lighting Register

Under section 173 of the Corporations Act, a Gerard Lighting Shareholder has the right to inspect, and to ask for a copy of, the Gerard Lighting Register which contains details of the names and addresses of Gerard Lighting Shareholders.

A copy of the Gerard Lighting Register will be given to any Gerard Lighting Shareholder upon request and payment of the prescribed fee under the Corporations Act.

### 8.19 ASIC relief – change in financial position

Regulation 5.1.01 of the Corporations Regulations requires that, unless ASIC allows otherwise, the Scheme Booklet must contain all of the matters set out in Part 3 of Schedule 8 to the Corporations Regulations. As some of these requirements are not applicable or appropriate in respect of the Scheme, ASIC has allowed the following variations in this Scheme Booklet.

Clause 8302(h) of Schedule 8 of the Corporations Regulations requires the Scheme Booklet to disclose the extent to which the financial position of Gerard Lighting has materially changed since the date of the last balance sheet laid before Gerard Lighting's general meeting, being its financial statements for the financial year ended 30 June 2011.

ASIC has allowed Gerard Lighting to confine its disclosure to all material changes to Gerard Lighting's financial position between 30 June 2012 (being the date of the latest financial statements for Gerard Lighting in the half yearly accounts lodged with the ASX) and the date of this Scheme Booklet on the basis that:

- (a) Gerard Lighting complied with Division 1 of Part 2M.3 of the Corporations Act in respect of the year ended 30 June 2012;
- (b) the explanatory statement states that Gerard Lighting will give a copy of the documents referred to in subsections 317(1) of the Corporations Act for the year ended 30 June 2012 free of charge to anyone who asks for them, and makes a copy available on its website, before the Scheme is approved by the Court;
- (c) Gerard Lighting discloses all material changes to its financial position occurring after 30 June 2012, but prior to the date of this Scheme Booklet. This information is provided in Section 5.6 of this Scheme Booklet; and
- (d) the explanatory statement sent to Gerard Lighting Shareholders is substantially in the form given to ASIC on 24 August 2012.

### 8.20 ASX Listing Rule 6.23.2 waiver

Subject to the Scheme being approved by the Gerard Lighting Shareholders and the Court, the ASX has granted a waiver to Gerard Lighting from compliance with ASX Listing Rule 6.23.2 to permit the Gerard Lighting Options to be cancelled for consideration without requiring shareholder approval, on the Implementation Date under the Option Cancellation Deeds.

### 8.21 No unacceptable circumstances

The Directors of Gerard Lighting believe that the Scheme does not involve any circumstances in relation to the affairs of Gerard Lighting that could reasonably be characterised as constituting 'unacceptable circumstances' for the purposes of section 657A of the Corporations Act.

### 8.22 Supplementary information

Gerard Lighting will issue a supplementary document to this Scheme Booklet if it becomes aware of any of the following between the date of lodgement of this Scheme Booklet for registration by ASIC and the date of the Scheme Meeting:

- (a) a material statement in this Scheme Booklet is false or misleading;
- (b) a material omission from this Scheme Booklet;
- (c) a significant change affecting a matter included in this Scheme Booklet; or
- (d) a significant new matter has arisen and it would have been required to be included in this Scheme Booklet if it had arisen before the date of lodgement of this Scheme Booklet for registration by ASIC.

## 8 Additional information continued

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Depending on the nature and timing of the changed circumstances and subject to obtaining any relevant approvals, Gerard Lighting may circulate and publish the supplementary document by any or all of:

- (a) prominently placing an advertisement in a published newspaper that is circulated throughout Australia;
- (b) posting the supplementary document on Gerard Lighting's website at [www.gerardlighting.com.au](http://www.gerardlighting.com.au);
- (c) making an announcement to the ASX; or
- (d) issuing a supplementary explanatory statement.

### **8.23 Other material information**

Other than as contained in or referred to in this Scheme Booklet, there is no other information material to the making of a decision by Gerard Lighting Shareholders about whether or not to vote in favour of the Scheme, being information that is known to Gerard Lighting or a director of a Related Body Corporate of Gerard Lighting and which has not previously been disclosed to Gerard Lighting Shareholders.

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## Glossary

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9

## Glossary

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**ASIC** means the Australian Securities and Investments Commission.

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**Associate** has the meaning given in the Corporations Act.

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**ASX** means, as the context requires, ASX Limited (ABN 98 008 624 691) or the securities market conducted by ASX Limited.

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**ASX Listing Rules** means the official listing rules of the ASX.

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**Business Day** has the meaning given in the ASX Listing Rules.

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**CGT** means Australian capital gains tax.

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**CHAMP Bid Entities** means Lighting Investments, Lighting Finance and Lighting Holdings.

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**CHAMP Funding** has the meaning given to that term in Section 6.4(b) of this Scheme Booklet.

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**CHAMP III Funds** has the meaning given to it in Section 6.2(a) of this Scheme Booklet.

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**Competing Proposal** means any proposed or possible transaction or arrangement pursuant to which, if ultimately completed, any person or persons (other than Lighting Investments or a Related Body Corporate of Lighting Investments) would:

- (a) acquire (directly or indirectly):
  - (i) an interest in all or a substantial part of the assets or business of Gerard Lighting or the Gerard Lighting Group; or
  - (ii) a relevant interest (as defined in the Corporations Act) in more than 20 per cent of the voting shares of Gerard Lighting;
- (b) acquire (directly or indirectly) control (as determined in accordance with section 50AA of the Corporations Act) of Gerard Lighting; or
- (c) otherwise acquire (directly or indirectly) or merge (directly or indirectly) with Gerard Lighting (including by a reverse takeover bid, reverse scheme of arrangement or dual listed company or similar structure).

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**Corporations Act** means the *Corporations Act 2001* (Cth).

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**Corporations Regulations** means the *Corporations Regulations 2001* (Cth).

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**Computershare** means Computershare Investor Services Pty Ltd (ABN 48 078 279 277).

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**Consent Deed** means a deed which provides for the consent by each relevant party to the Pre-Emption Deed, to the transfer pursuant to the Scheme of any Gerard Lighting Shares the subject of the Pre-Emption Deed, in a form acceptable to Lighting Investments, acting reasonably.

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**Court** means the Federal Court of Australia.

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**Deed Poll** means the Deed Poll, a copy of which is set out in Appendix 4 to this Scheme Booklet.

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**Effective**, when used in relation to the Scheme, means the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act approving the Scheme.

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**Effective Date** means the date on which the Scheme becomes Effective.

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**End Date** has the meaning given to it in the Scheme Implementation Agreement.

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**Facility Agreement** means the syndicated facility agreement among the Transaction Financiers, Lighting Investments and others.

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**Finance Documentation** means the term sheets entered into by Lighting Investments pursuant to which the financing is committed to pay the Scheme Consideration.

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**FY** means financial year.

**Gerard Family Shareholders** mean Gerard Lighting Investments No. 1 Pty Limited and Gerard Lighting Investments No. 2 Pty Limited.

**Gerard Lighting** means Gerard Lighting Group Limited (ABN 16 141 079 594).

**Gerard Lighting Board** means the Board of Gerard Lighting.

**Gerard Lighting Director** means a director of Gerard Lighting.

**Gerard Lighting Independent Directors** means each of Richard Allert, Graham Walters and Michael Crompton.

**Gerard Lighting Group** means Gerard Lighting and its related bodies corporate.

**Gerard Lighting Material Adverse Change** has the meaning given to it in the Scheme Implementation Agreement.

**Gerard Lighting Option** means an option to acquire one unissued Gerard Lighting Share, details of which are set out in Section 5.9.

**Gerard Lighting Prescribed Event** has the meaning given to it in the Scheme Implementation Agreement.

**Gerard Lighting Register** means the register of members of Gerard Lighting.

**Gerard Lighting Scheme Booklet Information** means all information in this Scheme Booklet other than the Lighting Investments Scheme Booklet Information and the Independent Expert's Report.

**Gerard Lighting Share** means a fully paid ordinary share in the capital of Gerard Lighting.

**Gerard Lighting Shareholder** means a person who is recorded in the Gerard Lighting Register as a holder of Gerard Lighting Shares.

**Implementation Date** means the date on which the Scheme is to be implemented, being the fifth Business Day after the Scheme Record Date, or such other date agreed by Gerard Lighting and Lighting Investments in writing, ordered by the Court or as may be required by the ASX.

**Independent Expert** means Lonergan Edwards & Associates Limited.

**Independent Expert's Report** means the report set out in Appendix 1 to this Scheme Booklet.

**Lighting Finance** means Lighting Investments Australia Finance Pty Ltd (ACN 159 521 721).

**Lighting Holdings** means Lighting Investments Australia Holdings Pty Limited (ACN 159 519 810).

**Lighting Investments** means Lighting Investments Australia Pty Ltd (formerly Lighting Group Australia Pty Limited) (ACN 159 522 611).

**Lighting Investments Debt Facilities** has the meaning given in Section 6.4(a) of this Scheme Booklet.

**Lighting Investments Director** means a director of Lighting Investments.

**Lighting Investments Prescribed Event** has the meaning given to that term in the Scheme Implementation Agreement.

**Lighting Investments Scheme Booklet Information** means Section 6 and Sections 8.13 to 8.17 (inclusive) of this Scheme Booklet, the information in Section 2 of this Scheme Booklet regarding "Who is Lighting Investments and what are its intentions towards Gerard Lighting?", the information regarding Lighting Investments' intention in relation to the Gerard Lighting Board in Section 8.9 of this Scheme Booklet and the information regarding the new management equity plan in Section 8.10 of this Scheme Booklet.

**Option Cancellation Deeds** means the deeds between Gerard Lighting, Lighting Investments and each of the holders of Gerard Lighting Options under which all of the Gerard Lighting Options will be cancelled with effect from the Effective Date in consideration for the payment per Gerard Lighting Option of an amount calculated by subtracting the exercise price of the relevant Gerard Lighting Option from the Scheme Consideration payable in cash on the Implementation Date.

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## Glossary continued

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**Pre-Emption Deed** means the Pre-emptive Rights Deed dated 17 March 2010 between Gerard Lighting Investments No. 1 Pty Limited, Gerard Lighting Investments No. 2 Pty Limited and Gerard Group Lighting Pty Limited.

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**Proxy Form** means the proxy form accompanying this Scheme Booklet.

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**Related Body Corporate** has the meaning given to it in the Corporations Act.

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**Restraint Deeds** means each of the following:

- (a) each Restraint Deed between Gerard Lighting and each of Robert Geoffrey Gerard, John Douglas Gerard, Helen Mary Gerard and Margaret Lesetta Castronova respectively in the form agreed between Gerard Lighting and Lighting Investments; and
- (b) the Restraint Deed between Gerard Lighting and Simon Gerard in the form agreed between Gerard Lighting and Lighting Investments.

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**Scheme** means the scheme of arrangement, a copy of which is set out in Appendix 3 to this Scheme Booklet, to be proposed between Gerard Lighting and the Gerard Lighting Shareholders pursuant to section 411 of the Corporations Act.

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**Scheme Booklet** means this document, including the explanatory statements in relation to the Scheme as required under section 412(1) of the Corporations Act in respect of the Scheme.

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**Scheme Consideration** means the consideration to be paid by Lighting Investments to Scheme Shareholders under the Scheme, being \$1.05 in cash in respect of each Gerard Lighting Share held on the Scheme Record Date.

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**Scheme Implementation Agreement** means the Scheme Implementation Agreement dated 18 July 2012 between Gerard Lighting and Lighting Investments, a copy of which is set out in Appendix 2 to his Scheme Booklet.

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**Scheme Meeting** means the meeting of Gerard Lighting Shareholders convened by the Court under section 411 of the Corporations Act for the purpose of considering and, if thought fit, approving the Scheme.

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**Scheme Record Date** means the time and date for determining Gerard Lighting Shareholders entitled to receive Scheme Consideration, being 6.30pm (Adelaide time) on the fifth Business Day after the Effective Date, currently expected to be Thursday, 18 October 2012, or such other date as agreed between the parties or required by ASX.

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**Scheme Resolution** means the resolution to be put to Gerard Lighting Shareholders to approve the Scheme as set out in the Notice of Meeting set out in Appendix 5 to this Scheme Booklet (such resolution will be put to Gerard Lighting Shareholders at the Scheme Meeting and must be approved by the requisite majorities of Gerard Lighting Shareholders under section 411(4) of the Corporations Act).

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**Second Court Date** means the first day on which the application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme is (or is to be) heard or, if the application is adjourned for any reason, the first day on which the adjourned application is heard.

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**Second Court Hearing** means the hearing before the Court to approve the Scheme following the Scheme Meeting.

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**Superior Proposal** means a bona fide Competing Proposal in respect of Gerard Lighting received by Gerard Lighting (and which was not obtained in breach of the exclusivity arrangements described in Section 4.7 of this Scheme Booklet), which the Gerard Lighting Board determines, acting in good faith and in order to satisfy what the Gerard Lighting Board considers to be its fiduciary or statutory duties (and after having taken advice from its financial and legal advisers and having taken into account any factors the Gerard Lighting Board considers relevant):

- (a) is capable of being valued and consummated; and
- (b) would, if consummated, result in a transaction more favourable to Gerard Lighting Shareholders than the Scheme, taking into account all terms and conditions of the Competing Proposal.

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**Transaction Financiers** means Bank of Western Australia Limited, GE Capital Finance Pty Ltd as trustee for GE Capital Commercial Real Estate Financing & Services (Australia) Unit Trust, Investec Bank (Australia) Limited, Investec Bank Limited, Massachusetts Mutual Life Insurance Company (by Babson Capital Management LLC) and Westpac Banking Corporation.

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**VWAP** means volume weighted average price, calculated by dividing the value of trades by the volume of trades over a given period.

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Independent Expert's Report

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# Appendix

# 1

## Appendix 1 Independent Expert's Report

### LONERGAN EDWARDS & ASSOCIATES LIMITED

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

23 August 2012

**Subject: Proposed acquisition by way of Scheme**

Dear Independent Directors

#### Introduction

- 1 On 18 July 2012 Gerard Lighting Group Limited (Gerard Lighting or the Group) announced that it and Lighting Investments Australia Pty Limited (Lighting Investments)<sup>1</sup> had entered into a Scheme Implementation Agreement (the Agreement) under which Lighting Investments would acquire all the shares in Gerard Lighting for a cash consideration of \$1.05 per share (the Scheme Consideration).
- 2 The proposed acquisition of the shares is to be implemented via a scheme of arrangement between Gerard Lighting and its shareholders (the Scheme) and is subject to a number of conditions precedent (as summarised in Section I of our report).
- 3 If the Scheme is approved by Gerard Lighting shareholders and the Court, Gerard Lighting shareholders will receive the Scheme Consideration. The proposed transaction values all the shares in Gerard Lighting (on an undiluted basis) at approximately \$186 million.
- 4 The Scheme is subject to the Court convening a meeting of Gerard Lighting shareholders. Under the *Corporations Act 2001 (Cth)* (Corporations Act), the Scheme is approved by Gerard Lighting shareholders if a resolution in favour of the Scheme is passed by a majority in number of the Gerard Lighting shareholders present and voting at the Scheme meeting (in person or by proxy), and by 75% of the votes cast on the resolution. If this occurs a second Court hearing will be held to approve the Scheme, which if approved, will become binding on all Gerard Lighting shareholders who hold Gerard Lighting shares as at the Scheme Record Date, whether or not they voted for the Scheme (and even if they voted against the Scheme).

#### Gerard Lighting

- 5 Gerard Lighting is the largest lighting manufacturer and distributor in Australia (and New Zealand), with an estimated market share of approximately 25% to 30% of the Australian lighting market. Its products are supplied through electrical wholesalers, retailers, and electrical contractors primarily under the Pierlite, Sylvania, Crompton, Moonlighting, Inlite and Austube brand names. The Group is vertically integrated incorporating research, design, manufacture, global sourcing, importation and distribution.

<sup>1</sup> Formerly Lighting Group Australia Pty Ltd. Lighting Investments is a company owned by funds managed and/or advised by CHAMP III Management Pty Ltd (CHAMP).



### Lighting Investments / CHAMP

- 6 Lighting Investments is wholly-owned by the CHAMP III Funds. The CHAMP III Funds are funds managed and/or advised by CHAMP III Management Pty Ltd (CHAMP) which is part of CHAMP Private Equity, an Australian based private equity firm with offices in Sydney and Brisbane and affiliated offices in Singapore and New York. Its core focus is on the Australian and New Zealand markets, but with an international reach extending into Asia and North America. Since inception, CHAMP has invested across a broad range of sectors, including media, transport, industrial services, education, retail, agribusiness, health and financial services.

### Purpose of report

- 7 The Scheme is subject to a number of conditions precedent, including an independent expert concluding that the Scheme is in the best interests of Gerard Lighting shareholders. In addition, the Independent Directors' recommendation of the Scheme is subject to an independent expert concluding that the Scheme is in the best interests of Gerard Lighting shareholders, in the absence of a superior proposal.
- 8 Accordingly, the Independent Directors of Gerard Lighting have requested that Lonergan Edwards & Associates Limited (LEA) prepare an independent expert's report (IER) stating whether, in our opinion, the Scheme is fair and reasonable and in the best interests of Gerard Lighting shareholders and the reasons for that opinion. LEA is independent of Gerard Lighting and Lighting Investments / CHAMP and has no other involvement or interest in the proposed Scheme.

### Summary of opinion

- 9 In our opinion, the Scheme is fair and reasonable and in the best interests of Gerard Lighting shareholders in the absence of a superior proposal. We have formed this opinion for the reasons set out below.

### Value of Gerard Lighting

- 10 We have assessed the value of Gerard Lighting shares on a 100% controlling interest basis at \$1.05 to \$1.17 per share, as shown below:

Gerard Lighting – valuation summary			
	Paragraph	Low \$m	High \$m
Enterprise value	146	277.5	300.0
Option cancellation payment	157	(0.7)	(0.7)
Deferred consideration	149	(1.0)	(1.0)
Net debt	150	(91.0)	(91.0)
Value of Gerard Lighting equity		184.8	207.3
Shares on issue	157 - 158	176.7	176.7
Value per share		\$1.05	\$1.17

## Appendix 1 Independent Expert's Report continued



### Fair and reasonable opinion

- 11 Pursuant to Regulatory Guide 111 – *Content of expert reports* (RG 111) a scheme is “fair” if the value of the Scheme Consideration is equal to or greater than the value of the securities the subject of the Scheme. This comparison for Gerard Lighting shares is shown below:

Position of Gerard Lighting shareholders			
	Low \$ per share	High \$ per share	Mid-point \$ per share
Value of Scheme Consideration	1.05	1.05	1.05
Value of 100% of Gerard Lighting	1.05	1.17	1.11
Extent to which the Scheme Consideration exceeds (or is less than) the value of Gerard Lighting	-	(0.12)	(0.06)

- 12 As the Scheme Consideration is consistent with (albeit at the bottom of) our assessed valuation range for Gerard Lighting shares on a 100% controlling interest basis, in our opinion, the Scheme Consideration is fair to Gerard Lighting shareholders when assessed based on the guidelines set out in RG 111.
- 13 Pursuant to RG 111, a transaction is reasonable if it is fair. Further, in our opinion, if the Scheme is “reasonable” it must also be “in the best interests” of shareholders, in the absence of a superior proposal.
- 14 Consequently, in our opinion, the Scheme is also “reasonable” and “in the best interests” of Gerard Lighting shareholders in the absence of a superior proposal.

### Assessment of the Scheme

- 15 We summarise below the likely advantages and disadvantages of the Scheme for Gerard Lighting shareholders.

#### Advantages

- the Scheme Consideration of \$1.05 cash per share is consistent with (albeit at the bottom of) our assessed value range of Gerard Lighting shares on a 100% controlling interest basis
- the Scheme Consideration represents a significant premium to the recent market prices of Gerard Lighting shares prior to the announcement of the proposed transaction on 18 July 2012 (albeit the very low level of trading in Gerard Lighting shares limits the reference value of this analysis)
- furthermore, the premium exceeds observed premiums generally paid to target company shareholders in comparable circumstances (although this is primarily because Gerard Lighting shares were significantly undervalued prior to the announcement of the Scheme)
- the Scheme provides Gerard Lighting shareholders with the opportunity to realise their investment in a company in which share trading has been relatively low in a cost effective manner



- (e) if the Scheme does not proceed, and in the absence of an alternative offer or proposal, the price of Gerard Lighting shares is likely to trade at a significant discount to our valuation and the Scheme Consideration (consistent with the portfolio nature of individual shareholdings).
- 16 Further, it should be noted that as the proposed Scheme has the support of the major shareholders associated with the Gerard family, who collectively own approximately 52.0% of Gerard Lighting shares, there are limited prospects that a superior proposal for Gerard Lighting shares will be received prior to the Scheme meeting.

#### **Disadvantages**

- 17 The Scheme has the following adverse implications for Gerard Lighting shareholders:
- (a) the Scheme Consideration of \$1.05 cash per share is less than the mid-point of our assessed value range of Gerard Lighting shares on a 100% controlling interest basis of \$1.11 per share. Accordingly individual shareholders in Gerard Lighting with a longer term investment horizon may prefer not to support the Scheme in order to seek to realise a higher underlying value over time
  - (b) Gerard Lighting shareholders should note that if the Scheme is approved they will no longer hold an interest in Gerard Lighting. Gerard Lighting shareholders will therefore not participate in any future value created by the company as a result of on-going operations over and above that reflected in our assessed valuation of the company.

#### **Conclusion**

- 18 Given the above analysis, we consider that the acquisition of Gerard Lighting shares by Lighting Investments under the Scheme is fair and reasonable and in the best interests of Gerard Lighting shareholders in the absence of a superior proposal.

#### **General**

- 19 In preparing this report we have considered the interests of Gerard Lighting shareholders as a whole. Accordingly, this report only contains general financial advice and does not consider the personal objectives, financial situations or requirements of individual shareholders.
- 20 The impact of the Scheme on the tax position of Gerard Lighting shareholders depends on the individual circumstances of each investor. Gerard Lighting shareholders should read Section 7 of the Scheme Booklet and consult their own professional advisers if in doubt as to the taxation consequences of the Scheme.

## Appendix 1 Independent Expert's Report continued

LONERGAN EDWARDS  
& ASSOCIATES LIMITED

- 21 The ultimate decision whether to approve the Scheme should be based on each Gerard Lighting shareholder's assessment of their own circumstances. If Gerard Lighting shareholders are in doubt about the action they should take in relation to the Scheme or matters dealt with in this report, shareholders should seek independent professional advice. For our full opinion on the Scheme and the reasoning behind our opinion, we recommend that Gerard Lighting shareholders read the remainder of our report.

Yours faithfully



Craig Edwards  
Authorised Representative



Martin Holt  
Authorised Representative



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## Appendix 1 Independent Expert's Report continued

LONERGAN EDWARDS  
& ASSOCIATES LIMITED

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### Appendices

- A Financial Services Guide**
- B Qualifications, declarations and consents**
- C Listed company multiples**
- D Glossary**



## I Key terms of the Scheme

### Terms

- 22 On 18 July 2012 Gerard Lighting Group Limited (Gerard Lighting or the Group) announced that it and Lighting Investments Australia Pty Limited (Lighting Investments) had entered into a Scheme Implementation Agreement (the Agreement) under which Lighting Investments would acquire all the shares in Gerard Lighting for a cash consideration of \$1.05 per share (the Scheme Consideration).
- 23 The proposed acquisition of the shares is to be implemented via a scheme of arrangement between Gerard Lighting and its shareholders (the Scheme) and is subject to a number of conditions precedent as summarised below.
- 24 If the Scheme is approved by Gerard Lighting shareholders and the Court, Gerard Lighting shareholders will receive the Scheme Consideration.

### Conditions

- 25 The Scheme is subject to the satisfaction of a number of conditions precedent, including the following which are outlined in the Agreement between Gerard Lighting and Lighting Investments dated 18 July 2012:
- (a) regulatory approval from the Foreign Investment Review Board (FIRB)
  - (b) approval of the Scheme by the Court in accordance with s411(4)(b) of the Corporations Act
  - (c) Gerard Lighting shareholder approval by the requisite majorities under the Corporations Act at the Scheme meeting
  - (d) no temporary restraining order, preliminary or permanent injunction or other order issued by any Court of competent jurisdiction or other legal restraint or prohibition preventing the transaction is in effect at 8.00am on the Second Court Date
  - (e) no “Gerard Lighting Prescribed Event” (as defined in clause 1.1 of the Agreement) occurs in respect of Gerard Lighting on or before 8.00am on the Second Court Date
  - (f) no “Gerard Lighting Material Adverse Change” (as defined in clause 1.1 of the Agreement) occurs in respect of Gerard Lighting on or before 8.00am on the Second Court Date
  - (g) the “Gerard Lighting Representations, Warranties and Undertakings” (as set out in clause 8.1 of the Agreement) are true and correct in all material respects as at the time they are given
  - (h) no “Lighting Investments Prescribed Event” (as defined in clause 1.1 of the Agreement) occurs in respect of Gerard Lighting on or before 8.00am on the Second Court Date
  - (i) the “Lighting Investments Representations, Warranties and Undertakings” (as set out in clause 8.2 of the Agreement) are true and correct in all material respects as at the time they are given

## Appendix 1 Independent Expert's Report continued



- (j) Gerard Lighting and Lighting Investments enter into option cancellation deeds with each of the holders of options issued by Gerard Lighting
  - (k) the Gerard family shareholders make a public announcement in support of the Scheme, together with an intention to vote in favour of the proposal to effect the Scheme, in the absence of a superior proposal
  - (l) the Gerard family shareholders being in a position to provide unencumbered title to their shares held in Gerard Lighting
  - (m) the nominated members of the Gerard family entering into restraint deeds as required
  - (n) funding conditions attaching to the Lighting Investments funding facilities having been met
  - (o) an independent expert issues a report which concludes that the Scheme is in the best interests of Gerard Lighting shareholders.
- 26 In addition Gerard Lighting has agreed that up until 31 December 2012 it will not:
- (a) solicit, invite, encourage or initiate any competing transaction
  - (b) participate in any discussions or negotiations which may reasonably be expected to lead to a competing transaction
  - (c) enter into any agreement, arrangement or understanding in relation to a competing transaction or any agreement, arrangement or understanding which may reasonably be expected to lead to the completion of a competing transaction
  - (d) provide any information to a third party for the purposes of enabling that party to table a competing transaction.
- 27 The exclusivity obligations do not apply if Gerard Lighting has complied with the various obligations set out in the Agreement and the Gerard Lighting Independent Directors determine:
- (a) the proposed competing transaction is a superior proposal or the steps which the Gerard Lighting Independent Directors propose to take may reasonably be expected to lead to a competing transaction which is a superior proposal<sup>2</sup>; and
  - (b) based on written advice from its legal advisers, that compliance with exclusivity obligations would involve a breach of fiduciary duties or would otherwise be unlawful.
- 28 A break fee of \$1.863 million is payable by Gerard Lighting to Lighting Investments in certain circumstances as specified in the Agreement.

<sup>2</sup> Subject to any potential breach of fiduciary duties, Gerard Lighting must notify Lighting Investments if it receives a superior competing proposal and give Lighting Investments three business days to match that competing proposal.

**Resolution**

- 29 Gerard Lighting shareholders will be asked to vote on the Scheme in accordance with the Scheme resolution contained in the relevant notice of meeting accompanying the Scheme Booklet.
- 30 If the Scheme resolution is passed by the requisite majorities, Gerard Lighting must apply to the Court for orders approving the Scheme, and if that approval is given, lodge the orders with ASIC and do all things necessary to give effect to the Scheme. Once the Court approves the Scheme it will become binding on all Gerard Lighting shareholders who hold Gerard Lighting shares as at the Scheme Record Date, whether or not they voted for the Scheme (and even if they voted against the Scheme).

## Appendix 1 Independent Expert's Report continued



### II Scope of our report

#### Purpose

- 31 The Scheme is to be effected pursuant to Part 5.1 of the Corporations Act, which governs schemes of arrangement. Part 3 of Schedule 8 of the *Corporations Regulations 2001* (Corporations Regulations) prescribes information to be sent to shareholders in relation to a members' scheme of arrangement pursuant to s411 of the Corporations Act.
- 32 Paragraph 8303 of Schedule 8 of the Corporations Regulations provides that, where the other party to the transaction holds not less than 30% of the voting shares in the company the subject of the scheme, or where a director of the other party to the transaction is also a director of the company the subject of the scheme, the explanatory statement must be accompanied by an IER assessing whether the proposed scheme is in the best interests of shareholders and state reasons for that opinion.
- 33 Lighting Investments has no current shareholding in Gerard Lighting and has no representation on the Gerard Lighting Board. Accordingly there is no regulatory requirement for an IER. However, both a condition precedent to the Scheme and the Gerard Lighting Independent Directors' recommendation of the Scheme are subject to an independent expert concluding that the Scheme is in the best interests of Gerard Lighting shareholders.
- 34 Furthermore, as the Scheme (if approved and implemented) will result in 100% of the securities in Gerard Lighting being held by Lighting Investments, RG 111 requires that we provide an opinion on whether the consideration payable under the Scheme is fair and reasonable to the shareholders of Gerard Lighting.
- 35 The Independent Directors of Gerard Lighting have therefore requested LEA to prepare an IER stating whether the proposed acquisition of the shares in Gerard Lighting by Lighting Investments under the Scheme is fair and reasonable and in the best interests of Gerard Lighting shareholders and the reasons for that opinion.
- 36 This report has been prepared by LEA for the benefit of Gerard Lighting shareholders to assist them in considering the resolution to approve the Scheme. Our report will accompany the Scheme Booklet to be sent to Gerard Lighting shareholders. The sole purpose of our report is to determine whether, in our opinion, the Scheme is fair and reasonable and in the best interests of Gerard Lighting shareholders.
- 37 The ultimate decision whether to approve the Scheme should be based on each Gerard Lighting shareholder's assessment of their own circumstances. If in doubt about the action they should take in relation to the Scheme or matters dealt with in this report, shareholders should seek independent professional advice.

**Basis of assessment**

- 38 In preparing our report we have given due consideration to the Regulatory Guides issued by ASIC including, in particular, RG 111.
- 39 RG 111 distinguishes “fair” from “reasonable” and considers:
- (a) the Scheme to be fair if the value of the Scheme Consideration is equal to or greater than the value of the securities that are the subject of the Scheme. A comparison must be made assuming 100% ownership of the target company
  - (b) the Scheme to be reasonable if it is fair. The Scheme may also be reasonable if, despite not being fair but after considering other significant factors, there are sufficient reasons for shareholders to approve the Scheme in the absence of a superior proposal.
- 40 There is no legal definition of the expression “in the best interests”. However, RG 111 states that a Scheme may be “*in the best interests of the members of the company*” if there are sufficient reasons for securityholders to vote in favour of the Scheme in the absence of a higher offer.
- 41 In our opinion, if the Scheme is fair and reasonable under RG 111 it must also be in the best interests of Gerard Lighting shareholders.
- 42 Our report has therefore considered:
- (a) the market value of 100% of the shares in Gerard Lighting
  - (b) the value of the consideration offered by Lighting Investments (i.e. \$1.05 cash per share)
  - (c) the extent to which (a) and (b) differ (in order to assess whether the Scheme is fair under RG 111)
  - (d) the extent to which a control premium is being paid to Gerard Lighting shareholders
  - (e) the extent to which Gerard Lighting shareholders are being paid a share of any synergies likely to be generated pursuant to the potential transaction
  - (f) the listed market price of Gerard Lighting shares, both prior to and subsequent to the announcement of the proposed Scheme
  - (g) the likely market price of Gerard Lighting shares if the proposed Scheme is not approved
  - (h) the value of Gerard Lighting to an alternative offeror and the likelihood of a higher alternative offer being made for Gerard Lighting prior to the date of the Scheme meeting
  - (i) the advantages and disadvantages of the Scheme from the perspective of Gerard Lighting shareholders
  - (j) other qualitative and strategic issues associated with the Scheme.

## Appendix 1 Independent Expert's Report continued



### **Limitations and reliance on information**

- 43 Our opinions are based on the economic, sharemarket, financial and other conditions and expectations prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.
- 44 Our report is also based upon financial and other information provided by Gerard Lighting and its advisers. We understand the accounting and other financial information that was provided to us has been prepared in accordance with the Australian equivalents to International Financial Reporting Standards. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld.
- 45 The information provided was evaluated through analysis, enquiry and review to the extent considered appropriate for the purpose of forming an opinion on the Scheme from the perspective of Gerard Lighting shareholders. However, we do not warrant that our enquiries have identified or verified all of the matters which an audit, extensive examination or “due diligence” investigation might disclose. Whilst LEA has made what it considers to be appropriate enquiries for the purpose of forming its opinion, “due diligence” of the type undertaken by companies and their advisers in relation to (for example) prospectuses or profit forecasts is beyond the scope of an IER.
- 46 Accordingly, this report and the opinions expressed therein should be considered more in the nature of an overall review of the anticipated commercial and financial implications of the proposed transaction, rather than a comprehensive audit or investigation of detailed matters.
- 47 An important part of the information base used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management of the relevant companies. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.
- 48 In forming our opinion, we have also assumed that:
- (a) the information set out in the Scheme Booklet is complete, accurate and fairly presented in all material respects
  - (b) if the Scheme becomes legally effective, it will be implemented in accordance with the terms set out in the Agreement and the terms of the Scheme itself.



### III Profile of Gerard Lighting

#### Overview

- 49 Gerard Lighting is the largest lighting manufacturer and distributor in Australia (and New Zealand), with an estimated market share of approximately 25% to 30% of the Australian lighting market. Its products are supplied through electrical wholesalers, retailers, and electrical contractors primarily under the Pierlite, Sylvania, Crompton, Moonlighting, Inlite and Austube brand names. The Group is vertically integrated incorporating research, design, manufacture, global sourcing, importation and distribution.
- 50 Gerard Lighting has established offices in India, the Middle East, United Kingdom (UK), Indonesia and Malaysia and has franchise agreements for the Pierlite brand in Italy, Pakistan, Kenya and Mozambique. Capitalising on its leadership in the Australasian markets, Gerard Lighting's strategic objective is to become the number one lighting group in the region around the Indian Ocean.

#### History

- 51 Gerard Lighting was founded by the Gerard family, which has a long and successful history in the electrical and lighting industries. Most notably the Gerard family were the founders of the Clipsal business in Australia, which began in 1920 and became one of the biggest electrical accessory brand names in the world. In 2003 the family sold its interest in the Clipsal business to Schneider Electric but retained a number of other non-electrical accessories businesses such as Pierlite.
- 52 Pierlite was established during the 1950s initially specialising in adverse and hazardous lighting. Under the ownership of the Gerard family (from the late 1980s), Pierlite grew both organically and through acquiring businesses such as Moonlighting, Aluminium Louvre Company and CSE. Pierlite also established a strategic alliance with Philips in March 2003 for distribution of Philips branded products.
- 53 In early 2008 Gerard Lighting acquired Australian Securities Exchange (ASX) listed Lighting Corporation Limited (Lighting Corporation), which owned the Sylvania and Crompton brands in Australia and New Zealand<sup>3</sup> as well as the Austube and Inlite businesses. The acquisition established Gerard Lighting as the market leading supplier of lighting products in Australia and New Zealand.
- 54 Gerard Lighting was listed on the ASX in May 2010 and has since completed the acquisitions of Frennd Lighting Pty Ltd, White Lite Pty Ltd, eneSolve Pty Ltd (eneSolve), Nimbus Lighting Group Ltd (Nimbus), Home Lighting Ltd (Home) and Pierlite UK and formed a strategic alliance with Illumitex Inc, in the United States (US). The acquisition of eneSolve brought with it the ability to provide energy efficient solutions to Gerard Lighting's existing clients on a consulting and advisory basis.

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<sup>3</sup> These brands are owned by other entities outside of Australia and New Zealand.

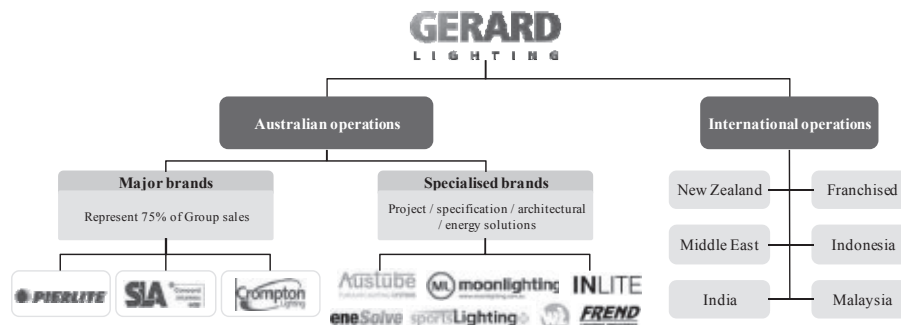
## Appendix 1 Independent Expert's Report continued

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& ASSOCIATES LIMITED

### Current operations

- 55 Gerard Lighting is a vertically integrated business incorporating numerous independent businesses structured around the primary brands / business units operated by the Group. Each brand / business unit operates with separate sales representation, account management, sales strategies, marketing strategy and product development strategies. The back office corporate function is structured around the core principles of support functions and cost effective services provided to each of the businesses. The Group has a team of over 1,600 employees globally, with each of Gerard Lighting's executive management team having over 20 years experience in the lighting and electrical industry.
- 56 In Australia Gerard Lighting operates under six distinct business units, with the three primary units (being Pierlite, Sylvania and Crompton) representing over 75% of total Group sales. In New Zealand, aside from the Nimbus and Home businesses the Group's operations are managed under one operating entity. Internationally Gerard Lighting operates under the Pierlite brand with a mixture of owned and franchised operations. A summary of the Group's operating structure is set out as follows:

#### Gerard Lighting – group structure



### Pierlite

- 57 Pierlite is a market leader in Australia for the design and distribution of architectural, industrial and commercial lighting solutions. 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 of Australia's state capital cities. Pierlite's manufacturing operations in Australia provide the business with both a consistent high quality product and important operational flexibility in meeting project deadlines.
- 58 Pierlite has established a market leading position with national wholesalers, and targets market share growth in consumer products and lamp sales. Project revenue accounts for approximately 60% of sales and is represented by specific projects, civil infrastructure works and industrial lighting. Commodity products (which include sales of commoditised lamps



and luminaires) comprise the remaining 40% of revenue, and are principally derived from sales to electrical wholesalers.

#### **Sylvania Lighting**

- 59 A vertically-integrated designer, Sylvania Lighting is a manufacturer and distributor of luminaires for architectural, industrial, commercial and public lighting applications and a major distributor of lamps. The Sylvania name is over 100 years old and known worldwide. Gerard Lighting acquired the brand for Australia and New Zealand in 2008 from the acquisition of Lighting Corporation. Sylvania Lighting 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.
- 60 Based on the Central Coast of New South Wales (NSW), Sylvania Lighting operates a fully equipped manufacturing, assembly and distribution centre. This facility is also the manufacturing location for the Group's hazardous location range CSE, which is distributed by the Sylvania Lighting team throughout Australia and by Pierlite internationally.

#### **Crompton**

- 61 The Crompton brand is one of the largest lighting brands in Australia, offering a wide range of lamps, luminaires and lighting control gear suitable for both the domestic and commercial markets. It has extensive distribution networks through electrical wholesalers, lighting retailers, lighting specialists and hardware stores and offers comprehensive cost-effective lighting solutions for smaller to medium-sized projects. Demand is derived from both wholesale and retail channels and as a result this business focuses on electrical, lighting, hardware wholesalers and major retailers, including lighting specialists.
- 62 Operating primarily as an import distributor, Crompton purchases its products from China and on-sells to wholesalers and retail distribution companies. Crompton has been a trusted brand in Australia since 1887, primarily in the area of residential lighting which has been expanded into larger and commercial projects more recently. Crompton's growth to date has been driven by expanding its national focus and by bringing to market more value-added products such as decorative, exterior and the latest LED technology.

#### **Moonlighting**

- 63 Moonlighting operates as a value-added re-seller of lighting and luminaires, 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.

#### **Inlite**

- 64 Inlite is an up-market project-based light distributor focused on commercial architectural projects designed to specification. Formed in 1984 to bring quality and unique design to the Australian architectural market, Inlite operates as a re-seller with no design or manufacturing operations. Recent developments in the Inlite portfolio have resulted in the commercialisation of a comprehensive range of specialised lighting equipment. Products are highly customised and require a high level of technical sophistication. Inlite's customer base predominantly consists of consulting engineers and architects.

## Appendix 1 Independent Expert's Report continued



### **Austube**

- 65 As a project-based business, Austube focuses on custom-designed lighting, manufacturing high volumes to specification and has developed a reputation as the premier supplier of extruded aluminium lighting systems in Australasia. 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.

### **Manufacturing and distribution capabilities**

- 66 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. Total sales are split approximately 55% wholesale, 38% project or specification and 7% retail. Approximately 35% to 40% of Gerard Lighting's product is sourced from overseas from low cost manufacturing countries, Europe and a small portion from North America. The remainder is sourced locally.
- 67 The Group manufactures and/or assembles approximately 50% of its product locally at its manufacturing facilities at Padstow, Gosford and Seven Hills (all in NSW). The Padstow facility is the largest of its type in Australia. Complimenting these facilities are sales and distribution centres in all Australian states. Through its design, manufacturing, sourcing and distribution capabilities Gerard Lighting is one of the few participants in the Australian lighting industry able to offer "*a complete lighting solution*".

### **Key supply arrangements**

- 68 Gerard Lighting has invested considerable resources in establishing strategic relationships with manufacturers across China, India, Indonesia and Malaysia. These strategic relationships minimise the impact on the Group from continued competition from low cost imported commodity product sourced and distributed by traders. Gerard Lighting's commodity supply chain is diversified to the extent that no single manufacturer exposes the Group to any significant level of dependency.
- 69 Approximately 80% of products sold carry brands that are wholly owned by Gerard Lighting or are subject to exclusivity agreements, with the Group's top 10 and 20 suppliers accounting for around 65% and 80% of products / components purchased respectively. The Group has established strong relationships over many years with its key suppliers (such as Philips, Havells, Osram, Vossloh Schwabe and TridonicAtco), and the high volumes of product ordered assists in negotiating attractive buying terms. Gerard Lighting's strategic partners are all highly reputable global lighting brands, who invest heavily in research and development (R&D) and are regarded as technology leaders in the lighting industry.

### **International operations**

- 70 Pierlite is established internationally with offices located in India, the Middle East, the UK and Asia<sup>4</sup>. The Group has also established franchise agreements for the Pierlite brand in Italy, Pakistan, Kenya and Mozambique. While international operations are still in their early stages of development, representing less than 10% of total Group sales, Gerard Lighting remains committed to its offshore development strategy and continues to evaluate opportunities to expand its international footprint.

<sup>4</sup> The Indian and Middle East operations also include engineering and manufacturing facilities.



- 71 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 its offshore manufacturing facilities in the Middle East and India have the potential to provide the Group with alternative sources of supply outside of China.

#### Research and development

- 72 Pivotal to the Group's ability to deliver innovative lighting solutions is an extensive R&D team, based in Adelaide, Sydney and Gosford. Each facility has a dedicated engineering team that specialises in lighting, electronic and electrical design. The teams are leaders in their field of expertise and provide the backbone for the development of both national and international products. R&D is a high priority, with the Group planning to increase its investment in technology and energy efficient light sources going forward.
- 73 The Australian roll-out of the intelligent Lighting Products (iLP) continues at a steady pace given the trend to a greener Australia. Gerard Lighting has focused on the development and marketing of products with greater energy-saving capacity. While substantial steps in Gerard Lighting's iLP core R&D engineering process are taken in Australia, commercialisation of this technology is now the responsibility of the Group's first electronic R&D industrialisation support centre located in Shenzhen in China's Guangdong province.

#### Financial performance

- 74 The financial performance of Gerard Lighting for the four years ended 30 June 2012 (FY12), is set out below:

Gerard Lighting – statement of financial performance				
	Pro-forma <sup>(1)</sup>	Pro-forma <sup>(1)</sup>	Audited	Audited
	FY09	FY10	FY11	FY12
	\$m	\$m	\$m	\$m
<b>Operating revenue</b>	369.0	362.1	404.4	389.3
<b>EBITDA<sup>(2)</sup></b>	30.1	35.4	42.2	40.1
Depreciation and amortisation	(3.7)	(3.8)	(4.0)	(4.7)
<b>EBIT</b>	26.4	31.6	38.2	35.4
Net finance costs		(13.9)	(8.5)	(8.2)
<b>Reported profit before tax</b>		17.7	29.6	27.2
Income tax expense		(6.9)	(10.1)	(9.6)
<b>Reported profit after tax</b>		10.8	19.5	17.6
Loss attributable to minority interests			0.6	0.3
<b>Reported profit attributable to Gerard Lighting shareholders</b>			20.1	17.9

#### Note:

- 1 Based on pro-forma results, refer paragraph 75.  
 2 Earnings before interest, tax, depreciation and amortisation.  
 Rounding differences may exist.

## Appendix 1 Independent Expert's Report continued



- 75 On 31 December 2009, Gerard Lighting Group Ltd became the holding company for the entities and businesses that comprise the Group in preparation for listing on the ASX. As a result the reported results for FY10 reflect a half year period only. However, pro-forma results for FY09 and FY10 have been prepared by Gerard Lighting management<sup>5</sup>. The historical performance of Gerard Lighting is discussed in further detail below.

### FY10

- 76 While sales reduced by 2% during the year, EBIT increased by approximately 20% to \$31.6 million (ahead of prospectus forecasts of \$31 million), with all the Australian businesses improving margins in a tough environment. Gerard Lighting's strategy of servicing diverse market sectors such as industrial, commercial, residential and government with a broad range of recognised brands protected the Group from the subdued trading conditions experienced within the Australian building and construction sector during the year. In this regard Gerard Lighting's chief executive officer Mr Simon Gerard stated (as per announcement to ASX dated 24 August 2010):

*"As a result of the weakness in the Australian commercial construction sector during the year, a number of building projects were delayed, industrial infrastructure upgrades were put on hold and there was a low rate of development in the hospitality and retail sectors due to a lack of available funding. On the positive side, residential construction and Federal and State government spending generated counter-cyclical demand from which the Group has benefited."*

### FY11

- 77 Gerard Lighting generated EBIT of \$38.2 million, up \$6.6 million on the prior year and \$2.7 million greater than forecast in the April 2010 prospectus. The higher than forecast result was principally driven by the release of new higher margin and more energy efficient lighting products<sup>6</sup> and the positive earnings contribution from businesses acquired during the year. The businesses acquired since listing on the ASX (refer paragraph 54) contributed \$6.6 million to sales and \$0.8 million to EBIT for FY11.
- 78 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 FY11. This impacted the number of projects being awarded and subsequent work levels. The strengthening Australian dollar, while reducing costs of imported lighting products, resulted in increased price competition driven by Gerard Lighting's competitors (who import the majority of their product).
- 79 Sales revenue in FY11 was also positively impacted by the Federal Government's fiscal stimulus package. However, the stimulus spending 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

<sup>5</sup> These pro-forma results were included in the Gerard Lighting prospectus dated 1 April 2010.

<sup>6</sup> The release of the Group's new energy-saving LED downlight during FY11 was the most successful product launch in the combined Group's history, with sales by June 2011 of more than 120,000 units since its launch 12 months earlier.



half of FY11 and represented approximately 5% of total Group sales in that period. Excluding the impact of stimulus spending the building and construction industry was generally subdued.

#### FY12

- 80 Revenue and earnings declined during the year, reflecting the challenging market conditions that prevailed. The Australian lighting market was impacted by a downturn in residential building consents and continued weak approvals in commercial and retail construction. The high-end commercial and architectural markets remained subdued, as these sectors competed for a share of the limited available investment funding. As a result the retail, commercial and industrial business units were affected by constraints in projects being awarded and work commencing.
- 81 The competitive landscape over FY12 was further influenced by a continued strong Australian dollar, resulting in ongoing price competition from competitor imported products. Gross margins across the group reflected a small improvement when compared with the prior year, a positive outcome in an environment where pricing was under pressure.
- 82 Trading in the second half of FY12 was stronger than in the first half, although still behind the prior year. The acquisitions of Nimbus and Home in January 2012 also positively impacted reported earnings in H2 FY12.

#### Cash conversion ratio

- 83 The historical cash conversion ratio for Gerard Lighting (a comparison of ungeared pre-tax cash flow to EBITDA) is set out below:

<b>Gerard Lighting – cash conversion</b>			
	<b>Pro-forma</b>	<b>Audited</b>	<b>Audited</b>
	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
Reported operating cash flow	22.3	28.2	6.9
Income tax (net)	1.6	6.4	17.5
Finance costs (net)	14.0	8.2	8.8
<b>Adjusted operating cash flow</b>	<b>37.9</b>	<b>42.8</b>	<b>33.2</b>
<b>EBITDA</b>	<b>35.4</b>	<b>42.2</b>	<b>40.1</b>
<b>Cash conversion ratio</b>	<b>107.1%</b>	<b>101.4%</b>	<b>82.8%</b>

**Note:**

Rounding differences may exist.

- 84 Gerard Lighting has continually achieved a relatively high conversion ratio of earnings into cash, reflecting the mature nature of the market in which it operates, the market position held and the relative stabilisation in business activity over the above period.

## Appendix 1 Independent Expert's Report continued



### Financial position

85 The financial position of Gerard Lighting as at 30 June 2011, 31 December 2011 and 30 June 2012 is set out below:

<b>Gerard Lighting – statement of financial position</b>			
	<b>30 Jun 11</b>	<b>31 Dec 11</b>	<b>30 Jun 12</b>
	<b>Audited</b>	<b>Reviewed</b>	<b>Audited</b>
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
Cash and cash equivalents	20.0	4.7	7.4
Trade and other receivables	79.6	72.1	79.2
Other financial assets	-	0.1	-
Inventories	68.0	69.8	75.7
Prepayments	2.6	2.5	2.6
<b>Total current assets</b>	<b>170.1</b>	<b>149.2</b>	<b>164.8</b>
Other financial assets <sup>(1)</sup>	-	3.0	0.9
Equity accounted investments	0.6	-	-
Other receivables	0.6	0.6	1.5
Deferred tax assets	8.4	7.9	7.1
Property, plant and equipment	24.4	26.7	29.3
Intangible assets	89.9	91.0	102.7
<b>Total non-current assets</b>	<b>123.9</b>	<b>129.2</b>	<b>141.5</b>
<b>Total assets</b>	<b>294.0</b>	<b>278.5</b>	<b>306.4</b>
Trade and other payables	62.2	54.8	62.9 <sup>(2)</sup>
Interest bearing liabilities	5.3	4.8	7.4
Income tax payable	11.5	2.7	2.2
Short-term provisions	12.3	12.4	12.4
<b>Total current liabilities</b>	<b>91.3</b>	<b>74.7</b>	<b>84.9</b>
Long term provisions	1.6	1.6	1.9
Interest bearing liabilities	79.0	76.2	91.1
<b>Total non-current liabilities</b>	<b>80.6</b>	<b>77.8</b>	<b>93.0</b>
<b>Total liabilities</b>	<b>171.9</b>	<b>152.5</b>	<b>177.9</b>
<b>Net assets</b>	<b>122.1</b>	<b>125.9</b>	<b>128.5</b>
Non-controlling interests	(2.1)	(2.4)	(2.5)
<b>Net assets attributable to equity holders of Gerard Lighting</b>	<b>120.1</b>	<b>123.5</b>	<b>126.0</b>

**Note:**

- 1 Represents the Group's investment in Illumitex. This investment was written down by \$2.1 million in FY12 to its assessed net realisable value.
- 2 Includes deferred consideration of \$1 million in relation to the acquisition of Nimbus and Home. Rounding differences may exist.



### Property, plant and equipment

86 Gerard Lighting's operations are generally carried on from leased premises. An analysis of the carrying value of property, plant and equipment is as follows:

Gerard Lighting – property, plant and equipment			
	30 Jun 11 Audited \$m	31 Dec 11 Reviewed \$m	30 Jun 12 Audited \$m
Plant and equipment	15.1	17.1	19.9
Tooling	2.3	2.4	2.3
Leased plant and equipment	0.3	0.2	0.2
Capital works in progress	0.4	0.9	0.9
Land and buildings	6.3	6.1	6.1
Total	24.4	26.7	29.3

**Note:**  
Rounding differences may exist.

### Net interest bearing debt

87 A summary of Gerard Lighting's net debt position is shown below:

Gerard Lighting – net debt			
	30 Jun 11 Audited \$m	31 Dec 11 Reviewed \$m	30 Jun 12 Audited \$m
Cash and cash equivalents	20.0	4.7	7.4
Interest bearing borrowings:			
- current	(5.3)	(4.8)	(7.4)
- non-current	(79.0)	(76.2)	(91.1)
Net cash/(debt)	(64.3)	(76.3)	(91.0)

**Note:**  
Rounding differences may exist.

88 Gerard Lighting's net interest bearing debt has increased by \$26.7 million over the year to 30 June 2012, reflecting a combination of acquisitions made during the year, comparatively high levels of capital expenditure in Australia for showrooms and office fit outs and additional investment in the Indian operations.

89 On 9 August 2011 the Group announced that Australia and New Zealand Banking Group Limited joined St George Bank as the company's new banking partner. The total available credit under the new facility is \$100 million, approximately equal to the then existing facility, but with lower finance charges and secured for a period of five years.

90 The new arrangements came into effect during September 2011 and resulted in a reduction in the Group's interest and borrowing charges of approximately \$1.3 million on an annualised basis<sup>7</sup>. Offsetting the reduction in interest charges in FY12 was a one off expense of

<sup>7</sup> Based on the current balance of drawn debt during FY12.

## Appendix 1 Independent Expert's Report continued



\$1.1 million in respect of break costs associated with exiting the prior facility and related capitalised borrowing costs.

### Intangible assets

91 An analysis of intangible assets is set out below:

Gerard Lighting – intangible assets			
	30 Jun 11 Audited \$m	31 Dec 11 Reviewed \$m	30 Jun 12 Audited \$m
Goodwill	66.3	67.1	77.0
Brand names	22.1	22.1	23.0
Product development	1.1	1.5	2.1
Other	0.4	0.3	0.6
	<u>89.9</u>	<u>91.0</u>	<u>102.7</u>

92 As indicated above the major component of intangible assets represents goodwill recognised upon the acquisition of various entities, which is tested annually for impairment. Product development costs relate to capitalised R&D expenses and are amortised over the product's useful life, to a maximum of five years.

### Franking credits

93 As at 30 June 2012 Gerard Lighting had available franking credits of approximately \$32.7 million. These are discussed in further detail in Section VI.

### Share capital

94 As at 30 June 2012, Gerard Lighting had 176.7 million fully paid ordinary shares on issue<sup>8</sup>. In addition the Group had 14.8 million options on issue all at an exercise price of \$1.00, which vest upon the satisfaction of certain performance criteria. These options expire on either 31 December 2015 or 30 April 2016.

### Significant shareholders

95 Currently the Gerard family holds a majority holding in Gerard Lighting of 52.0%. Other significant shareholders in the Group are K2 Asset Management Ltd (9.3%), IOOF Holdings Limited (8.4%) and AMP Life Ltd (7.6%).

### Share price performance

96 The price of Gerard Lighting shares from 19 May 2010 (being the day Gerard Lighting listed on the ASX) to 16 July 2012 (being the last trading day prior to the trading halt which preceded the announcement of the Scheme) is summarised below:

<sup>8</sup> Subsequent to the announcement of the on-market share buy-back on 16 December 2011, Gerard Lighting bought back 270,319 shares at prices ranging between \$0.73 and \$0.75 per share.

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**Gerard Lighting – share price performance**

	High \$	Low \$	Close \$	Monthly volume 000
<b>Quarter ended</b>				
June 2010	1.00	0.80	0.86	1,355
September 2010	0.96	0.81	0.93	1,230
December 2010	0.94	0.82	0.87	6,695
March 2011	1.00	0.87	0.95	1,954
June 2011	0.99	0.85	0.95	1,213
September 2011	0.96	0.85	0.87	1,294
December 2011	0.89	0.65	0.75	1,029
<b>Month ended</b>				
January 2012	0.79	0.74	0.76	138
February 2012	0.77	0.72	0.73	2,686
March 2012	0.76	0.71	0.73	649
April 2012	0.76	0.71	0.72	972
May 2012	0.76	0.71	0.71	1,806
June 2012	0.71	0.67	0.69	2,454
July 2012 <sup>(2)</sup>	0.81	0.70	0.81	923

**Note:**

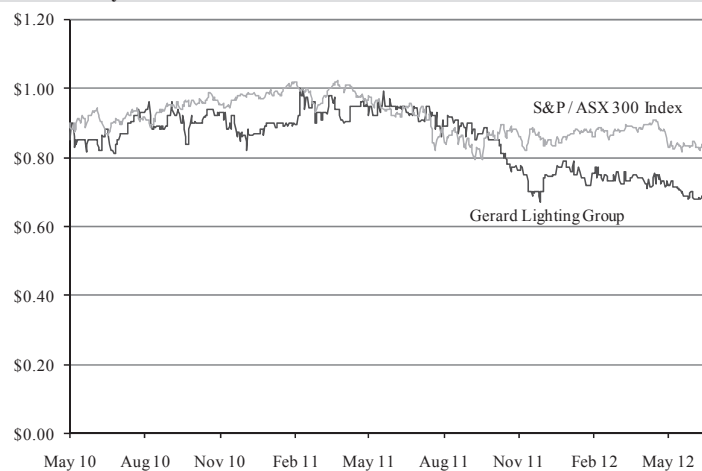
1 Monthly volumes for each quarter represent average monthly volumes.

2 Up to 16 July 2012.

**Source:** Bloomberg.

- 97 The following chart illustrates the movement in the share price of Gerard Lighting from its listing on the ASX on 19 May 2010 to 16 July 2012 (being the last day of trading prior to the trading halt which preceded the announcement of the Scheme):

**Gerard Lighting – share price history**  
**19 May 2010 to 16 July 2012**



**Source:** Bloomberg.

## Appendix 1 Independent Expert's Report continued



- 98 Notwithstanding the Group's minor outperformance of its prospectus forecasts, the Gerard Lighting share price has generally moved sideways since listing, reflecting the difficult trading environment for stock exchange listed companies. The Gerard Lighting share price has underperformed the S&P/ASX 300 Index since around September 2011, which we understand is largely due to the low level of liquidity in the stock and the progressive sell down by a select group of investors who purchased shares in the Gerard Lighting initial public offering.

### Liquidity in Gerard Lighting shares

- 99 The liquidity in Gerard Lighting shares based on trading on the ASX over the 12 month period preceding the announcement of the Scheme is set out below:

Gerard Lighting – liquidity in shares						
	Start date	End date	Value AS000	Volume 000	As a % of issued capital	WANOS <sup>(1)</sup> 000
3 months	17 Apr 12	16 Jul 12	3,969	5,580	3.2	176,966
6 months	17 Jan 12	16 Jul 12	6,942	9,570	5.4	176,983
12 months	17 Jul 11	16 Jul 12	10,936	14,557	8.2	176,991

**Note:**

1 WANOS – weighted average number of shares on issue.

**Source:** Bloomberg, LEA analysis.

- 100 The Gerard family held a majority interest of 52% in Gerard Lighting throughout the above period. Accordingly, the free float of the Group was effectively restricted to 48% of the issued capital. The continued presence of a large number of significant institutional shareholders on the Gerard Lighting share register (refer paragraph 95 above) further restricted the number of Gerard Lighting shares available for trade. In the 12 month period prior to the announcement of the Scheme total share turnover equalled 8.2% of the issued shares in Gerard Lighting, indicating a low level of market liquidity (even after allowance for the size of the free float).

## IV Industry overview

### Introduction

- 101 Gerard Lighting is the leading supplier of lighting products in Australia and New Zealand with operations also in India, Indonesia, Malaysia and the Middle East. Lighting manufacturers and distributors, such as Gerard Lighting, supply products that are classified into two broad categories, being:
- (a) **components (lamps / light bulbs)** – comprising the outer glass bulb or tube and electrical elements, which may be coated to achieve particular performances; and
  - (b) **light fixtures and light control gear** – comprising the complete lighting units including the lamp and parts designed to distribute the light, position and protect the lamp, connect to the power supply and control the operation of the lamp.

### Lighting technology

- 102 There are numerous types of light sources including, but not limited to, incandescent, fluorescent, halogen, mercury vapour, metal halide and light-emitting diodes (LED). The most common light sources function in the following manner:
- (a) **incandescent lamps** – operate by electricity passing through a tungsten filament (and are now banned for sale in Australia)
  - (b) **halogen lamps** – also operate by electricity passing through a tungsten filament, but the lamp contains halogen gas inside the globe which reacts with the tungsten. While halogen globes are more expensive than standard incandescent light globes they are more energy efficient and last up to five times as long
  - (c) **fluorescent lamps** – function by electricity creating an arc in an inert gas contained in a glass tube. Compact fluorescent lamps use around 20% of the electricity used by an incandescent lamp to produce the same amount of light. In addition, a compact fluorescent lamp can last between four to 10 times longer than the average incandescent lamp
  - (d) **LEDs** – operate by passing a current through a semi-conductor material (largely composed of silicon). LEDs are more energy efficient than incandescent, halogen and fluorescent lamps.
- 103 Technology is a fundamental driver of growth and competition in the lighting market. More recently, technology in the lighting industry has been tied to increasing global concerns around the environment, resulting in the development of more energy efficient lighting products and lighting control systems. Recent advances in lighting technology have included:
- (a) advancements in LED technology continue to improve efficiency and have expanded the scope in which LED technology can be used from small fittings to large industrial street lighting. LED fixtures, through the use of intelligent features, can also give users greater control in the home or work space

## Appendix 1 Independent Expert's Report continued

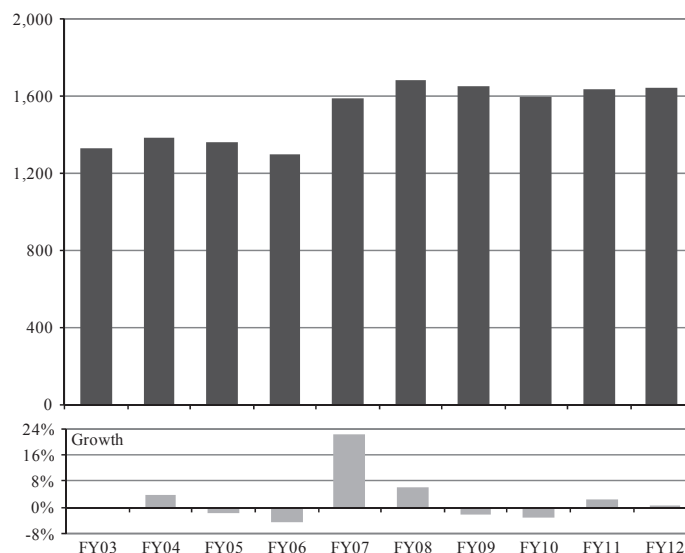
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- (b) sensors that combine with intelligent fixtures to switch off or dim lights to save energy. Smart fixtures and sensor technology can also detect sun light levels and adjust settings based on light requirements for different areas
- (c) lighting control systems that can monitor and report on the health and energy consumption of all building fixtures, promoting the responsible use of light and energy. This feature is complimented by the ability of smart phones to be used as the system control (through the use of dedicated application software)
- (d) new emergency lighting systems that utilise the latest in battery technology, reducing hazardous waste and decreasing energy consumption. Efficient LED emergency lighting has emerged in recent times and its usage is increasing.

### Australian demand

- 104 Gerard Lighting's principal market is Australia. IBISWorld estimates that Australia's demand for lighting products was \$1.6 billion in FY12<sup>9</sup> which is largely unchanged from demand five years previously, as shown in the chart below:

**Australian demand for lighting products**  
A\$ million



Source: IBISWorld. Figures are in FY12 inflation adjusted dollars.

- 105 The demand for lighting products is heavily influenced by building and construction activity and to a lesser extent roadway infrastructure spending. Notably, demand for lighting

<sup>9</sup> In Australia, lighting fixtures and control gear is the largest product segment comprising 85% of total demand with lighting components representing the remainder.



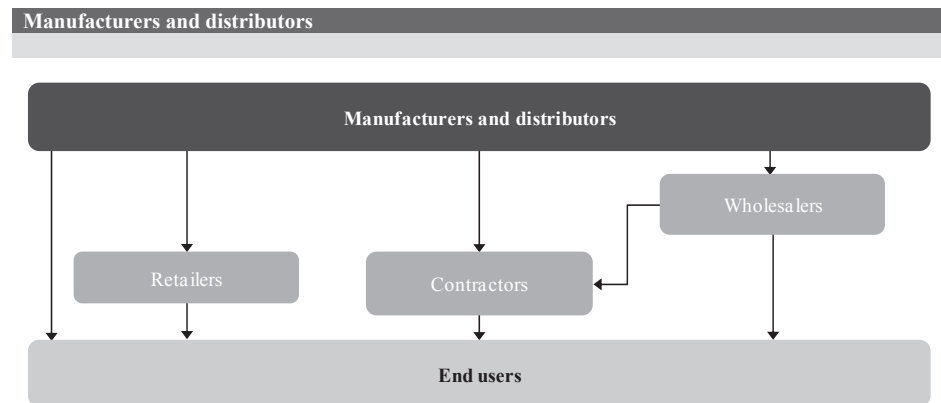
components (such as lamps) is less sensitive to construction cycles than lighting fixtures and light control gear. Around 90% of lamps sold are replacement sales and therefore largely uncorrelated to economic cycles. Key demand segments are summarised below:

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

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

**Australian industry structure**

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



Source: Gerard Lighting.

## Appendix 1 Independent Expert's Report continued



108 A summary of the above is as follows:

- (a) **manufacturers and distributors** – the Australian manufacture and importation of lighting products is fragmented. Gerard Lighting is the market leader with sales representing approximately 25% to 30%<sup>10</sup> of the \$1.6 billion Australian lighting market. The next largest participants are estimated to hold less than 10% of the market and include the Australian subsidiaries of international companies (Philips Lighting, OSRAM Australia, Zumtobel and Legrand) and Australian owned manufacturers and distributors (Davis Lighting and Eye Lighting). A large number of other small to medium size companies also operate in the Australian market
- (b) **wholesalers** – the electrical wholesale sector in Australia is highly concentrated with the top four wholesale groups estimated to have 90% market share. Wholesalers sell product primarily to electrical contractors and, to a lesser extent, to end users
- (c) **retailers** – this sector sells a large proportion of its product direct to the end user (principally residential), and is highly competitive with low levels of concentration. Electrical contractors tend to have accounts with one of the major retail outlets for convenience, but tend to purchase the majority of their product through wholesale channels
- (d) **contractors** – Australian legislation requires that all electrical installations be done by licensed electrical contractors. Traditionally contractors have purchased the majority of their product from wholesalers
- (e) **end users** – this sector includes various levels of government and those customers who specify, purchase, install and maintain their own lighting.

### Key industry trends

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

- (a) global concerns about climate change and legislation to reduce carbon emissions
- (b) anticipated increases in electricity pricing due to infrastructure upgrades, carbon pricing and other environmental costs; and
- (c) the emergence of several initiatives aimed at improving the efficiency of lighting products such as the introduction of Minimum Energy Performance Standards (MEPS).

110 Lighting presents an opportunity to significantly reduce energy consumption. Lighting accounts for some 19% of global electricity consumption. The focus on energy management and the role of intelligent lighting is increasing, raising demand for efficient lighting products and home integration / automation lighting products.

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

<sup>10</sup> Based on gross sales (before rebates and settlement discounts) and excludes overseas sales.





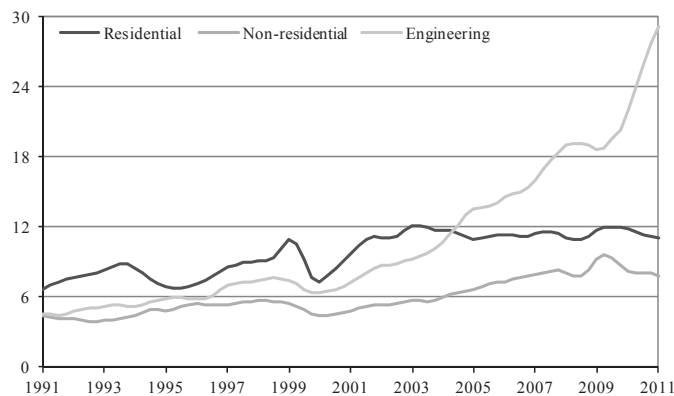
**Australian regulation**

- 112 The Federal Government’s policy and strategy in respect of the lighting industry is largely captured within the Greenlight Australia initiative. This initiative outlines energy reduction targets proposed by the lighting industry and identifies lighting technologies to be gradually phased out (certain technologies have been phased out effective from 1 November 2009). Greenlight Australia is aimed at improving the efficiency of all lighting equipment (lamps, ballasts, transformers and fixtures) in the commercial, industrial, residential and public lighting sectors.
- 113 The manufacture and supply of lighting products are regulated by State Government legislation that refer back to relevant Australian Standards (e.g. AS/NZS 3820 for essential safety of manufactured electrical products). Most lighting products are considered medium to low risk by the regulators, although some, such as portable fixtures and fluorescent ballasts are high risk where test reports and approval prior to sale are necessary. State Government legislation also requires MEPS. The Federal Government coordinates this through the National Appliance and Equipment Efficiency Program. Under this program specific standards have been developed to enforce minimum performance levels and labelling.

**Australian building and construction activity**

- 114 In 2011 the value of the total building and construction in Australia was almost \$180 billion, with the majority of this being engineering construction (\$100 billion) and the remainder comprised of residential (\$46 billion) and non-residential (\$32 billion) building activity. The chart below shows the quarterly rolling value of building and construction activity in Australia over the 20 years to 31 March 2012:

**Australian building and construction activity**  
\$ billion



Source: Australian Bureau of Statistics (ABS).

## Appendix 1 Independent Expert's Report continued



- 115 While engineering construction has soared on the back of a large number of significant mining and gas projects currently underway<sup>11</sup>, residential activity has remained at similar levels since around 2003 due to a combination of weaker economic conditions, deteriorating housing affordability, tightened lending arrangements subsequent to the global financial crisis (GFC) and a lack of land releases by State Governments.
- 116 Non-residential building activity, particularly the commercial and industrial segments, was severely impacted by the slow-down in business activity that followed the GFC, due in part to limited availability of finance. In response the Federal Government funded a stimulus package targeting the education and health sectors over 2009 and 2010, which coincided with the peak in non-residential activity in 2010.
- 117 Aside from engineering construction building industry conditions are difficult, with residential activity unchanged from that prevailing almost 10 years ago and non-residential building activity now reducing post the government stimulus package. However, the combination of replacement lamp sales (which are unrelated to economic conditions) and the trend to reduce power consumption (replacement lighting products generally provide significant energy savings) has largely shielded lighting manufacturers and distributors from the difficult conditions generally in the building products industry.

### **Australian industry outlook**

- 118 The outlook for manufacturers and distributors of lighting products in Australia will be influenced by the following factors:
- (a) the level of Australian commercial, residential and infrastructure building and construction activity
  - (b) the drive for increased energy efficiency; and
  - (c) lighting costs as a proportion of total building costs.
- 119 Global concerns around climate change, rising energy costs and the emergence of Government initiatives aimed at improving the efficiency of lighting products, is expected to drive future revenue growth in the lighting industry. In particular, this trend is anticipated to drive increased demand for efficient lighting products and increase the home integration / automation market.
- 120 In Australia, lighting costs are estimated to have grown from approximately 1% to approximately 2.5% of total construction costs, principally due to energy efficiency requirements and the increased popularity of intelligent lighting products and integrated lighting control systems. This increase in the proportionate cost brings Australia closer to Europe and North America where lighting represents between 3% to 5% of total construction costs.

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<sup>11</sup> As mentioned above, the primary source of demand for Gerard Lighting from infrastructure construction spending is road construction and the associated lighting generally required.

## V Valuation approach

- 121 Regulatory Guide 111 – *Content of expert reports* (RG 111) outlines the appropriate methodologies that a valuer should consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:
- (a) the discounted cash flow (DCF) methodology
  - (b) the application of earnings multiples appropriate to the businesses or industries in which the company or its profit centres are engaged, to the estimated future maintainable earnings or cash flows of the company, added to the estimated realisable value of any surplus assets
  - (c) the amount that would be available for distribution to shareholders in an orderly realisation of assets
  - (d) the quoted price of listed securities, when there is a liquid and active market and allowing for the fact that the quoted market price may not reflect their value on a 100% controlling interest basis
  - (e) any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.
- 122 Under the DCF methodology the value of the business is equal to the net present value (NPV) of the estimated future cash flows including a terminal value. In order to arrive at the NPV the future cash flows are discounted using a discount rate which reflects the risks associated with the cash flow stream.
- 123 Methodologies using capitalisation multiples of earnings or cash flows are commonly applied when valuing businesses where a future “maintainable” earnings stream can be established with a degree of confidence. Generally, this applies in circumstances where the business is relatively mature, has a proven track record and expectations of future profitability and has relatively steady growth prospects. Such a methodology is generally not applicable where a business is in start-up phase, has a finite life, or is likely to experience a significant change in growth prospects and risks in the future.
- 124 Capitalisation multiples can be applied to either estimates of future maintainable operating cash flow, earnings before interest, tax, depreciation and amortisation (EBITDA), earnings before interest, tax and amortisation (EBITA), earnings before interest and tax (EBIT) or net profit after tax. The appropriate multiple to be applied to such earnings is usually derived from stock market trading in shares in comparable companies which provide some guidance as to value and from precedent transactions within the industry. The multiples derived from these sources need to be reviewed in the context of the differing profiles and growth prospects between the company being valued and those considered comparable. When valuing controlling interests in a business an adjustment is also required to incorporate a premium for control. The earnings from any non-trading or surplus assets are excluded from the estimate of the maintainable earnings and the value of such assets is separately added to the value of the business in order to derive the total value of the company.

## Appendix 1 Independent Expert's Report continued



- 125 An asset based methodology is applicable in circumstances where neither a capitalisation of earnings nor a DCF methodology is appropriate. It can also be applied where a business is no longer a going concern or where an orderly realisation of assets and distribution of the proceeds is proposed. Using this methodology, the value of the net assets of the company are adjusted for the time, cost and taxation consequences of realising the company's assets.

### **Methodologies selected**

- 126 The market value of Gerard Lighting has been assessed by aggregating the market value of the business divisions, together with the realisable value of any surplus assets and deducting net borrowings and deferred consideration payable in respect of a prior acquisition.
- 127 The valuation of the business has been made on the basis of market value as a going concern. The primary valuation method used to value Gerard Lighting's business has been the capitalisation of future maintainable EBIT method. Under this methodology the value of the business is represented by its core underlying maintainable EBIT capitalised at a rate (or EBIT multiple) reflecting the risk inherent in those earnings.
- 128 In our opinion the capitalisation of EBIT method is the most appropriate methodology for Gerard Lighting's business divisions. This is because:
- (a) Gerard Lighting's business divisions operate in a mature industry and have well established market positions
  - (b) we do not have long-term cash flow projections which we regard as sufficiently robust to enable a DCF valuation to be undertaken
  - (c) the EBIT multiples for listed companies exposed to similar industry sectors as Gerard Lighting's business divisions can be derived from publicly available information
  - (d) transaction evidence in the sector is generally expressed in terms of EBIT (and EBITDA) multiples.

### **Cross-check**

- 129 The resulting values have also been cross-checked by reference to the capitalisation of EBITDA and net profit after tax (or price earnings (PE)) methods.
- 130 While we consider the above approaches to be the most appropriate valuation methodologies in the circumstances, it is important to also cross-check the assessed Gerard Lighting equity valuation against other valuation methodologies used in equity markets to assess the price that might be paid for 100% of Gerard Lighting. Accordingly, notwithstanding the illiquid nature of trading in Gerard Lighting shares we have also considered the value of Gerard Lighting by reference to the listed market price of Gerard Lighting shares prior to 13 July 2012, being the last full day of trading prior to the company requested trading halt which preceded the announcement of the Scheme, adjusted for an appropriate takeover premium.

## VI Valuation of Gerard Lighting

### Valuation methodology

131 As stated in Section V, we have adopted the capitalisation of EBIT method as our primary valuation method. Under this method the EBIT (before non-recurring items) is capitalised at an appropriate EBIT multiple. The value of the shares in Gerard Lighting is then derived by adding the net realisable value of surplus and other assets and deducting net interest bearing debt and the deferred consideration payable in respect of a prior acquisition. The resulting values have also been cross-checked by reference to the capitalisation of EBITDA and net profit after tax (or PE) methods and by reference to the listed market price of Gerard Lighting shares prior to the announcement of the Scheme (notwithstanding the relatively illiquid nature of trading in Gerard Lighting shares), adjusted for a control premium.

### Assessment of normalised EBIT

132 In order to assess the appropriate level of EBIT for valuation purposes we have had regard to the historical results of Gerard Lighting for the three years ended 30 June 2012, and have discussed the Group's financial performance, operating environment and prospects with management. Given the substantial increase in EBIT since FY10 we have had greater regard to normalised FY11 and FY12 earnings in our assessment of EBIT for valuation purposes, as set out below:

Gerard Lighting – normalised EBIT			
	Pro-forma FY10	Audited FY11	Audited FY12
	\$m	\$m	\$m
Operating revenue	362.5	404.4	389.3
Reported EBIT	31.6	38.2	35.4
<b>Normalisation adjustments:</b>			
Pro-forma earnings from acquisitions		2.3	1.1
International businesses		0.5	0.9
Stamp duty / workers compensation		0.2	(0.4)
Impact of Government stimulus		(2.5)	-
Capitalised development costs		(0.5)	(1.0)
<b>Total adjustments</b>		(0.1)	0.6
<b>Normalised EBIT</b>		38.1	36.0

**Note:**  
Rounding differences may exist.

133 An explanation of the normalisation adjustments is as follows:

- (a) **pro-forma earnings from acquisitions** – the Nimbus and Home businesses were acquired effective January 2012. This adjustment allows for the earnings contributions from these businesses as if they had been owned from 1 July 2010

## Appendix 1 Independent Expert's Report continued



- (b) **international businesses** – net losses incurred historically from the operation and/or establishment of the international business have been added back<sup>12</sup>, effectively placing no value on these businesses (potential growth and associated earnings contribution from these businesses is allowed for in the EBIT multiple we have adopted)
  - (c) **stamp duty / workers compensation** – the adjustment reflects the reallocation of stamp duty and workers compensation costs refunded in FY12 to the respective years to which the refunds relate
  - (d) **impact of Government stimulus** – this represents the assessment by Gerard Lighting management of the net “one off” benefit to earnings (primarily in 1H FY11) from the Federal Government’s stimulus package<sup>13</sup>
  - (e) **capitalised development costs** – a proportion of the Group’s product development costs are currently capitalised and amortised over their useful lives (to a maximum of five years)<sup>14</sup>. In our view, for valuation purposes, it is more appropriate that these costs be expensed as incurred, and accordingly the accounting policy adopted for financial reporting purposes has been reversed.
- 134 We also note that Gerard Lighting is provisionally budgeting for modest growth in FY13, in the belief that international business conditions will remain uncertain and local consumers will remain cautious during the year.
- 135 Based on the above, we have adopted operating EBIT of \$37.0 to \$37.5 million for valuation purposes. The level of earnings adopted for valuation purposes reflects in particular:
- (a) the level of historic earnings achieved in more favourable market conditions than those currently prevailing
  - (b) the underlying sustainability of earnings in Australia and New Zealand
  - (c) on-going annual earnings contributions from the Nimbus and Home businesses acquired in FY12
  - (d) the current cost structure of the businesses and the inherent productive capacity therein
  - (e) an assumed (minimum) break-even position in respect of the international business (outside of Australasia).

### EBIT multiple

- 136 The selection of the appropriate EBIT multiple to apply is a matter of judgement but normally involves consideration of a number of factors including, but not limited to:

<sup>12</sup> We have implicitly assumed appropriate management response to ensure operating losses would not continue to be incurred. Note that some of the international operations are currently profitable.

<sup>13</sup> Source: Gerard Lighting half year results announcement dated 20 February 2012.

<sup>14</sup> Ongoing product development costs are incurred by the Group to maintain its current market position.

#### EBIT multiple considerations

- The stability and quality of earnings
- The quality of the management and the likely continuity of management
- The nature and size of the business
- The spread and financial standing of customers
- The financial structure of the company and gearing level
- The multiples attributed by share market investors to listed companies involved in similar activities or exposed to the same broad industry sectors
- The multiples that have been paid in recent acquisitions of businesses involved in similar activities or exposed to the same broad industry sectors
- The future prospects of the business including the growth potential of the industry in which it is engaged, strength of competitors, barriers to entry, etc.
- The cyclical nature of the industry
- Expected changes in interest rates
- The asset backing of the underlying business of the company and the quality of the assets
- The extent to which a premium for control is appropriate
- Whether the assessment is consistent with historical and prospective earnings

- 137 We discuss below specific factors taken into consideration when assessing the appropriate EBIT multiple range for Gerard Lighting.

#### Listed company multiples

- 138 Information on Gerard Lighting's competitors is generally limited as they are either privately owned or operating divisions within larger companies. Accordingly we have had regard to companies exposed to the building and construction markets generally in Australasia, as well as a number of international companies operating in the lighting industry. The EBIT multiples based on each company's average broker forecasts (or actual results if available) for FY12 and FY13 are set out below (refer Appendix C for company descriptions):

Listed company multiples <sup>(1)</sup>	Enterprise value <sup>(2)</sup>	EBIT multiples <sup>(3)</sup>	
	A\$m	FY12F x	FY13F x
<b>Australasian building products companies</b>			
Fletcher Building	4,754.5	10.9	9.4
Boral	3,922.7	18.5	12.6
Adelaide Brighton	2,303.3	10.2	9.2
CSR <sup>(4)</sup>	1,040.0	9.8	7.0
<b>Australasian industrial companies</b>			
Reece Australia	1,712.5	10.9	10.0
DuluxGroup	1,298.4	9.6	8.7
GWA Group	805.0	10.5	9.7
GUD Holdings	731.8	9.5	8.9
Hills Holdings	390.5	8.7	7.4
Coventry Group	55.1	6.3	5.4
<b>International lighting companies</b>			
Acquity Brands	2,566.1	12.0	9.8
Havells India <sup>(4)</sup>	1,464.5	12.8	12.0
Zumtobel <sup>(4)</sup>	690.3	16.9	13.9
LSI Industries	144.8	19.2	9.0

## Appendix 1 Independent Expert's Report continued

LONERGAN EDWARDS  
& ASSOCIATES LIMITED

**Note:**

- 1 Enterprise value and earnings multiples calculated as at 13 July 2012.
- 2 Enterprise value includes net debt (interest bearing liabilities), convertible notes, net derivative liabilities, net pension liabilities, market capitalisation adjusted for material option dilution, share placements (for the purpose of reducing debt) and excludes surplus assets.
- 3 Forecast earnings are based on Bloomberg broker average forecast (excluding outliers and outdated forecasts).
- 4 The results for CSR and Havells India are actual for the year to 31 March 2012. The results for Zumtobel are actual for the year to 30 April 2012.

**Source:** Bloomberg, Reuters, latest full year statutory accounts, latest interim accounts, company announcements, LEA analysis.

139 In relation to the above we note that:

- (a) the above multiples are based on the listed market price of each company's shares (and therefore exclude a premium for control). Empirical evidence undertaken by LEA indicates that the average premium paid above the listed market price in successful takeovers in Australia ranges between 30% and 35% (assuming the pre-bid market price does not reflect any speculation of the takeover). This broadly translates to a premium of 20% to 25% at the EBIT multiple or enterprise value level, although this varies depending on the level of debt funding employed in each company
- (b) none of these companies are directly comparable to Gerard Lighting's business. The majority of these companies are larger and have more diverse operations than Gerard Lighting's business divisions. In this regard, we note that the smaller Australian listed companies (e.g. Hills Holdings and Coventry Group) are trading on lower multiples than the larger Australian listed companies
- (c) with regard to the Australian listed companies we note that they are generally exposed to the same industry drivers and market trends as Gerard Lighting. However, the lighting industry has proved particularly resilient in the face of the difficult conditions being experienced in the building products industry generally. This is due primarily to a combination of replacement lamp sales (which are unrelated to economic conditions) and the prevailing trend to reduce power consumption (replacement lighting products generally provide significant energy savings)
- (d) while the operations of the international listed companies are more comparable to those of Gerard Lighting, we note that:
  - (i) these companies are significantly larger<sup>15</sup> than Gerard Lighting, operate in different geographic regions and are therefore subject to different economic cycles
  - (ii) the implied multiples for these companies are generally high, which is reflective of the high expectations for growth for these companies (which are higher than growth expectations for Gerard Lighting), with expected compound annual growth rates (over the two years to FY14) for Acuity Brands of 17.6%, Havells India (14.0%) and Zumtobel (17.1%).

Accordingly, caution must be had in considering the comparability of these multiples.

<sup>15</sup> With the exception of LSI industries.



### IPO multiple

- 140 We have also had regard to the multiple implied by the initial public offering (IPO) of Gerard Lighting in April 2010. The issue price of \$1.00 per share reflected a forecast FY11 EBIT multiple of 7.2.
- 141 Shares issued pursuant to the Gerard Lighting IPO represented portfolio (minority) interests in the company. Adopting a control premium at the enterprise value level of 20% (which has regard for the net debt position of Gerard Lighting at the time of the float) implies a controlling interest forecast EBIT multiple of 8.6.
- 142 In recent times the market for IPOs generally has been depressed. We consider it likely therefore that shares offered in a Gerard Lighting IPO at the date of this report would need to be priced at a level that reflected an implied forecast EBIT multiple below that achieved in April 2010.

### Transaction evidence

- 143 There have been a limited number of transactions in the lighting sector. A summary of the EBITDA and EBIT multiples implied by these transactions (which all reflect acquisitions of controlling interests) is shown below:

Transaction multiples			Enterprise Value \$m	EBITDA multiples		EBIT multiples	
Date	Target	Acquirer		Historical	Forecast	Historical	Forecast
May 12	Cooper Industries Plc	Eaton Corporation	US\$11,775.1	13.0	n/a	14.8	n/a
Dec 11	Nimbus / Home	Gerard Lighting	NZ\$15.5	6.4	4.8	6.8	5.0
Nov 07	The Genlyte Group	Royal Philips	€2,692.6	10.1	n/a	11.4	n/a
Oct 07	Lighting Corporation	Gerard Lighting	A\$114.4	8.7	7.1	9.9	7.9
Apr 07	Sylvania	Havells India	US\$300.0	7.5	5.5	11.9	7.5

**Note:**

n/a – not applicable.

- 144 In relation to the transaction evidence it should be noted that:
- the acquisition of Lighting Corporation by Gerard Lighting in early 2008 is the most relevant transaction, due to the fact that the acquired businesses represent a substantial proportion of the Gerard Lighting business today. At the time of the acquisition, Lighting Corporation's historical and forecast EBIT was \$11.5 million and \$14.5 million respectively<sup>16</sup> and hence on an earnings comparison basis the Lighting Corporation business was around one-third the current size of Gerard Lighting. Larger companies generally trade on higher multiples than smaller companies
  - aside from the Lighting Corporation transaction the other acquired businesses are not directly comparable to the businesses owned by Gerard Lighting due to the material difference in terms of their size and locations

<sup>16</sup> LEA as independent expert who opined on the transaction derived maintainable EBIT of \$14 million.

## Appendix 1 Independent Expert's Report continued



- (c) Gerard Lighting's acquisition of Nimbus and Home reflected total purchase consideration of approximately \$14.3 million and implied forecast EBIT multiples of 4.8 times. However, these businesses were significantly smaller than Gerard Lighting's operating businesses (of which they now form a part) and as such, we would expect Gerard Lighting to trade on higher multiples
- (d) the transaction multiples are calculated based on the most recent actual earnings (historical multiples) or expected future earnings for the current year at the date of the transaction (forecast multiples). The multiples are therefore not necessarily reflective of the multiple which would be derived from an assessment of each target company's "maintainable" earnings.

### Conclusion on appropriate EBIT multiples

145 Based on the above, in our opinion, an EBIT multiple range of 7.5 to 8.0 is appropriate for Gerard Lighting. This EBIT multiple range incorporates a premium for control and reflects in particular:

- (a) the established nature of the Gerard Lighting businesses and the strong market positions held
- (b) the security of tenure over the key operating brands of the group, either through direct ownership or long standing licence arrangements
- (c) the prospects for future business growth arising from ongoing regulatory change within the lighting industry
- (d) the current state of the building and construction industry in Australasia and the related prospects for growth in earnings as the business cycle improves
- (e) the business infrastructure developed overseas including the growth prospects of the operations established in India.

### Value of core businesses

146 On this basis the value of Gerard Lighting's core operating businesses (before debt) is as follows:

Gerard Lighting – valuation		
	Low \$m	High \$m
EBIT	37.0	37.5
EBIT multiple	7.5	8.0
	277.5	300.0

### Implied EBITDA and PE multiples

147 The EBITDA (adjusted for acquisition intangibles) and PE multiples implied by our assessed value range are shown below:



<b>Implied multiples</b>		
	<b>Low</b>	<b>High</b>
<b>EBITDA multiple</b>		
Enterprise value (\$m)	277.5	300.0
LEA assessed EBITDA (normalised) (\$m)	42.0	42.0
EBITDA multiple (x)	6.6	7.1
<b>PE ratio</b>		
Equity value (\$m) (refer paragraph 159)	184.8	207.3
LEA assessed profit after tax (\$m) <sup>(1)</sup>	20.3	20.3
PE ratio (x)	9.1	10.2

**Note:**

1 LEA has assessed EBITDA and profit after tax as follows:

EBITDA	42.0
Depreciation	(4.7)
EBIT (mid-point as assessed)	37.3
Interest on debt (9% interest rate assumed)	(8.2)
Earnings before tax	29.1
Notional tax (30%)	(8.7)
Profit after tax	20.3

Rounding differences may exist.

- 148 Based on our review of the EBITDA multiples and PE ratios for the listed companies (refer Appendix C) and the implied EBITDA multiples based on industry transactions, together with our assessment of the characteristics of Gerard Lighting's business and the general differences in size, we consider these cross-check multiples implied by our assessed valuation range to be reasonable.

**Deferred consideration**

- 149 Gerard Lighting has an outstanding commitment in respect of deferred consideration payable in connection with the acquisition of Nimbus and Home, payable during FY13. As at 30 June 2012 the liability totalled NZ\$1.3 million or A\$1.0 million (calculated at an exchange rate of A\$1.00 = NZ \$1.295 as at 18 July 2012).

**Net debt**

- 150 As at 30 June 2012, Gerard Lighting had net debt (being cash less interest bearing liabilities) of \$91.0 million.

**Franking credits**

- 151 As at 30 June 2012 Gerard Lighting had available franking credits of approximately \$32.7 million. As this level of franking credits is significant relative to the market capitalisation of Gerard Lighting we have considered the value of these franking credits when forming an opinion as to overall value.

## Appendix 1 Independent Expert's Report continued



152 When assessing the value of franking credits on a going concern basis<sup>17</sup> it should be noted that:

- (a) the franking credits only have a value once distributed
- (b) the tax impost from receiving a fully franked dividend is not offset by the franking credit for those investors on a marginal tax rate greater than 30%
- (c) individual investors on a marginal tax rate of 46.5% who have held an investment for more than one year would prefer to receive a \$10 capital gain rather than a \$10 fully franked dividend (as the after tax value of the \$10 capital gain is greater)
- (d) dividend payout ratios generally are significantly less than 100%, hence not all franking credits are utilised
- (e) only Australian resident shareholders benefit from franking credits<sup>18</sup>
- (f) Australian resident shareholders must hold the shares in a company for 45 days<sup>19</sup> (subject to certain exemptions) to claim the benefit of franking credits
- (g) purchasers of 100% of the company may have excess franking credits anyway (or be unable to use them) and are therefore not prepared to pay a significant value for them; and
- (h) in part the value of franking credits is already reflected in listed company multiples and values.

153 In practice, a company's ability to distribute franking credits is a function of, firstly, its ability to pay a dividend and, secondly, its ability to frank that dividend.

### **Ability to pay a dividend**

154 Following recent changes to the Corporations Act, a company can now pay a dividend if all the following conditions are satisfied:

- (a) the company's assets exceed its liabilities immediately before the dividend is declared and the excess is sufficient for the payment of this dividend
- (b) payment of the dividend is fair and reasonable to the company's shareholders as a whole
- (c) payment of the dividend does not materially prejudice the company's ability to pay its creditors.

<sup>17</sup> That is, in the absence of any capital management initiatives to distribute the franking credits.

<sup>18</sup> Withholding tax is not required to be deducted from fully franked dividends paid to non-resident shareholders. This represents a timing benefit to non-resident shareholders provided the non-resident shareholder is able to claim a credit for the withholding tax paid.

<sup>19</sup> 90 days in connection with preference share dividends.



155 In addition to the above a company also needs to have available cash reserves and/or borrowing capacity to pay the dividend<sup>20</sup>. In that regard, we note that as at 30 June 2012 Gerard Lighting had net debt of \$91.0 million and limited available further borrowing capacity under its existing facilities. In the circumstances we have formed the view that Gerard Lighting does not have the financial capacity to pay a dividend (other than out of future profits/cash flows in the normal course of business).

156 Accordingly, for the purpose of our report, we have ascribed no separate value to the available franking credits of Gerard Lighting.

#### Shares on issue

157 Gerard Lighting currently has approximately 176.7 million shares on issue. In addition there are 14.8 million unvested in-the-money options on issue. It is a condition of the Scheme that the holders of these options enter into option cancellation deeds with Gerard Lighting and Lighting Investments. Pursuant to these arrangements Gerard Lighting will pay each option holder the difference between the Scheme Consideration and the option exercise price i.e. a payment of \$0.05 per option. For the purposes of our report we have therefore allowed for a total option cancellation payment of \$0.74 million.

158 Accordingly, for valuation purposes we have adopted existing shares on issue of 176.7 million.

#### Value of Gerard Lighting

159 On this basis, the value of 100% of Gerard Lighting on a controlling interest basis is as follows:

Gerard Lighting – valuation summary			
	Paragraph	Low \$m	High \$m
Enterprise value	146	277.5	300.0
Option cancellation payment	157	(0.7)	(0.7)
Deferred consideration	149	(1.0)	(1.0)
Net debt	150	(91.0)	(91.0)
Value of Gerard Lighting equity		184.8	207.3
Shares on issue	157 - 158	176.7	176.7
Value per share		\$1.05	\$1.17

#### Comparison with listed market price

160 Empirical evidence undertaken by LEA indicates that the average premium paid above the listed market price in successful takeovers in Australia ranges between 30% and 35% (assuming the pre-bid market price does not reflect any speculation of the takeover).

<sup>20</sup> Recent public rulings by the ATO indicate that any special dividend funded by a purchaser of the company will be treated as capital proceeds for tax purposes (rather than as a dividend).

## Appendix 1 Independent Expert's Report continued



- 161 In the one month and three months prior to 13 July 2012 being the last full day of trading prior to the trading halt which preceded the announcement of the Scheme, the volume weighted average price (VWAP) of Gerard Lighting shares was \$0.69 and \$0.71 respectively. Adjusting these share prices for a 30% to 35% control premium would therefore result in a “theoretical” control value of \$0.90 to \$0.96 per share. This theoretical value range is significantly below our assessed valuation range of Gerard Lighting of \$1.05 to \$1.17 per share.
- 162 However, in our view, the listed market price of Gerard Lighting shares prior to the announcement of the Scheme is, at best, only a limited value reference point upon which to derive the value of Gerard Lighting shares on a 100% controlling interest basis. This is because:
- (a) trading in Gerard Lighting shares has been relatively low with only some 8% of the shares on issue trading in the year prior to the announcement of the Scheme. We would generally regard the share price of companies with low market liquidity to be of limited reference value when considering proposed change in control transactions in respect of a company
  - (b) in announcing the on-market share buy-back in December 2011 Gerard Lighting directors noted *“the significant undervalue of the company’s shares in the market”*. Notwithstanding this disclosure, there was no subsequent material increase in the price at which Gerard Lighting shares traded
  - (c) given the prevailing economic conditions generally in the sectors to which Gerard Lighting provides its services, market analysts and investors are likely to have formed a view that industry conditions were unlikely to improve materially in the short-term sufficient to provide a basis for a positive re-rating of the share price.
- 163 Having regard to the above we consider our valuation range to be reasonable.

## VII Evaluation of the Scheme

### Summary of opinion

164 In our opinion, the Scheme is fair and reasonable and in the best interests of Gerard Lighting shareholders in the absence of a superior proposal. We have formed this opinion for the following reasons.

### Assessment of the Scheme

#### Fairness

165 Pursuant to RG 111 the Scheme is “fair” if the value of the Scheme Consideration is equal to or greater than the value of the securities the subject of the Scheme. This comparison is shown below:

Comparison of Scheme Consideration to value of Gerard Lighting			
	Low	High	Mid-point
	\$ per share	\$ per share	\$ per share
Value of Scheme Consideration	1.05	1.05	1.05
Value of 100% of Gerard Lighting	1.05	1.17	1.11
Extent to which the Scheme Consideration exceeds (or is less than) the value of Gerard Lighting	-	(0.12)	(0.06)

166 As the Scheme Consideration is consistent with (albeit at the bottom of) our assessed valuation range for Gerard Lighting shares on a 100% controlling interest basis, in our opinion, the Scheme Consideration is fair to Gerard Lighting shareholders when assessed based on the guidelines set out in RG 111.

#### Other qualitative factors

- 167 Pursuant to RG 111, a transaction is reasonable if it is fair. Further, in our opinion, if the Scheme is “fair and reasonable” it must also be “in the best interests” of shareholders, in the absence of a superior proposal.
- 168 Consequently, in our opinion, the Scheme is also reasonable and in the best interests of Gerard Lighting shareholders in the absence of a superior proposal.
- 169 In assessing whether the Scheme is reasonable and in the best interests of Gerard Lighting shareholders LEA has also considered, in particular:
- the extent to which a control premium is being paid to Gerard Lighting shareholders
  - the extent to which Gerard Lighting shareholders are being paid a share of any synergies likely to be generated pursuant to the potential transaction
  - the listed market price of the shares in Gerard Lighting, both prior to and subsequent to the announcement of the proposed Scheme
  - the likely market price of Gerard Lighting shares if the proposed Scheme is not approved

## Appendix 1 Independent Expert's Report continued



- (e) the value of Gerard Lighting to an alternative offeror and the likelihood of a higher alternative offer being made for Gerard Lighting prior to the date of the Scheme meeting
- (f) the advantages and disadvantages of the Scheme from the perspective of Gerard Lighting shareholders
- (g) other qualitative and strategic issues associated with the Scheme.

170 These issues are discussed in detail below.

### Extent to which a control premium is being paid

171 Research undertaken by LEA indicates that average premiums paid in successful takeovers in Australia generally range between 30% and 35% above the listed market price of the target company's shares three months prior to the announcement of the bid (assuming no speculation of the takeover is reflected in the pre-bid price). This premium range reflects the fact that:

- (a) the owner of 100% of the shares in a company obtains access to all the free cash flows of the company being acquired, which it would otherwise be unable to do as a minority shareholder
- (b) the controlling shareholder can direct the disposal of surplus assets and the redeployment of the proceeds
- (c) a controlling shareholder can control the appointment of directors, management policy and the strategic direction of the company
- (d) a controlling shareholder is often able to increase the value of the entity being acquired through synergies and/or rationalisation savings.

172 We have calculated the premium implied by the Scheme Consideration by reference to the market prices of Gerard Lighting shares (as traded on the ASX) for periods up to and including 13 July 2012 (being the last full trading day prior to the trading halt which preceded the announcement of the Scheme)<sup>21</sup>. Prior to the opening of trading on 18 July 2012 Gerard Lighting announced they had entered into the Agreement in relation to the proposed Scheme.

173 The implied offer premium relative to Gerard Lighting share prices is shown below:

Implied offer premium relative to recent Gerard Lighting share prices		
	Gerard Lighting share price \$	Implied offer premium %
Closing share price on 13 July 2012 <sup>(1)</sup> :	0.75	40.0
1 month VWAP <sup>(2)</sup> to 13 July 2012	0.69	52.2
3 months VWAP <sup>(2)</sup> to 13 July 2012	0.71	48.5

<sup>21</sup> Gerard Lighting shares traded for part of the day on 16 July 2012 prior to the company requested trading halt. We have ignored this trading for implied offer premium consideration purposes.






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**Note:**

- 1 Being the last full day of trading prior to the trading halt which preceded the announcement of the Scheme.
  - 2 Volume weighted average price.
- 

- 174 As indicated above, the Scheme Consideration represents a significant premium to the market price of Gerard Lighting shares prior to the announcement of the Scheme on 18 July 2012. The implied premium is significantly above the average premiums paid in successful takeovers generally.
- 175 We consider the quantum of the implied premium to reflect the low price levels at which Gerard Lighting shares have generally traded both prior and subsequent to the announcement of the proposed on-market share buy-back in December 2011. In announcing this buy-back the Gerard Lighting directors noted *"the significant undervalue of the company's shares in the market"*.
- 176 Furthermore, as noted in Section III of our report, the level of trading in Gerard Lighting shares has been relatively low. We would generally regard the share price of companies with low market liquidity to be of limited reference value when considering proposed change in control transactions in respect of the company.

**Extent to which Gerard Lighting shareholders are being paid a share of synergies**

- 177 If the Scheme is approved by Gerard Lighting shareholders, Lighting Investments will acquire a 100% interest in the company and as a result Gerard Lighting will be privatised. We understand that no changes of significance are planned as regards the existing operations of Gerard Lighting. The major change will therefore be ownership related.
- 178 In the circumstances we have assumed that the business impact of the proposed transaction will be limited to costs associated with the existing public company status of Gerard Lighting, which will no longer be incurred. We consider the synergy benefits associated with such cost savings to be modest relative to our assessed enterprise value of Gerard Lighting.

**Recent share prices subsequent to the announcement of the Scheme**

- 179 Shareholders should note that Gerard Lighting shares have traded on the ASX in the range of \$1.01 to \$1.03 per share in the limited period since the Scheme was announced up to 6 August 2012. The VWAP for the period was \$1.015 per share, and on 6 August 2012 Gerard Lighting shares last traded at \$1.02 per share. These share prices are lower than the Scheme Consideration and suggest that the market consensus view is that a superior offer or proposal is unlikely to emerge and that the Scheme is likely to be successful.

**Likelihood of an alternative offer**

- 180 We have been advised by the Independent Directors of Gerard Lighting that no formal alternative offer or proposal has been received subsequent to the announcement of the Scheme on 18 July 2012.

## Appendix 1 Independent Expert's Report continued



181 In our opinion, there are limited prospects of a higher offer or superior proposal to the Scheme being received prior to the Scheme meeting. This is primarily because the Gerard family which collectively owns 52% of the issued share capital of Gerard Lighting has indicated its support for the Scheme (albeit in the absence of a superior proposal).

### **Likely price of Gerard Lighting shares if the Scheme is not approved**

182 If the Scheme is not approved by Gerard Lighting shareholders and the Court, and no higher offer or alternative proposal emerges, we would expect that, at least in the short-term, Gerard Lighting shares would trade at a significant discount to our valuation and the Scheme Consideration (consistent with the difference between the value of Gerard Lighting on a portfolio basis and the value on a 100% controlling interest basis).

183 If the Scheme is not implemented those Gerard Lighting shareholders who wish to sell their Gerard Lighting shares are therefore likely, at least in the short-term, to realise a significantly lower price for their shares than will be payable under the Scheme.

### **Other considerations**

184 As noted above, and in Section III of our report, trading in Gerard Lighting shares has been relatively low. In the 12 months prior to the announcement of the Scheme, shares equivalent to only 8.2% of the issued capital were traded. Those Gerard Lighting shareholders seeking to realise their investment in the company were therefore faced with limited market demand and (potentially) a lower market price for their shares.

185 In contrast the Scheme provides all shareholders with an opportunity to realise their investment (without incurring transaction costs), albeit at a price equal to the bottom end of the range of our assessed controlling interest value of Gerard Lighting shares.

### **Summary of opinion on the Scheme**

186 We summarise below the likely advantages and disadvantages for Gerard Lighting shareholders if the Scheme proceeds.

#### **Advantages**

187 The Scheme has the following benefits for Gerard Lighting shareholders:

- (a) the Scheme Consideration of \$1.05 cash per share is consistent with (albeit at the bottom of) our assessed value range of Gerard Lighting shares on a 100% controlling interest basis
- (b) the Scheme Consideration represents a significant premium to the recent market prices of Gerard Lighting shares prior to the announcement of the proposed transaction on 18 July 2012 (albeit the very low level of trading in Gerard Lighting shares limits the reference value of this analysis)
- (c) furthermore, the premium exceeds observed premiums generally paid to target company shareholders in comparable circumstances (although this is primarily because Gerard Lighting shares were significantly undervalued prior to the announcement of the Scheme)



- (d) the Scheme provides Gerard Lighting shareholders with the opportunity to realise their investment in a company in which share trading has been relatively low in a cost effective manner
- (e) if the Scheme does not proceed, and in the absence of an alternative offer or proposal, the price of Gerard Lighting shares is likely to trade at a significant discount to our valuation and the Scheme Consideration (consistent with the portfolio nature of individual shareholdings).

188 Further, it should be noted that the proposed Scheme has the support of the major shareholders associated with the Gerard family, who collectively own approximately 52.0% of Gerard Lighting shares. Accordingly, in our view, there are limited prospects that a superior proposal for Gerard Lighting shares will be received prior to the Scheme meeting.

#### **Disadvantages**

189 The Scheme has the following adverse implications for Gerard Lighting shareholders:

- (a) the Scheme Consideration of \$1.05 cash per share is less than the mid-point of our assessed value range of Gerard Lighting shares on a 100% controlling interest basis of \$1.11 per share. Accordingly individual shareholders in Gerard Lighting with a longer term investment horizon may prefer not to support the Scheme in order to seek to realise a higher underlying value over time
- (b) Gerard Lighting shareholders should note that if the Scheme is approved they will no longer hold an interest in Gerard Lighting. Gerard Lighting shareholders will therefore not participate in any future value created by the company as a result of on-going operations over and above that reflected in our assessed valuation of the company.

#### **Conclusion**

190 Given the above analysis, we consider that the acquisition of Gerard Lighting shares by Lighting Investments under the Scheme is fair and reasonable and in the best interests of Gerard Lighting shareholders in the absence of a superior proposal.

## Appendix 1 Independent Expert's Report continued



### Appendix A

#### Financial Services Guide

##### Lonergan Edwards & Associates Limited

- 1 Lonergan Edwards & Associates Limited (ABN 53 095 445 560) (LEA) is a specialist valuation firm which provides valuation advice, valuation reports and independent expert's reports (IER) in relation to takeovers and mergers, commercial litigation, tax and stamp duty matters, assessments of economic loss, commercial and regulatory disputes.
- 2 LEA holds Australian Financial Services Licence No. 246532.

##### Financial Services Guide

- 3 The Corporations Act authorises LEA to provide this Financial Services Guide (FSG) in connection with its preparation of an IER to accompany the Scheme Booklet to be sent to Gerard Lighting shareholders in connection with the Scheme.
- 4 This FSG is designed to assist retail clients in their use of any general financial product advice contained in the IER. This FSG contains information about LEA generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the IER, and if complaints against us ever arise how they will be dealt with.

##### Financial services we are licensed to provide

- 5 Our Australian Financial Services Licence allows us to provide a broad range of services to retail and wholesale clients, including providing financial product advice in relation to various financial products such as securities, derivatives, interests in managed investment schemes, superannuation products, debentures, stocks and bonds.

##### General financial product advice

- 6 The IER contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.
- 7 You should consider your own objectives, financial situation and needs when assessing the suitability of the IER to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

##### Fees, commissions and other benefits we may receive

- 8 LEA charges fees to produce reports, including this IER. These fees are negotiated and agreed with the entity who engages LEA to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the entity who engages us. In the preparation of this IER, LEA is entitled to receive a fee estimated at \$95,000 plus GST.
- 9 Neither LEA nor its directors and officers receives any commissions or other benefits, except for the fees for services referred to above.



## Appendix A

- 10 All of our employees receive a salary. Our employees are eligible for bonuses based on overall performance and the firm's profitability, and do not receive any commissions or other benefits arising directly from services provided to our clients. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance. Our directors do not receive any commissions or other benefits arising directly from services provided to our clients.
- 11 We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

### Complaints

- 12 If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner.
- 13 If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Services Limited (FOS), an external complaints resolution service. You will not be charged for using the FOS service.

### Contact details

- 14 LEA can be contacted by sending a letter to the following address:

Level 27  
363 George Street  
Sydney NSW 2000  
(or GPO Box 1640, Sydney NSW 2001)

## Appendix 1 Independent Expert's Report continued



### Appendix B

#### **Qualifications, declarations and consents**

##### **Qualifications**

- 1 LEA is a licensed investment adviser under the Corporations Act. LEA's authorised representatives have extensive experience in the field of corporate finance, particularly in relation to the valuation of shares and businesses and have prepared many hundred independent expert's reports.
- 2 This report was prepared by Mr Craig Edwards and Mr Martin Holt, who are each authorised representatives of LEA. Mr Edwards and Mr Holt have over 18 years and 26 years experience respectively in the provision of valuation advice.

##### **Declarations**

- 3 This report has been prepared at the request of the Independent Directors of Gerard Lighting to accompany the Scheme Booklet to be sent to Gerard Lighting shareholders. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not the Scheme is fair and reasonable and in the best interests of Gerard Lighting shareholders.

##### **Interests**

- 4 At the date of this report, neither LEA, Mr Edwards nor Mr Holt have any interest in the outcome of the Scheme. With the exception of the fee shown in Appendix A, LEA will not receive any other benefits, either directly or indirectly, for or in connection with the preparation of this report.
- 5 LEA has had no prior business or professional relationship with Gerard Lighting or Lighting Investments / CHAMP prior to the preparation of this report.

##### **Indemnification**

- 6 As a condition of LEA's agreement to prepare this report, Gerard Lighting agrees to indemnify LEA in relation to any claim arising from or in connection with its reliance on information or documentation provided by or on behalf of Gerard Lighting which is false or misleading or omits material particulars or arising from any failure to supply relevant documents or information.

##### **Consents**

- 7 LEA consents to the inclusion of this report in the form and context in which it is included in the Scheme Booklet.

## Appendix C

### Listed company multiples

- Information on Gerard Lighting's competitors is generally limited as they are either privately owned or operating divisions within larger companies. Accordingly we have had regard to companies exposed to the building and construction markets generally in Australasia, as well as a number of international companies operating in the lighting industry.
- The implied EBITDA, EBIT and PE multiples for these companies based on share market trading are set out below, as well as a description of their activities. These multiples provide some guidance as to the appropriate multiples to apply when valuing Gerard Lighting.

Listed company multiples <sup>(1)</sup>							
Company / sector	EV <sup>(2)</sup> A\$m	EBITDA multiple		EBIT multiple		PE multiple	
		Forecast FY12 <sup>(3)</sup>	Forecast FY13 <sup>(3)</sup>	Forecast FY12 <sup>(3)</sup>	Forecast FY13 <sup>(3)</sup>	Forecast FY12 <sup>(3)</sup>	Forecast FY13 <sup>(3)</sup>
		x	x	x	x	x	x
<b>Australasian building products companies</b>							
Fletcher Building	4,754.5	7.6	6.8	10.9	9.4	12.9	11.1
Boral	3,922.7	8.1	6.3	18.5	12.6	23.1	15.3
Adelaide Brighton	2,303.3	7.9	7.2	10.2	9.2	13.2	11.9
CSR <sup>(4)</sup>	1,040.0	5.4	4.4	9.8	7.0	11.0	n/m
<b>Australasian industrial companies</b>							
Reece Australia	1,712.5	9.1	8.4	10.9	10.0	16.4	15.0
DuluxGroup	1,298.4	8.2	7.5	9.6	8.7	14.0	12.9
GWA Group	805.0	8.5	7.9	10.5	9.7	13.9	12.8
GUD Holdings	731.8	8.0	7.6	9.5	8.9	12.7	11.4
Hills Holdings	390.5	5.9	5.2	8.7	7.4	9.5	8.4
Coventry Group	55.1	5.0	4.4	6.3	5.4	14.9	12.8
Capral	39.5	n/m	4.6	n/m	n/m	n/m	n/m
<b>International lighting companies</b>							
Acquity Brands	2,566.1	10.4	8.4	12.0	9.8	19.4	16.0
Havells India <sup>(4)</sup>	1,464.5	11.2	10.6	12.8	12.0	17.3	15.6
Zumtobel <sup>(4)</sup>	690.3	6.5	5.9	16.9	13.9	19.6	14.3
LSI Industries	144.8	9.4	6.1	19.2	9.0	n/m	16.4

**Note:**

- Enterprise value and earnings multiples calculated as at 13 July 2012.
- Enterprise value represents market capitalisation plus net debt (interest bearing liabilities), convertible notes, net derivative liabilities, net pension liabilities, market capitalisation adjusted for material option dilution, share placements (for the purpose of reducing debt) and excludes surplus assets.
- Forecast earnings are based on Bloomberg broker average forecast (excluding outliers and outdated forecasts).
- The results for CSR and Havells India are actual for the year to 31 March 2012. The results for Zumtobel are actual for the year to 30 April 2012.

n/m – not meaningful.

Source: Bloomberg, Reuters, latest full year statutory accounts, latest interim accounts, company announcements, LEA analysis.

### Australian building product companies

#### Fletcher Building Limited

- Fletcher Building is the world's largest manufacturer of decorative surfaces, high pressure laminate and steel roof tiles. It is a global building products and construction materials manufacturer and distributor with operations centred in New Zealand and Australia. The company's six operating divisions include Building Products, Crane, Distribution, Infrastructure, Laminates & Panels and Steel.

## Appendix 1 Independent Expert's Report continued



### Appendix C

#### **Boral Limited**

- 4 Boral is Australia's largest building and construction materials supplier with significant operations in the United States and Asia. Its five operating divisions are Construction Materials, Cement, Building Products, US and Other (concrete placing and windows). Boral's building products include bricks, roof tiles, timber, plasterboard, windows and masonry. Construction products include concrete, cement, sand and aggregates, asphalt and scaffolding.

#### **Adelaide Brighton Limited**

- 5 Adelaide Brighton manufactures and distributes lime, ready mixed concrete and concrete products and materials in Australia. It is the market leader in the Western Australian, Northern Territory and South Australian cement and lime markets and has cement supply arrangements in NSW and joint ventures in Queensland and Victoria. It is also the leading producer of masonry products in Australia, operating under the brand of Adbri Masonry.

#### **CSR Limited**

- 6 Following the sale of its sugar division in 2010, CSR's operations span the building materials, glass, aluminium smelting and property development industries. The company's building products division is one of Australia's largest concrete and cement producers and is also a leading supplier of plasterboard, glasswool, rockwool insulation, clay bricks and tiles.

#### **Australasian industrial companies**

##### **Reece Australia Limited**

- 7 Reece Australia is a supplier of plumbing and bathroom products in Australia and New Zealand through some 440 trade outlets. Reece supplies customers in the trade, retail, professional and commercial markets. Its bathroom products portfolio includes basins, tapware, baths and spa baths, kitchen and bathroom appliances, hot water units and flow control. The company's plumbing product portfolio includes hot water units, rainwater tanks and surface water drainage.

##### **DuluxGroup Limited**

- 8 DuluxGroup is the market leading paint and coatings manufacturer in Australia and New Zealand and also has operations across Papua New Guinea and parts of Asia. The company's markets include decorative coatings, woodcare coatings, powder coatings, do-it-yourself adhesives and paint accessories and consumer garden care products. In addition to Dulux, brands include Selleys, Yates, Cabot's and Opel.

##### **GWA International Limited**

- 9 GWA International manufactures, markets and distributes a range of fixtures and fittings for household and commercial premises. The company operates in four segments, being Bathrooms & Kitchens, Doors & Access Systems, Heating & Cooling and Commercial Furniture. The majority of its earnings are derived from its Bathrooms & Kitchens division, which includes the Caroma and Dorf brands.



**Appendix C****GUD Holdings Limited**

- 10 GUD Holdings is an Australasian product marketing company operating in four business segments including Consumer Products, Automotive Products, Water Products and Industrial Products. Company owned brands include Sunbeam, Oates, Ryco Filters, Wesfil, Goss, Davey, Lock Focus, Locktech, Dexion and Kiroo.

**Hills Industries Limited**

- 11 Hills Industries manufactures, imports and distributes products in three main industry segments, being Electrical & Communications, Lifestyle & Sustainability, Building & Industrial and Korvest. Tradenames operated by Hills Industries include Fielders, Bailey, Kelso, Step Electronics and Direct Alarm Systems.

**Coventry Group Limited**

- 12 Coventry Group distributes industrial products and manufactures automotive and industrial gaskets in Australia and New Zealand. The Industrial Products Division includes the distribution of hardware, components and finished products to the commercial furniture and cabinet making industries as well as the distribution of lubrication and hydraulic fluid systems.

**Capral Limited**

- 13 Capral engages in the manufacture, marketing and distribution of semi-fabricated aluminium products. The company supplies the residential, commercial and industrial market segments through each of its distribution channels. Products include aluminium and other components for windows and doors and the supply of aluminium extrusions and rolled products for industrial uses.

**International lighting companies****Acquity Brands Inc**

- 14 Acuity Brands designs, produces and distributes lighting solutions and services for the US, European and Asian markets. It is one of the world's leading providers of LED lighting, lighting controls and related products. The company's products include luminaires, lighting controls, power supplies, prismatic skylights, light-emitting diode lamps and integrated lighting systems for commercial, institutional, industrial, infrastructure and residential applications.

**Havells India Limited**

- 15 Havells India is a manufacturer and distributor of electrical and power distribution equipment, and home appliances in India and internationally. The lighting products division represented 15% of sales in its latest full year, with switchgears (43%), cable (26%) and consumer electrical products (16%) the company's other operating segments. Havells India acquired Sylvania in 2007 and thus owns the international brands for Sylvania, Concord and Luminance (excluding Australia, the US, Canada, Mexico, New Zealand and Puerto Rico).

## Appendix 1 Independent Expert's Report continued



### Appendix C

#### **Zumtobel AG**

- 16 Zumtobel is an Austrian-based company offering professional lighting solutions, luminaries, lighting management systems, and lighting components for indoor and outdoor applications. Its products also include magnetic, electronic and digital dimmable luminaire control gears, ignition devices, light management systems, LED modules, LED convertors, LED retrofit lamps and connection technology. The company has sales offices in 23 countries globally and sales representatives in another 50 countries.

#### **LSI Industries Inc**

- 17 LSI Industries is a manufacturer of outdoor and indoor lighting products for the commercial, industrial and multi-site retail lighting markets, including the petroleum / convenience store market. Its lighting products include exterior area lighting, interior lighting, canopy and landscape lighting, LED lighting, light poles and lighting analysis. The company is based in the United States and also operates in Canada, Australia, Latin America, Europe and the Middle East.

## Glossary

Term	Meaning
ABS	Australian Bureau of Statistics
ACCC	Australian Competition and Consumer Commission
Agreement	Scheme Implementation Agreement
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
CHAMP	CHAMP III Management Pty Ltd
Corporations Act	<i>Corporations Act 2001 (Cth)</i>
Corporations Regulations	<i>Corporations Regulations 2001</i>
DCF	Discounted cash flow
EBIT	Earnings before interest and tax
EBITA	Earnings before interest, tax and amortisation
EBITDA	Earnings before interest, tax, depreciation and amortisation
FIRB	Foreign Investment Review Board
FOS	Financial Ombudsman Services Limited
FSG	Financial Services Guide
FY	Financial year
Gerard Lighting or Group	Gerard Lighting Group Limited
GFC	Global Financial Crisis
Home	Home Lighting Ltd
IER	Independent expert's report
iLP	Intelligent Lighting Products
LEA	Lonergan Edwards & Associates Limited
LED	Light-emitting diodes
Lighting Investments	Lighting Investments Australia Pty Limited
Lighting Corporation	Lighting Corporation Limited
MEPS	Minimum Energy Performance Standards
Nimbus	Nimbus Lighting Group Ltd
NPV	Net present value
PE	Price earnings
R&D	Research and development
RG 111	Regulatory Guide 111 – <i>Content of expert reports</i>
Scheme	Scheme of arrangement between Gerard Lighting and its shareholders
Scheme Consideration	\$1.05 cash per share
UK	United Kingdom
US	United States of America
VWAP	Volume weighted average price

## Scheme Implementation Agreement

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# Appendix

# 2

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**SCHEME IMPLEMENTATION AGREEMENT**

**GERARD LIGHTING GROUP LIMITED**

**LIGHTING GROUP AUSTRALIA PTY LIMITED**

**JOHNSON WINTER & SLATTERY**  
LAWYERS

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## Appendix 2 Scheme Implementation Agreement continued

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## SCHEME IMPLEMENTATION AGREEMENT

**DATE** 18 July 2012

### PARTIES

- 1 **GERARD LIGHTING GROUP LIMITED** ABN 16 141 079 594 of 101 Port Wakefield Road, Cavan, South Australia 5094 (**Gerard Lighting**); and
- 2 **LIGHTING GROUP AUSTRALIA PTY LIMITED** ACN 159 522 611 of Level 4 Customs House, 31 Alfred Street, Sydney, New South Wales 2000 (**LGA**).

### RECITALS

- A** Gerard Lighting and LGA have agreed that Gerard Lighting will propose a scheme of arrangement under Part 5.1 of the Corporations Act between Gerard Lighting and its shareholders, pursuant to which LGA will acquire all of the ordinary shares in Gerard Lighting.
- B** Gerard Lighting and LGA have agreed to implement the Scheme upon and subject to the terms and conditions of this Agreement.
- C** Gerard Lighting and LGA have agreed certain other matters in connection with the Scheme as set out in this Agreement.

### OPERATIVE PART

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## 1 Definitions and Interpretation

### 1.1 Definitions

In this Agreement, unless a contrary intention appears:

**Agreed Announcement** means the public announcement to be issued by Gerard Lighting in the form set out in Annexure 4.

**Agreement** means this document including any schedule or annexure.

**ASIC** means the Australian Securities and Investments Commission.

**ASIC Review Period** means the period from the date on which a draft of the Scheme Booklet is submitted by Gerard Lighting to ASIC to the date on which ASIC confirms that it has no objection to the form of the Scheme Booklet.

**ASX** means ASX Limited (ABN 98 008 624 691) or, as the context requires, the financial market known as the Australian Securities Exchange operated by it.

**ASX Listing Rules** means the official listing rules of ASX.

**Board** means, in respect of a party, the board of directors of that party in place from time to time.

**Business Day** has the meaning given in the ASX Listing Rules.

**Competing Proposal** means any proposed or possible transaction or arrangement pursuant to which, if ultimately completed, any person or persons (other than LGA or a Related Body Corporate of LGA) would:

## Appendix 2 Scheme Implementation Agreement continued

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- (a) acquire (directly or indirectly):
  - (i) an interest in all or a substantial part of the assets or business of Gerard Lighting or the Gerard Lighting Group; or
  - (ii) a relevant interest (as defined in the Corporations Act) in more than 20 percent of the voting shares of Gerard Lighting;
- (b) acquire (directly or indirectly) control (as determined in accordance with section 50AA of the Corporations Act) of Gerard Lighting; or
- (c) otherwise acquire (directly or indirectly) or merge (directly or indirectly) with Gerard Lighting (including by a reverse takeover bid, reverse scheme of arrangement or dual listed company or similar structure).

**Condition Precedent** means a condition precedent set out in clause 2.1.

**Confidentiality Deed** means the confidentiality deed dated 13 April 2012 between LGA and Gerard Lighting.

**Consent Deed** means a deed which provides for the consent by each relevant party to the Pre-Emption Deed, to the transfer pursuant to the Scheme of any Gerard Lighting Shares the subject of the Pre-Emption Deed, in a form acceptable to LGA, acting reasonably.

**Consultation Period** has the meaning given in clause 2.4(c).

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Court** means the Federal Court of Australia or such other court of competent jurisdiction under the Corporations Act as agreed by the parties.

**Dealing**, in relation to a security or other financial product, includes subscribing or applying for, acquiring or disposing of, financing an acquisition of, or entering into an agreement to subscribe or apply for, acquire or dispose of, or finance an acquisition of, any such security or financial product, and **Deal** shall be construed accordingly.

**Deed Poll** means a deed poll substantially in the form of Annexure 3 (or in such other form as is agreed between Gerard Lighting and LGA) under which LGA covenants in favour of the Scheme Shareholders to perform its obligations under the Scheme.

**Effective** means the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) in relation to the Scheme.

**Effective Date** means the date upon which the Scheme becomes Effective.

**End Date** means 31 December 2012, or such later date as Gerard Lighting and LGA may agree in writing.

**Exclusivity Period** means the period commencing on the date of this Agreement and ending on the earlier of:

- (a) the termination of this Agreement in accordance with its terms;
- (b) the Implementation Date; and
- (c) the End Date.

**Family Shareholders** means:

- (a) Gerard Lighting Investments No 1 Pty Limited, being the holder of 26.55% of Gerard Lighting Shares on issue as at the date of this Agreement; and

- (b) Gerard Lighting Investments No 2 Pty Limited, being the holder of 25.51% of Gerard Lighting Shares on issue as at the date of this Agreement.

**FATA** means the *Foreign Acquisitions and Takeovers Act 1975* (Cth).

**Finance Documentation** means the term sheets pursuant to which the financing is committed to pay the Scheme Consideration.

**First Court Hearing** means the hearing by the Court of an application for an order under section 411(1) of the Corporations Act convening the Scheme Meeting.

**Gerard Lighting Due Diligence Information** has the meaning given in clause 10.1(b).

**Gerard Lighting Group** means Gerard Lighting and its Related Bodies Corporate.

**Gerard Lighting Incentive Plans** means the Gerard Lighting Non-Executive Director Option Plan and the Gerard Lighting Long Term Incentive Plan.

**Gerard Lighting Indemnified Parties** means Gerard Lighting, the Related Bodies Corporate of Gerard Lighting and their respective Officers.

**Gerard Lighting Material Adverse Change** means any event, change or circumstance or announcement or disclosure of any event, change or circumstance (or, in the case of any pre-existing event, change or circumstances, any worsening thereof) which has occurred or becomes known to LGA on or after the date of this Agreement that, individually or in the aggregate with other such events, changes or circumstances, has or would, with the lapse of time, be reasonably likely to have, a material adverse effect on the business, assets, liabilities, financial position, financial performance, prospects or profitability of the Gerard Lighting Group taken as a whole, except any such event, change or circumstance:

- (a) resulting from or arising in connection with:
  - (i) any adoption, implementation or change in applicable law or any interpretation of applicable law by any Governmental Agency;
  - (ii) any change in global, national or regional political conditions (including the outbreak of war or acts of terrorism);
- (b) caused or to the extent contributed to by any climatic or other natural event or condition (including any weather conditions and any natural disaster);
- (c) resulting from or arising in connection with the execution, announcement or performance of this Agreement or the implementation of the Scheme or the consummation of any transaction contemplated by this Agreement or the Scheme;
- (d) fairly disclosed in any Public Register or fairly disclosed in writing in the Gerard Lighting Due Diligence Information given before the date of this Agreement; or
- (e) in relation to which LGA has expressly consented in writing.

**Gerard Lighting Option** means an option issued by Gerard Lighting under the terms of a Gerard Lighting Incentive Plan, being an option set out in Schedule 2.

**Gerard Lighting Prescribed Event** means any of the following:

- (a) Gerard Lighting converts all or any of its shares into a larger or smaller number of shares;
- (b) Gerard Lighting or any member of the Gerard Lighting Group resolves to reduce its share capital in any way or reclassifies, splits, combines, redeems or repurchases directly or indirectly any of its shares;

## Appendix 2 Scheme Implementation Agreement continued

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- (c) Gerard Lighting or any member of the Gerard Lighting Group:
  - (i) enters into a buy-back agreement; or
  - (ii) resolves to approve the terms of a buy-back agreement under the Corporations Act;
- (d) Gerard Lighting or any member of the Gerard Lighting Group issues, delivers or sells, or authorises the issuance, delivery or sale of any shares of capital stock, or any options, warrants, notes or similar rights exercisable or exchangeable for or convertible into such capital stock;
- (e) Gerard Lighting or any member of the Gerard Lighting Group issues, or agrees to issue, convertible notes or other debt securities;
- (f) Gerard Lighting or any member of the Gerard Lighting Group disposes, or agrees to dispose, of the whole or a substantial part of its business or property;
- (g) Gerard Lighting or any member of the Gerard Lighting Group charges, or agrees to charge, creates, or agrees to create any mortgage, lien or other encumbrance over, or declare itself trustee of, the whole or a substantial part of its business or property;
- (h) Gerard Lighting or any member of the Gerard Lighting Group resolves to be wound up;
- (i) Gerard Lighting declares any dividend or pays, makes or incurs any liability to pay any distribution whether by way of dividend, capital distribution, bonus or other share of its profits or assets to its members;
- (j) the constitution of Gerard Lighting or any other member of the Gerard Lighting Group is amended or replaced or any member of the Gerard Lighting Group states its intention to or makes any change to its constitution;
- (k) any member of the Gerard Lighting Group undertakes any action or transaction similar to any action or transaction referred to in any of the preceding paragraphs under the law of its place of incorporation;
- (l) an Insolvency Event occurs in relation to Gerard Lighting or any member of the Gerard Lighting Group;
- (m) any member of the Gerard Lighting Group proposing or taking any steps to implement a scheme of arrangement or other compromise or arrangement with its creditors or any class of them; or
- (n) any member of the Gerard Lighting Group authorising, committing or agreeing to do any of the matters set out above,

provided that a Gerard Lighting Prescribed Event shall not include:

- (o) any of the following matters:
  - (i) any wholly intra group transaction between members of the Gerard Lighting Group;
  - (i) the issue of any Gerard Lighting Share pursuant to the Gerard Lighting Options; and
- (p) any action or transaction:
  - (i) resulting from or arising in connection with the performance of or contemplated by this Agreement or under the Scheme;
  - (ii) which any member of the Gerard Lighting Group is permitted to undertake, or not to undertake, under this Agreement;

- (iii) fairly disclosed in any Public Register or fairly disclosed in writing in the Gerard Lighting Due Diligence Information given before the date of this Agreement or in a letter addressed to LGA for this purpose which specifically refers to this clause; or
- (iv) in relation to which LGA has expressly consented in writing, such consent not to be unreasonably withheld.

**Gerard Lighting Scheme Booklet Information** means information included in the Scheme Booklet other than:

- (a) LGA Scheme Booklet Information;
- (b) the Independent Expert's Report; and
- (c) any statement of the tax consequences of the Scheme and associated matters for Gerard Lighting Shareholders on the letterhead of Gerard Lighting's tax advisers as may be included in the Scheme Booklet.

**Gerard Lighting Share** means a fully paid ordinary share in the capital of Gerard Lighting.

**Gerard Lighting Shareholder** means a person who is recorded in the Register as the holder of Gerard Lighting Shares.

**Gerard Lighting Warranty** means each representation, warranty or undertaking set out in clause 8.1.

**Governmental Agency** means any government or representative of a government or any governmental, semi-governmental, administrative, fiscal, regulatory or judicial body, department, commission, authority, tribunal, agency, competition authority or entity in any jurisdiction. It includes ASIC, ASX (and any other stock exchange) and the Australian Takeovers Panel and any self-regulatory organisation established under statute.

**Implementation** means the implementation of the Scheme in accordance with its terms following it becoming Effective.

**Implementation Date** means the fifth Business Day following the Record Date or such other date agreed by the parties in writing, ordered by the Court or as may be required by ASX.

**Independent Expert** means such person as Gerard Lighting appoints to prepare the Independent Expert's Report in accordance with clause 4.1(c).

**Independent Expert's Report** means a report by an expert who is independent of Gerard Lighting and LGA stating whether or not in its opinion the Scheme is in the best interests of Gerard Lighting Shareholders, and setting out reasons for that opinion, and includes any update to that report.

**Insolvency Event** means, for a person:

- (a) being in liquidation or provisional liquidation or administration;
- (b) having a controller or analogous person appointed to it or any of its property,
- (c) an application being made to a court to appoint a controller, provisional liquidator, trustee for creditors or in bankruptcy or analogous person to the person or any of the person's property (or such an application being granted);
- (d) the holder of a security interest, or any agent on its behalf, appointing a controller or taking possession of any of the person's property;
- (e) an application being made to a court for an order for its winding up (or such an order being made);

## Appendix 2 Scheme Implementation Agreement continued

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- (f) being taken under section 459F(1) of the Corporations Act to have failed to comply with a statutory demand;
- (g) being unable to pay its debts when they fall due or otherwise insolvent;
- (h) becoming an insolvent under administration, or entering into a compromise or arrangement with, or assignment for the benefit of, any of its creditors; or
- (i) anything analogous to any of the foregoing events any jurisdiction other than Australia.

**LGA Group** means LGA and its Related Bodies Corporate.

**LGA Indemnified Parties** means LGA, the Related Bodies Corporate of LGA and their respective Officers.

**LGA Prescribed Event** means the occurrence of any of the following:

- (a) LGA resolves to be wound up; or
- (b) an Insolvency Event occurs in relation to LGA,

provided that none of the above events will constitute a LGA Prescribed Event where LGA has first consulted, in reasonable detail, with Gerard Lighting in relation to the proposed event and Gerard Lighting has approved in writing the proposed event, such approval not to be unreasonably withheld.

**LGA Scheme Booklet Information** means all information in the Scheme Booklet regarding LGA or the LGA Group.

**LGA Warranty** means each representation, warranty or undertaking set out in clause 8.2.

**Officer** means, in relation to an entity, any person who is a director, company secretary or employee of that entity.

**PPSA** means the *Personal Property Securities Act 2009* (Cth).

**PPSR** means the “register” as defined in the PPSA.

**Pre-emption Deed** means the Pre-emptive Rights Deed dated 17 March 2010 between Gerard Lighting Investments No 1 Pty Limited, Gerard Lighting Investments No 2 Pty Limited and Gerard Group Lighting Pty Limited.

**Public Registers** means the following publicly searchable (whether or not on payment of a fee) files and registers:

- (a) ASX as at 16 July;
- (b) ASIC as at 20 April 2012;
- (c) the High Court, Federal Court and the Supreme Courts in each State and Territory of Australia as at 14 May 2012;
- (d) the Personal Property Securities Register of Australia as at 19 May 2012; and
- (e) IP Australia and Intellectual Property Office of New Zealand as at 4 May 2012.

**Record Date** means 7.00pm (Sydney time) on the fifth Business Day following the date on which the Scheme becomes Effective or such date as agreed between the parties or required by ASX.

**Register** means the register of members of Gerard Lighting.

**Regulator's Draft** means the draft of the Scheme Booklet provided, or to be provided, to ASIC pursuant to section 411(2) of the Corporations Act.

**Related Body Corporate** has the meaning given in the Corporations Act.

**Related Entity** of a party means another entity which is:

- (a) related to the first entity within the meaning of section 50 of the Corporations Act;
- (b) in any consolidated entity (as defined in section 9 of the Corporations Act) which contains the first entity; or
- (c) any trust of which an entity described in paragraph (a) or (b) above is a trustee.

**Relevant Governmental Agency** has the meaning in clause 2.5(a).

**Representative** means, in relation to a party:

- (a) a Related Body Corporate of the party; or
- (b) an Officer of the party or any of the party's Related Bodies Corporate; or
- (c) an adviser, consultant, agent or representative of the party or any of the party's Related Bodies Corporate.

**Restraint Deeds** means each of the following:

- (a) each Restraint Deed between Gerard Lighting and each of Robert Geoffrey Gerard, John Douglas Gerard, Helen Mary Gerard and Margaret Lesetta Catronova respectively in the form agreed between Gerard Lighting and LGA; and
- (b) the Restraint Deed between Gerard Lighting and Simon Gerard in the form agreed between Gerard Lighting and LGA.

**Restricted Securities** means any securities (or direct or indirect rights, warrants or options to acquire any securities) of Gerard Lighting.

**Scheme Booklet** means an explanatory memorandum to be approved by the Court and despatched to Gerard Lighting Shareholders which includes the Scheme, an explanatory statement under section 412 of the Corporations Act, the Independent Expert's Report and relevant notices of meeting and proxy forms.

**Scheme Consideration** means the consideration to be provided by LGA in consideration for the transfer of Gerard Lighting Shares held by Scheme Shareholders to LGA, as described in clause 4.3 of the Scheme, being \$1.05 cash per Gerard Lighting Share.

**Scheme Meeting** means the meeting of Gerard Lighting Shareholders to be ordered by the Court to be convened pursuant to section 411(1) of the Corporations Act in respect of the Scheme.

**Scheme Shareholder** means a person who is a Gerard Lighting Shareholder on the Record Date (other than LGA or any Related Body Corporate of LGA).

**Scheme Resolution** means the resolution to be put to Gerard Lighting Shareholders to approve the Scheme.

**Second Court Date** means the first day on which the application made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Scheme is, or is to be, heard or, if the application is adjourned for any reason, the first day on which the adjourned application is heard.

**Superior Proposal** means a bona fide Competing Proposal in respect of Gerard Lighting received by Gerard Lighting (and which was not obtained in breach of clause 11.1), which the Board of Gerard

## Appendix 2 Scheme Implementation Agreement continued

Lighting determines, acting in good faith and in order to satisfy what the Gerard Lighting Board considers to be its fiduciary or statutory duties (and after having taken advice from its financial and legal advisers and having taken into account any factors the Board of Gerard Lighting considers relevant):

- (a) is capable of being valued and consummated; and
- (b) would, if consummated, result in a transaction more favourable to Gerard Lighting Shareholders than the Scheme,

taking into account all terms and conditions of the Competing Proposal.

**Timetable** means the indicative timetable set out in Annexure 1, subject to any modifications as the parties may agree in writing.

**Transaction Documents** means:

- (a) this Agreement;
- (b) the Scheme;
- (c) the Deed Poll; and
- (d) any other document in final agreed form which LGA and Gerard Lighting agree is necessary or desirable to be entered into for the purposes of the Scheme.

**Warranty Claim** means any Claim by a party arising out of a breach of a Gerard Lighting Warranty or LGA Warranty (as applicable).

**Working Hours** means, for the purpose of clause 18.3(b), 9.00am to 5.00pm on a day that is not a Saturday, Sunday or public holiday in the place to which the notice is sent.

### 1.2 Interpretation

In this Agreement, unless a contrary intention appears:

- (a) words or expressions importing the singular include the plural and vice versa;
- (b) words or expressions importing a gender include any gender;
- (c) words or expressions denoting individuals include corporations, firms, unincorporated bodies, government authorities and instrumentalities;
- (d) a reference to a party to a document includes that party's successors and permitted assigns;
- (e) where a word or expression is defined or given meaning, another grammatical form of that word or expression has a corresponding meaning;
- (f) any heading, index, table of contents or marginal note is for convenience only and does not affect the interpretation of this Agreement;
- (g) a provision of this Agreement shall not be construed to the disadvantage of a party merely because that party was responsible for the preparation of this Agreement or that provision;
- (h) a reference to this Agreement includes this Agreement as amended, varied, novated, supplemented or replaced from time to time;
- (i) a reference to a clause, party, annexure, exhibit or schedule is a reference to a clause of, and a party, annexure, exhibit and schedule to, this Agreement;



- (j) any recitals, schedule or annexure form part of this Agreement and have effect as if set out in full in the body of this Agreement;
- (k) a reference to legislation or a provision of legislation includes:
  - (i) all regulations, orders or instruments issued under the legislation or provision; and
  - (ii) any modification, consolidation, amendment, re-enactment, replacement or codification of such legislation or provision;
- (l) references to “include”, “including” or any variation thereof are to be construed without limitation;
- (m) a reference to “\$” or “dollar” is to Australian currency;
- (n) where the day on which any act, matter or thing is to be done is a day other than a Business Day, such act, matter or thing will be done on the next Business Day; and
- (o) a reference to any time is a reference to that time in Adelaide, Australia.

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## 2 Conditions Precedent

### 2.1 Conditions Precedent

Subject to this clause 2, the obligations of the parties to proceed to Completion of the Scheme, and the Scheme will not become Effective, unless each of the following conditions precedent is satisfied or is waived in accordance with clause 2.2:

- (a) **Independent Expert:** the Independent Expert’s Report concludes that the Scheme is in the best interests of Gerard Lighting Shareholders and does not withdraw or adversely modify that conclusion before 8.00am on the Second Court Date;
- (b) **Shareholder Approval of Scheme:** before 8.00am on the Second Court Date, the Scheme Resolution is duly approved by Gerard Lighting Shareholders at the Scheme Meeting by the requisite majorities under section 411(4)(a)(ii) of the Corporations Act;
- (c) **Court Approval:** the Court makes orders under section 411(4)(b) of the Corporations Act approving the Scheme on the Second Court Date;
- (d) **Restraints:** no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal restraint or prohibition preventing any aspect of the Scheme is in effect as at 8.00am on the Second Court Date;
- (e) **No Gerard Lighting Prescribed Events:** no Gerard Lighting Prescribed Event occurs between the date of this Agreement and 8.00am on the Second Court Date;
- (f) **No Gerard Lighting Material Adverse Change:** no Gerard Lighting Material Adverse Change occurs, or is discovered, announced, disclosed or otherwise becomes known to LGA between the date of this Agreement and 8.00am on the Second Court Date;
- (g) **Gerard Lighting Representations, Warranties and Undertakings:** the representations and warranties of Gerard Lighting set out in clause 8.1 of this Agreement are true and correct in all material respects as at the date of this Agreement and as at 8.00am on the Second Court Date and the undertakings in that clause have been complied with in all material respects;
- (h) **No LGA Prescribed Event:** no LGA Prescribed Event occurs between the date of this Agreement and 8.00am on the Second Court Date;
- (i) **LGA Representations, Warranties and Undertakings:** the representations and warranties of LGA set out in clause 8.2 of this Agreement are true and correct in all material respects as at

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the date of this Agreement and as at 8.00am on the Second Court Date and the undertakings in that clause have been complied with in all material respects;

- (j) **Gerard Lighting Options:** Gerard Lighting and LGA enter into option cancellation deeds on terms and conditions reasonably satisfactory to LGA with each of the holders of the Gerard Lighting Options under which all of the Gerard Lighting Options that are not exercised by the Effective Date are cancelled, with effect from the Effective Date for cash consideration of an amount per Gerard Lighting Option calculated by subtracting from the Scheme Consideration the exercise price of the relevant Gerard Lighting Option;
- (k) **FIRB Approval:** before 8:00am on the Second Court Date, the Treasurer of the Commonwealth of Australia either:
- (i) gives an approval to the proposed acquisition of all the Gerard Lighting Shares by LGA and that approval is not subject to conditions, or is subject only to conditions that LGA, acting reasonably, considers to be acceptable; or
  - (ii) has issued a notice stating that the Commonwealth Government does not object to LGA acquiring the Gerard Lighting Shares pursuant to the Scheme and that notice is not subject to conditions, or is subject only to conditions that LGA, acting reasonably, considers to be acceptable; or
  - (iii) has become precluded (at any time before the Scheme becomes Effective) from making an order in respect of the acquisition of the Gerard Lighting Shares by LGA pursuant to the Scheme;
- (l) **Statement of Voting Intention and Recommendation:**
- (i) that no later than the date on which this Agreement is executed the Family Shareholders make a public announcement either directly or through Gerard Lighting confirming to the effect that in the absence of a superior proposal they:
    - (A) support the Scheme; and
    - (B) intend to vote or cause to be voted the 92,000,000 Gerard Lighting Shares held or controlled by them in favour of the Scheme,
 and the Family Shareholders do not change (including by attaching qualifications to) or withdraw their above announcement or intention before the Scheme Meeting;
  - (ii) before the Scheme Meeting, each member of the Gerard Lighting Board not withdrawing, changing or qualifying its recommendation to Gerard Lighting Shareholders that the Scheme be approved or its statement that it considers the Scheme to be in the best interests of Gerard Lighting Shareholders (subject to there being no Superior Proposal in respect of the Target and the Independent Expert concluding that the Scheme is fair and reasonable and in the best interests of Target Shareholders);
- (m) **Pre-emptive Rights and Margin Loan:** before 8:00am on the Second Court Date:
- (i) Gerard Lighting Investments No 2 Pty Limited has provided evidence to LGA's reasonable satisfaction that it has entered into a deed of release of all security interests over any Gerard Lighting Shares that are collateral under any margin loan or other evidence that such security interests will be released on payment of the Scheme Consideration, on terms acceptable to LGA, acting reasonably; and
  - (ii) Gerard Lighting Investments No 1 Pty Limited, Gerard Lighting Investments No 2 Pty Limited and Gerard Group Lighting Pty Limited each entering into the Consent Deed and the Consent Deed not having been terminated, rescinded or amended (without the consent of LGA);

- (n) **Funding Conditions:** any condition precedent (other than a condition requiring Court approval for the Scheme) to draw-down of funding in the Finance Documentation is satisfied or waived before 8.00 am on the Second Court Date; and
- (o) **Restraint Deeds:** before 8:00am on the Second Court Date, Gerard Lighting and each of Simon Gerard, Robert Geoffrey Gerard, John Douglas Gerard, Helen Mary Gerard and Margaret Lesetta Castronova having entered into the Restraint Deeds to which they are proposed to be a party and each of those Restraint Deeds not having been terminated, rescinded or amended (other than with LGA's consent).

## 2.2 Benefit and waiver of Conditions Precedent

- (a) The Conditions Precedent in clauses 2.1(a) (Independent Expert) and 2.1(d) (Restraints) are for the benefit of each party, and any breach or non-fulfilment of any of those Conditions Precedent may only be waived with the written consent of each of the parties.
- (b) The Conditions Precedent in clauses 2.1(e) (No Gerard Lighting Prescribed Events), 2.1(f) (No Gerard Lighting Material Adverse Change), 2.1(g) (Gerard Lighting Representations, Warranties and Undertakings), 2.1(j) (Gerard Lighting Options), 2.1(l) (Statement of Voting Intention and Recommendation), 2.1(m) (Pre-emptive Rights and Margin Loan), 2.1(n) (Funding Conditions) and 2.1(o) (Restraint Deeds) are for the sole benefit of LGA, and any breach or non-fulfilment of any of those Conditions Precedent may only be waived by LGA giving its written consent.
- (c) The Conditions Precedent in clauses 2.1(h) (No LGA Prescribed Event) and 2.1(i) (LGA Representations, Warranties and Undertakings) are for the sole benefit of Gerard Lighting, and any breach or non-fulfilment of any of those Conditions Precedent may only be waived by Gerard Lighting giving its written consent.
- (d) The Conditions Precedent in clauses 2.1(b) (Shareholder Approval of Scheme), 2.1(c) (Court Approval) and 2.1(k) (FIRB Approval) are for the benefit of both parties but cannot be waived.
- (e) A party entitled to waive the breach or non-fulfilment of a Condition Precedent pursuant to this clause 2.2 may do so in its absolute discretion and, subject to the other party agreeing to abide by the conditions, may do so subject to conditions.
- (f) If a party waives the breach or non-fulfilment of a Condition Precedent in accordance with clause 2.2, that waiver will preclude it from suing the other party for any breach of this Agreement constituted by the same event which gave rise to the breach or non-fulfilment of the Condition Precedent.
- (g) A waiver of a breach or non-fulfilment in respect of one Condition Precedent does not constitute:
  - (i) a waiver of breach or non-fulfilment of any other Condition Precedent resulting from the same events or circumstances; or
  - (ii) a waiver of breach or non-fulfilment of that Condition Precedent resulting from any other events or circumstances.

## 2.3 Reasonable endeavours and notification

- (a) Without prejudice to any other obligations of the parties under this Agreement, but subject to the other provisions of this Agreement:
  - (i) each of the parties must use their reasonable endeavours to satisfy, or procure the satisfaction of, the Conditions Precedent in clauses 2.1(a) (Independent Expert), 2.1(b) (Shareholder Approval of Scheme), 2.1(c) (Court Approval), 2.1(d) (Restraints), 2.1(j) (Gerard Lighting Options) and 2.1(k) (FIRB Approval) as soon as practicable after the date of this Agreement and in any event with a view to the

## Appendix 2 Scheme Implementation Agreement continued

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Effective Date occurring on or before the End Date to the extent that it is within their respective control; and

- (ii) Gerard Lighting must use its reasonable endeavours to satisfy, or procure the satisfaction of, the Conditions Precedent in clauses 2.1(e) (No Gerard Lighting Prescribed Event), 2.1(f) (No Gerard Lighting Material Adverse Change), 2.1(g) (Gerard Lighting Representations, Warranties and Undertakings), 2.1(l) (Statement of Voting Intention and Recommendation) (subject to clause 4.2(c)), 2.1(m) (Pre-emptive Rights and Margin Loan), 2.1(n) (Funding Conditions) and 2.1(o) (Restraint Deeds) as soon as practicable after the date of this Agreement and in any event with a view to the Effective Date occurring on or before the End Date.
- (b) LGA must use its reasonable endeavours to satisfy, or procure the satisfaction of, the Conditions Precedent in clauses 2.1(h) (No LGA Prescribed Event) and 2.1(i) (LGA Representations, Warranties and Undertakings).
- (c) Each party must:
  - (i) keep the other promptly and reasonably informed of the steps it has taken and of its progress towards satisfaction of the Conditions Precedent attributed to it under this clause 2.3;
  - (ii) promptly inform the other of a failure to satisfy a Condition Precedent or of any circumstance which may result in any of the Conditions Precedent not being satisfied or capable of being satisfied;
  - (iii) promptly advise the other party in writing of the satisfaction of a Condition Precedent; and
  - (iv) give the Court on the Second Court Date a certificate confirming (in respect of matters within its own knowledge) whether or not the Conditions Precedent (other than the Condition Precedent in clause 2.1(c)) have been satisfied or waived.

### 2.4 Condition Precedent not satisfied or waived

- (a) If:
  - (i) any Condition Precedent has not been fulfilled or waived in accordance with clause 2.2 by the time or date specified in clause 2.1 for satisfaction of the Condition Precedent; or
  - (ii) there is an act, omission, event, occurrence or circumstance which will prevent a Condition Precedent being satisfied by the time or date specified in clause 2.1 for its satisfaction or, if no time or date is specified, by the End Date (and the non-fulfilment of the Condition Precedent which would otherwise occur has not already been waived),

either LGA or Gerard Lighting may serve notice on the other of them and then Gerard Lighting and LGA will consult in good faith with a view to determining whether:

- (iii) the Scheme may proceed by way of alternative means or methods;
- (iv) to extend the relevant time or date for satisfaction of the Condition Precedent;
- (v) to change the date of the application to be made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Scheme or adjourning that application (as applicable) to another date agreed by the parties and, if required, approved by the Court (being a date no later than 5 Business Days before the End Date); and/or
- (vi) to extend the End Date.

- (b) If Gerard Lighting and LGA are unable to reach agreement under clause 2.4(a) within the Consultation Period (as defined below) either of them may, provided that it has complied with its obligations (if any) under clause 2.3 in respect of that Condition Precedent and the relevant Condition Precedent is for its benefit (whether solely or jointly with the other party) or cannot be waived under clause 2.2(d), terminate this Agreement by notice in writing to the other party.
- (c) For the purposes of clause 2.4(b), the **Consultation Period** is the shorter of:
  - (i) five Business Days following the date of a notice given in accordance with clause 2.4(a); and
  - (ii) the period commencing on the date of a notice given in accordance with clause 2.4(a) and ending at 8.00am on the Second Court Date.

## 2.5 Communications regarding regulatory approvals

To the extent permitted by law and each party's respective legal obligations and without limitation to clause 2.3:

- (a) as soon as practicable after the date of this Agreement, the parties must cooperate in good faith to develop a plan for communications with Governmental Agencies that are required to be approached for the purpose of procuring the satisfaction of any Condition Precedent (each a **Relevant Governmental Agency**);
- (b) each party must provide any Relevant Governmental Agency with all information reasonably required by the Relevant Governmental Agency in connection with the Scheme;
- (c) each party:
  - (i) subject to the requirements of the Relevant Governmental Agency, shall have the right to be present and make submissions at or in relation to any proposed meeting by the other party or its advisers with a Relevant Governmental Agency in relation to the Scheme (except to the extent that such meeting involves the discussion of commercially sensitive information); and
  - (ii) must promptly provide copies to the other party of any written communication sent to or received from a Relevant Governmental Agency in connection with the Scheme (except to the extent that such written communication contains commercially sensitive information of the party in correspondence with the Relevant Governmental Agency); and
- (d) notwithstanding any other provision of this Agreement, for the purposes of obtaining any approval of a Relevant Governmental Agency, neither LGA nor Gerard Lighting is required to agree to any conditions or to provide or to agree to provide any written undertakings to a Relevant Governmental Authority which are not reasonably acceptable to LGA or Gerard Lighting (as the case requires).

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## 3 Scheme

### 3.1 Outline of Scheme

Subject to the terms and conditions of this Agreement, Gerard Lighting must propose and implement the Scheme, under which on the Implementation Date all of the Gerard Lighting Shares held by Scheme Shareholders will be transferred to LGA and the Scheme Shareholders will be entitled to receive for each Gerard Lighting Share the Scheme Consideration and Gerard Lighting must use its reasonable endeavours to do so as soon as is reasonably practicable and in accordance with the Timetable.

## Appendix 2 Scheme Implementation Agreement continued

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### 3.2 No amendment to the Scheme without consent

Gerard Lighting must not consent to any material modification of, or amendment to, or the making or imposition by the Court of any condition in respect of, the Scheme without the prior written consent of LGA, such consent not to be unreasonably withheld.

### 3.3 Scheme Consideration

Subject to the Scheme becoming Effective, LGA undertakes to Gerard Lighting that in consideration of the transfer of each of the Gerard Lighting Shares held by Scheme Shareholders to LGA under the Scheme it will provide or procure the provision of the Scheme Consideration in accordance with the Scheme.

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## 4 Gerard Lighting's obligations in respect of the Scheme

### 4.1 Steps to be taken

Gerard Lighting must take all necessary steps to propose and implement the Scheme as soon as is reasonably practicable and use all reasonable endeavours to do so in accordance with the Timetable, including taking each of the following steps:

- (a) **Agreed Announcement:** make its Agreed Announcement in accordance with clause 14.1;
- (b) **Preparation of Scheme Booklet:** prepare the Scheme Booklet in accordance with clause 6;
- (c) **Independent Expert:** promptly appoint the Independent Expert and commission the preparation of the Independent Expert's Report and provide all assistance and information reasonably requested by the Independent Expert to enable it to prepare the Independent Expert's Report on a timely basis;
- (d) **Lodgement of draft Scheme Booklet with ASIC:** provide an advanced draft of the Scheme Booklet to ASIC for its review and approval for the purposes of section 411(2) of the Corporations Act and to LGA, and liaise with ASIC during the ASIC Review Period;
- (e) **ASIC Review Period:** during the ASIC Review Period, keep LGA promptly informed of any matters raised by ASIC in relation to the Scheme Booklet (and any resolution of those matters), and use reasonable endeavours, with the co-operation of LGA, to resolve any such matters;
- (f) **Court documents:** promptly prepare all documents necessary for the Court proceedings (including any appeals) relating to the Scheme (including originating process, affidavits, submissions and draft minutes of Court orders) in accordance with all applicable laws, and provide LGA with drafts of those documents for review and (acting reasonably and in good faith) take into account, for the purpose of amending those drafts, any comments from LGA and its Representatives on those drafts;
- (g) **Approval of Scheme Booklet:** as soon as practicable after the end of the ASIC Review Period, procure that a meeting of the Board of Gerard Lighting is convened to approve the Scheme Booklet and also to approve an application to the Court for an order that the Scheme Meeting be convened by the despatch of the Scheme Booklet to Gerard Lighting Shareholders;
- (h) **Court direction:** apply to the Court for an order under section 411(1) of the Corporations Act directing Gerard Lighting to convene the Scheme Meeting;
- (i) **Despatch Scheme Booklet:** promptly after, and provided that, the approvals and orders in clauses 4.1(g) and 4.1(h) have been received, request ASIC to register the explanatory statement included in the Scheme Booklet in relation to the Scheme in accordance with section 412(6) of the Corporations Act and then despatch a copy of the Scheme Booklet to each Gerard Lighting Shareholder and to all other persons entitled to receive notice of the Scheme Meeting;

- (j) **Update the Scheme Booklet:** if applicable, update the Scheme Booklet in accordance with clause 8.1(i);
- (k) **Scheme Meeting:** convene the Scheme Meeting in accordance with the Court order, and put the Scheme Resolution to Gerard Lighting Shareholders at the Scheme Meeting;
- (l) **Section 411(17)(b) statement:** apply to ASIC for the production of:
  - (i) an indication of intent letter stating that it does not intend to appear before the Court on the First Court Date; and
  - (ii) a statement pursuant to section 411(17)(b) of the Corporations Act stating that ASIC has no objection to the Scheme;
- (m) **Court approval:** apply to the Court for an order approving the Scheme in accordance with sections 411(4)(b) and, if applicable, 411(6) of the Corporations Act;
- (n) **Lodge copy of Court order, etc:** if the Court approves the Scheme in accordance with sections 411(4)(b) and, if applicable, 411(6) of the Corporations Act:
  - (i) as soon as practicable after such time and in any event by no later than 4pm on the first Business Day after the date on which the Court makes the order, lodge with ASIC an office copy of the order approving the Scheme in accordance with section 411(10) of the Corporations Act;
  - (ii) use reasonable endeavours to ensure that ASX suspends trading in Gerard Lighting Shares with effect from the close of trading on the Effective Date;
  - (iii) close the Register as at the Record Date to determine who are Scheme Shareholders and their entitlements to the Scheme Consideration as at the Record Date;
  - (iv) promptly execute proper instruments of transfer of, and register all transfers of, Gerard Lighting Shares to LGA on the Implementation Date; and
  - (v) promptly do all other things contemplated by or necessary to lawfully give effect to the Scheme and the orders of the Court approving the Scheme;
- (o) **Share register:** promptly provide to LGA a copy of Gerard Lighting share register as requested by LGA from time to time;
- (p) **ASX listing:**
  - (i) use its reasonable endeavours to ensure that the Gerard Lighting Shares continue to be quoted on ASX until the close of business on the Implementation Date; and
  - (ii) not request ASX to remove Gerard Lighting from the official list of ASX until after the Implementation Date in accordance with the directions of LGA;
- (q) **Consultation and co-operation:** subject to the proper performance by the directors of Gerard Lighting of their fiduciary and statutory duties and provided that nothing in this paragraph requires the provision by any member of the Gerard Lighting Group or its Representatives of any information in breach of any obligation of confidentiality or any law, during the period from the date of this Agreement to the Implementation Date, Gerard Lighting will:
  - (i) co-operate in good faith with LGA in its efforts to promote the merits of the scheme, including, where agreed to be appropriate, the parties acting reasonably;
    - (A) through communications with Gerard Lighting Shareholders; or
    - (B) holding meetings between Representatives of Gerard Lighting and key Scheme Shareholders at the reasonable request of LGA; and

## Appendix 2 Scheme Implementation Agreement continued

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- (ii) not, and will use reasonable endeavours to procure that the directors of Gerard Lighting do not, act in a manner adverse to the Scheme;
- (r) **Gerard Lighting Incentive Plans:** suspend the operation of the Gerard Lighting Incentive Plans (subject to any rights or options already issued or agreed to be issued as at the date of this Agreement provided that any dealings or issues are not made without the prior consent of LGA, such consent not to be unreasonably withheld); and
- (s) **Director changes:** upon Implementation of the Scheme, appoint the nominees of LGA as directors of Gerard Lighting and each subsidiary of Gerard Lighting (subject to appropriate consents having been given), and cause the resignation or removal as directors of Gerard Lighting and each subsidiary of Gerard Lighting of such persons as are nominated by LGA, subject to ensuring that the minimum number of directors required by law is maintained at all times.

### 4.2 Gerard Lighting's Board recommendation and intentions

- (a) Gerard Lighting must authorise and issue the Agreed Announcement immediately following execution of this Agreement which will include (on the basis of confirmations made to Gerard Lighting by each of its directors) a statement to the effect that each director of Gerard Lighting:
  - (i) considers the Scheme to be in the best interests of Gerard Lighting Shareholders and recommends to Gerard Lighting Shareholders that the Scheme be approved; and
  - (ii) who holds Gerard Lighting Shares or is able to control voting rights in respect of Gerard Lighting Shares intends to vote their Gerard Lighting Shares, or procure that those Gerard Lighting Shares are voted, in favour of the Scheme,

subject to there being no superior proposal in respect of Gerard Lighting and the Independent Expert concluding that the Scheme is in the best interests of Gerard Lighting Shareholders.
- (b) Subject to clause 4.2(c), Gerard Lighting must use reasonable endeavours to ensure that, and must use reasonable endeavours to procure that the Gerard Lighting Board and each director of Gerard Lighting does not:
  - (i) change or withdraw the statements set out in the Agreed Announcement; and
  - (ii) make any public statement to the effect, or take any other action that suggests, that the Scheme is no longer so considered or recommended as provided in the Agreed Announcement.
- (c) Despite clauses 2.3 and 4.2(b), the Gerard Lighting Board and each director of Gerard Lighting may change or withdraw their recommendation if:
  - (i) the Independent Expert concludes in the Independent Expert's Report (either initially or in any updated report) that the Scheme is not in the best interests of Shareholders;
  - (ii) the Gerard Lighting Board has determined in good faith after having obtained written advice from their legal and, if appropriate, their financial advisers, that the Gerard Lighting Board are by virtue of their fiduciary or statutory duties:
    - (A) no longer able to recommend to Shareholders that the Scheme be approved; or
    - (B) no longer consider that the Scheme is in the best interests of Shareholders and accordingly are required to withdraw such recommendation;
  - (iii) Gerard Lighting receives a Competing Proposal that constitutes a Superior Proposal to the Scheme, Gerard Lighting has complied with its obligations under clause 11 and either LGA decides not to exercise its matching right in accordance with clause



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11.6 or LGA has exercised its matching right in accordance with clause 11.6 and Gerard Lighting has complied with its obligations under clause 11.6; or

- (iv) this Agreement is terminated.

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## 5 LGA's obligations in respect of the Scheme

Subject to the terms and conditions of this Agreement, LGA must take all reasonably necessary steps to assist Gerard Lighting to propose and implement the Scheme as soon as is reasonably practicable and use all reasonable endeavours to do so in accordance with the Timetable, including taking each of the following steps:

- (a) **Preparation of Scheme Booklet:** provide assistance with the preparation of the Scheme Booklet in accordance with clause 6;
- (b) **Independent Expert information:** provide all assistance and information reasonably requested by Gerard Lighting or by the Independent Expert in connection with the preparation of the Independent Expert's Report;
- (c) **Regulator's Draft:** as soon as reasonably practicable after receipt from Gerard Lighting of the proposed Regulator's Draft, either:
  - (i) confirm in writing to Gerard Lighting that the LGA Scheme Booklet Information in the form and context in which it appears in the proposed Regulator's Draft is not misleading or deceptive and does not contain any material omission; or
  - (ii) provide Gerard Lighting with the textual changes required to ensure that the proposed Regulator's Draft is not misleading or deceptive and does not contain any material omission;
- (d) **ASIC Review Period:** provide reasonable assistance to Gerard Lighting in connection with resolving any matter raised by ASIC regarding the Scheme Booklet or the Scheme during the ASIC Review Period;
- (e) **Approval of Scheme Booklet:** as soon as practicable after the end of the ASIC Review Period, procure that a meeting of its Board is convened to approve those sections of the Scheme Booklet that comprise the LGA Scheme Booklet Information as being in a form appropriate for despatch to Gerard Lighting Shareholders;
- (f) **Deed Poll:** before the First Court Hearing, execute the Deed Poll;
- (g) **Court representation:** procure that it is represented by counsel at the Court hearings convened for the purposes of sections 411(1), 411(4)(b) and 411(6) of the Corporations Act, at which, through its counsel, it will undertake (if requested by the Court) to do all such things and take all such steps within its power as may be reasonably necessary in order to ensure the fulfilment of its obligations under this Agreement and the Scheme;
- (h) **Scheme Consideration:** if the Scheme becomes Effective, provide the Scheme Consideration in accordance with the Deed Poll and the Transaction Documents on the Implementation Date; and
- (i) **Other:** do all things lawfully within its power that are reasonably necessary to give effect to the Scheme and the orders of the Court approving the Scheme.

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## 6 Preparation of Scheme Booklet

- (a) Subject to LGA complying with its obligations under clause 6(e), Gerard Lighting must prepare the Scheme Booklet as soon as is reasonably practicable after the date of this Agreement and use all reasonable endeavours to do so in accordance with the Timetable.

## Appendix 2 Scheme Implementation Agreement continued

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- (b) Gerard Lighting must use reasonable endeavours to ensure that the Scheme Booklet complies with the requirements of the Corporations Act, the ASX Listing Rules and all ASIC Regulatory Guides applicable to members' schemes of arrangement under Part 5.1 of the Corporations Act, except in respect of the LGA Scheme Booklet Information.
- (c) Gerard Lighting must make available to LGA drafts of the Scheme Booklet (including any draft of a report by the Independent Expert but excluding those sections containing the Independent Expert's opinions or conclusions) and consult with LGA in relation to the content of those drafts, and consider in good faith, for the purpose of amending those drafts, comments from LGA and its advisers on those drafts received on a timely basis.
- (d) Gerard Lighting must ensure that the Scheme Booklet includes statements that, subject to no superior proposal emerging:
- (i) the directors of Gerard Lighting unanimously consider the Scheme to be in the best interests of Gerard Lighting Shareholders and recommend that Gerard Lighting Shareholders vote in favour of the Scheme; and
  - (ii) each director of Gerard Lighting who holds Gerard Lighting Shares or is able to control voting rights in relation to Gerard Lighting Shares intends to vote those shares or procure that those shares are voted in favour of the Scheme,
- except where one or more of the directors of Gerard Lighting have adversely changed or withdrawn their recommendation (in which case the statements above must still be made albeit only to the extent consistent with the facts, so that, for example, if a majority of directors continue to recommend the Scheme, that must be stated), provided that this paragraph does not limit any other provision of this Agreement or affect LGA's rights under this Agreement.
- (e) LGA must:
- (i) provide to Gerard Lighting such information regarding LGA and the LGA Group as is required to ensure that the Scheme Booklet complies with the requirements of the Corporations Act, the Listing Rules and all ASIC Regulatory Guides applicable to members' schemes of arrangement under Part 5.1 of the Corporations Act, including all the information that would be required under sections 636(1)(c), (f), (h), (i), (k)(ii), (l) and (m) of the Corporations Act to be included in a bidder's statement if LGA were offering the Scheme Consideration as consideration under a takeover bid (LGA acknowledging that Gerard Lighting will rely on such information to prepare the Scheme Booklet and agreeing that the LGA Scheme Booklet Information will be provided in good faith); and
  - (ii) provide to Gerard Lighting such assistance as Gerard Lighting may reasonably require in order to adapt such information for inclusion in the Scheme Booklet,
- as soon as reasonably practicable after the date of this Agreement (and must use all reasonable endeavours to do so in accordance with the Timetable).
- (f) Gerard Lighting must:
- (i) only use LGA Scheme Booklet Information (to the extent that it is confidential) with the prior written consent of LGA (not to be unreasonably withheld); and
  - (ii) from the First Court Date until the Implementation Date, promptly inform LGA if it becomes aware that the Scheme Booklet contains a statement that is or has become misleading or deceptive in a material respect or that contains a material omission.
- (g) The parties acknowledge that the Scheme Booklet will contain statements to the effect that:
- (i) Gerard Lighting is responsible for the contents of the Scheme Booklet other than, to the maximum extent permitted by law, the LGA Scheme Booklet Information, the Independent Expert's Report and any statement of the tax consequences of the

Scheme and associated matters for Gerard Lighting Shareholders on the letterhead of Gerard Lighting's tax advisers as may be included in the Scheme Booklet. LGA and its directors, officers and advisers do not assume any responsibility for the accuracy or completeness of any such Gerard Lighting information; and

- (ii) LGA is responsible for the LGA Scheme Booklet Information. Gerard Lighting and its directors, officers and advisers do not assume any responsibility for the accuracy or completeness of the LGA Scheme Booklet Information. LGA must consent to the form and content of the LGA Scheme Booklet Information (which consent must not be unreasonably withheld or delayed).
- (h) If the parties disagree on the form or content of the Scheme Booklet (including any LGA Scheme Booklet Information) they must consult in good faith to try to settle an agreed form of the Scheme Booklet, and failing agreement within five Business Days:
  - (i) the matter shall be determined by Gerard Lighting, acting reasonably, if the matter relates to anything other than the LGA Scheme Booklet Information; and
  - (ii) the matter shall be determined by LGA, acting reasonably, if the matter relates to any LGA Scheme Booklet Information.
- (i) Gerard Lighting must undertake appropriate verification procedures in relation to the Gerard Lighting Scheme Booklet Information and LGA must undertake appropriate verification procedures in relation to the LGA Scheme Booklet Information.

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## **7 Pre-implementation Obligations**

### **7.1 Conduct of business**

From the date of this Agreement up to and including the Implementation Date, Gerard Lighting must conduct its business, and procure that each member of the Gerard Lighting Group conducts its business, in the ordinary course, in substantially the same manner, and at the same locations, as previously conducted and use reasonable endeavours to:

- (a) preserve intact its current business organisation including keeping available the services of its officers and employees;
- (b) preserve its relationships with customers, suppliers, licensors, licensees and others having business dealings with it (including using reasonable endeavours to obtain consents from third parties to any change of control provision which LGA reasonably requests in contracts or arrangements to which a member of the Gerard Lighting Group is a party); and
- (c) maintain the condition of its business and assets, including maintaining at least its current level of insurance (provided such level of insurance continues to be generally available).

### **7.2 Certain Gerard Lighting Group actions requiring the consent of LGA**

Without limiting clause 7.1, from the date of this Agreement up to and including the Implementation Date, Gerard Lighting must not and must ensure that each other member of the Gerard Lighting Group does not:

- (a) dispose or agree or offer to dispose of or lease or agree or offer to lease any one or more assets, businesses or entities or any one or more items of real property, plant or equipment (or any interest in any of the foregoing), the value or aggregate value of which exceeds \$250,000, to any person other than a member of the Gerard Lighting Group;
- (b) acquire or agree or offer to acquire any one or more assets, businesses or entities or any one or more items of real property, plant or equipment (or any interest in any of the foregoing), the value or aggregate value of which exceeds \$250,000, from any person other than a member of the Gerard Lighting Group;

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- (c) either:
- (i) enter into an employment contract with a potential employee (other than to replace on substantially similar terms (including as to remuneration and benefits) an employee who has ceased to be an employee of the Gerard Lighting Group); or
  - (ii) enter into a new employment contract with, or amend an employment contract of, an existing employee of a member of the Gerard Lighting Group,
- in respect of which the total annual employment costs of that existing or potential employee are in excess of \$200,000;
- (d) either:
- (i) appoints a person to act as a director of a member of the Gerard Lighting Group; or
  - (ii) enters into a new appointment agreement with, or amends the appointment terms of, an existing director of a member of the Gerard Lighting Group;
- (e) settle any legal proceedings, claim, investigation, arbitration or other like proceeding where the amount claimed by or against a member of the Gerard Lighting Group exceeds \$200,000;
- (f) enter, or propose to enter, into or amend, or propose to amend, in any material respect any joint venture, partnership or other agreement with any person other than a member of the Gerard Lighting Group involving or reasonably likely to involve expenditure or other commitment on the part of a member of the Gerard Lighting Group in excess of \$250,000;
- (g) incur any indebtedness or issue any debt securities, other than:
- (i) any draw down within existing limits of any existing debt facility in the ordinary course of business;
  - (ii) trade credit in the ordinary course of business; or
  - (iii) indebtedness to a member of the Gerard Lighting Group;
- (h) enter into, terminate, extend, renew or vary any commitment (including any non-contractual commitment or undertaking) which has a value or involves a liability or expenditure, as the case may be, of \$250,000 or more, or any commitment which, when aggregated with related transactions, is in aggregate \$250,000 or more;
- (i) an exercise of a contractual right or other option to renew or extend, or otherwise renewing or extending, an existing agreement (including under any lease) which has a value or involves a liability or expenditure, as the case may be, of \$250,000 or more, or any number of which, when aggregated with related transactions, is in aggregate \$250,000 or more; or
- (j) increase the remuneration of, or otherwise varying the employment arrangements with, any of its directors or executives or any other employees which employee's total annual employment cost is in excess of \$200,000;
- (k) pay or agree to pay any bonus to any of its directors or executives or any other employees other than any bonus already accrued as at the date of this Agreement and notified in writing by Gerard Lighting to LGA before the date of this Agreement;
- (l) accelerate the rights of any of its directors or executives or any employee to benefits of any kind including under any executive or employee share plans;
- (m) pay or agree to pay a director or executive a termination payment (including a "golden parachute");

- (n) enter into any guarantee or indemnity on behalf of any person or provide security for the obligations of any person;
- (o) pay any retirement allowance or superannuation benefit to any director or employee, except for any payment required by law or under an existing contractual obligation fairly disclosed to LGA prior to the date of this Agreement; or
- (p) authorise, commit or agree to do any of the matters set out above.

### 7.3 Exceptions

Nothing in clause 7.1 or clause 7.2 restricts:

- (a) anything which a party is required to do, permitted to do or is permitted not to do under any provision of this Agreement or the Scheme, or which is otherwise contemplated by this Agreement or the Scheme;
- (b) anything which is consented to by LGA, such consent not to be unreasonably withheld;
- (c) the entry into any contract for the purchase or sale of any commodities, or any foreign exchange contract in the ordinary course of Gerard Lighting's business, which has an exposure of less than \$1,000,000, and which, when aggregated with related contracts, is in aggregate less than \$1,000,000; and
- (d) any agreement or other arrangement which is conditional on the Scheme not being Implemented other to the extent to which entry into such agreement or arrangement would be in breach of clause 11.

### 7.4 Access

- (a) Subject to clause 7.4(b), between the date of this Agreement and the earlier of the Implementation Date and the date this Agreement is terminated (the **Relevant Period**), Gerard Lighting must (and must procure that each of its Related Bodies Corporate), as soon as reasonably practicable following any written request made by LGA, provide LGA and its Representatives with reasonable access:

- (i) to the books, documents, records, management accounts, financial statements and other information (subject to any existing confidentiality obligations owed to third parties, or applicable privacy laws) of any member of the Gerard Lighting Group; and
- (ii) to the Representatives (including auditors) of any member of the Gerard Lighting Group,

in each case which LGA reasonably requires for the purposes of:

- (iii) implementing the Scheme;
- (iv) to plan for the operation of the Gerard Lighting Group under the control of LGA; and
- (v) any other purpose which is agreed in writing between the parties,

provided in every case that such provision or access does not place an unreasonable burden on the ability of Gerard Lighting to run its business or breach any law or regulation.

- (b) The obligations in clause 7.4(a):
  - (i) do not require Gerard Lighting to:

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- (A) provide information to LGA concerning the directors of Gerard Lighting and Gerard Lighting's management's consideration of the Scheme or any Competing Proposal; or
  - (B) breach an obligation of confidentiality to any person; and
- (ii) are subject to the proper performance of by Gerard Lighting directors of their fiduciary and statutory duties in relation to a Competing Proposal.

### 7.5 Other undertakings

During the Relevant Period (as defined in clause 7.4(a)) and up to and including Implementation, Gerard Lighting undertakes to use reasonable endeavours to procure that:

- (a) the Consent Deed is not terminated, rescinded or amended (other than with the consent of LGA); and
- (b) none of the Restraint Deeds are terminated, rescinded or amended (other than with the consent of LGA),

provided that each party to this Agreement acknowledges that the undertaking in clause 7.5(a) does not give LGA any power to dispose of, or control the disposal of, Gerard Lighting Shares the subject of the Pre-emption Deed and a breach of that undertaking by Gerard Lighting will only give rise to a right of damages and not specific performance or an injunction.

## 8 Representations, Warranties and Undertakings

### 8.1 Representations, warranties and undertakings by Gerard Lighting

Gerard Lighting represents and warrants (and, where applicable, undertakes) to LGA (on its own behalf and separately as trustee for each of the LGA Indemnified Parties) that:

- (a) Gerard Lighting and each of its Related Bodies Corporate is a corporation duly incorporated, validly existing and limited by shares under the Corporations Act or other applicable legislation;
- (b) it has full legal capacity and power to own its own property and to carry on its business;
- (c) the execution, delivery and performance of this Agreement by Gerard Lighting has been properly authorised by all necessary corporate action and Gerard Lighting has full corporate power to execute, deliver and perform this Agreement;
- (d) this Agreement constitutes legal, valid and binding obligations on Gerard Lighting (subject to laws generally affecting creditors' rights and the principles of equity);
- (e) neither it nor any other member of the Gerard Lighting Group is affected by an Insolvency Event;
- (f) all information provided by or on behalf of Gerard Lighting to the Independent Expert to enable their report to be prepared will be provided in good faith and on the understanding that the Independent Expert will rely on that information for the purpose of preparing their report for inclusion in the Scheme Booklet;
- (g) the Gerard Lighting Scheme Booklet Information:
  - (i) will be prepared and included in the Scheme Booklet in good faith and on the understanding that LGA and its directors will rely on that information for the purpose of considering and approving the LGA Scheme Booklet Information; and

- (ii) will comply in all material respects with the requirements of the Corporations Act, the ASX Listing Rules and relevant ASIC regulatory guides and the terms of this Agreement as they apply to such information;
- (h) as at the date the Scheme Booklet is despatched to Gerard Lighting Shareholders, the Scheme Booklet (excluding the LGA Scheme Booklet Information, the Independent Expert's Report and any statement of the tax consequences of the Scheme and associated matters for Gerard Lighting Shareholders on the letterhead of Gerard Lighting's tax advisers as may be included in the Scheme Booklet) will not be misleading or deceptive in any material respect (whether by omission or otherwise);
- (i) Gerard Lighting will (but in respect of the LGA Scheme Booklet Information, subject to LGA complying with its obligations under clause 8.2(h)) update the Scheme Booklet as soon as reasonably practicable with all such further or new information which may arise after the Scheme Booklet has been despatched until the Scheme Meeting which is either necessary to ensure that the Scheme Booklet is not misleading or deceptive in any material respect (whether by omission or otherwise) or which is otherwise material for disclosure to Gerard Lighting Shareholders or that is required to be disclosed to Gerard Lighting Shareholders under any applicable law;
- (j) Gerard Lighting is not in breach of its continuous disclosure obligations under the ASX Listing Rules and, other than in respect of the Scheme, it is not relying on the carve-out in Listing Rule 3.1 to withhold any material information from public disclosure;
- (k) Gerard Lighting's financial statements for the financial year ended 30 June 2011 and for the half year ended 31 December 2011 give a true and fair view of the financial position of Gerard Lighting as at 30 June 2011 and 31 December 2011 (as applicable);
- (l) as at the date of this Agreement:
  - (i) the total issued capital of Gerard Lighting is 176,729,681 Gerard Lighting Shares;
  - (ii) Gerard Lighting has on issue:
    - (A) 10,000,000 Gerard Lighting Options with an exercise price of \$1.00 and an expiry date of 30 December 2015; and
    - (B) 4,800,000 Gerard Lighting Options with an exercise price of \$1.00 and an expiry date of 1 May 2016; and
  - (iii) there are no other shares, options, performance rights or convertible instruments or other securities or financial products granted or on issue by Gerard Lighting (or offers or agreements to issue any of the foregoing);
- (m) all of the shares of the subsidiaries of Gerard Lighting and other members of the Gerard Lighting Group (other than the Partly Owned Subsidiaries) are legally and beneficially owned by Gerard Lighting (whether directly or indirectly) and those shares have been validly issued and fully paid up;
- (n) all of the shares of the Partly Owned Subsidiaries specified in Schedule 3 are legally and beneficially owned by Gerard Lighting (whether directly or indirectly) and those shares have been validly issued and fully paid up;
- (o) there is no encumbrance, option, right of pre-emption, right of first or last refusal or other third party right over any of the shares in any member of the Gerard Lighting Group (other than Gerard Lighting) and to the knowledge of Gerard Lighting there is no encumbrance, option, right of pre-emption, right of first or last refusal or other third party right over any of the shares in Gerard Lighting other than those contained in the Pre-emption Deed or disclosed to LGA in writing;

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- (p) no member of the Gerard Lighting Group (aside from Gerard Lighting) has in place any plans or schemes relating to the provision of shares, options or other equity entitlements to officers or employees of that member;
- (q) no member of the Gerard Lighting Group has given a commitment to any Officer of that member in relation to the change of ownership of Gerard Lighting;
- (r) other than as disclosed to LGA in writing prior to the date of this Agreement, no member of the Gerard Lighting Group has any arrangement with any corporate, financial or other adviser or any third party under which Gerard Lighting has agreed to pay or is obliged to pay a fee or expense to that adviser or third party if the Scheme does, or if the Scheme does not, become Effective or otherwise in connection with the Scheme;
- (s) the Gerard Lighting Due Diligence Information has been provided to LGA in good faith and Gerard Lighting has not knowingly and intentionally:
  - (i) omitted anything from the Gerard Lighting Due Diligence Information that Gerard Lighting knows would be material to the financial position or performance of Gerard Lighting's business;
  - (ii) omitted anything from the Gerard Lighting Due Diligence Information that Gerard Lighting knows would be such as to make any part of that information materially false or misleading; or
  - (iii) included anything that Gerard Lighting knows is materially false or misleading in the Gerard Lighting Due Diligence Information;
- (t) it will use reasonable endeavours to procure that no Gerard Lighting Prescribed Event or a Gerard Lighting Material Adverse Change occurs; and
- (u) this Agreement does not conflict with or result in the breach of or default under:
  - (i) any provision of Gerard Lighting's constitution; or
  - (ii) any:
    - (A) material term or provision of any agreement, breach of which could have a material adverse effect on LGA to which it or a another member of the Gerard Lighting Group are party; or
    - (B) writ, order or injunction, judgment, law, rule or regulation to which it or another member of the Gerard Lighting Group are subject or by which it or they are bound,

and which is material in the context of the Gerard Lighting Group taken as a whole, save as fairly disclosed in the Gerard Lighting Due Diligence Information given before the date of this Agreement.

### 8.2 Representations, warranties and undertakings by LGA

LGA represents and warrants (and, where applicable, undertakes) to Gerard Lighting (on its own behalf and separately as trustee for each of the Gerard Lighting Indemnified Parties) that:

- (a) LGA is a company duly incorporated, validly existing and limited by shares under the Corporations Act;
- (b) the execution, delivery and performance of this Agreement by LGA has been properly authorised by all necessary corporate action and LGA has full corporate power to execute, deliver and perform this Agreement;



- (c) this Agreement constitutes legal, valid and binding obligations on LGA (subject to laws generally affecting creditors' rights and the principles of equity);
- (d) neither it nor any other member of the LGA Group is affected by an Insolvency Event;
- (e) all information provided by or on behalf of LGA to the Independent Expert to enable their report to be prepared will be provided in good faith and on the understanding that the Independent Expert will rely upon that information for the purpose of preparing their report for inclusion in the Scheme Booklet;
- (f) the LGA Scheme Booklet Information (to the extent that LGA has consented to inclusion of that information in accordance with clause 6(g)(ii):
  - (i) will be prepared in good faith and on the understanding that Gerard Lighting and each of its directors will rely on that information for the purposes of preparing the Scheme Booklet and proposing the Scheme; and
  - (ii) will comply in all material respects with the requirements of the Corporations Act, the ASX Listing Rules and relevant ASIC regulatory guides and the terms of this Agreement as they relate to such information;
- (g) as at the date the Scheme Booklet is despatched to Gerard Lighting Shareholders, the LGA Scheme Booklet Information will not be misleading or deceptive in any material respect (whether by omission or otherwise);
- (h) LGA will provide to Gerard Lighting all such further or new material information that arises after the Scheme Booklet has been despatched until the date of the Scheme Meeting which is necessary to ensure that the LGA Scheme Booklet Information, in the form and context in which that information appears in the version of the Scheme Booklet sent to shareholders is not misleading or deceptive in any material respect (whether by omission or otherwise) and if it becomes aware that the LGA Scheme Booklet Information contains a misleading or deceptive statement or is subject to a material omission, or has become misleading or deceptive or subject to a material omission, and provide such further or new information as is required to correct the defect;
- (i) this Agreement does not conflict with or result in the breach of or default under:
  - (i) any provision of its constitution; or
  - (ii) any:
    - (A) material term or provision of any agreement, breach of which could have a material adverse effect on Gerard Lighting; or
    - (B) writ, order or injunction, judgment, law, rule or regulation, to which it is party or subject or by which it is bound;
- (j) it will not do or procure or allow anything to be done which constitutes a LGA Prescribed Event; and
- (k) neither it nor any of its associates (as defined in section 12 of the Corporations Act):
  - (i) has a relevant interest (as defined in the Corporations Act) in any Gerard Lighting Shares; or
  - (ii) is a party to any agreement, arrangement or understanding involving the conferring of rights on it the economic effect of which is equivalent, substantially equivalent, or similar to it acquiring, holding or disposing of Gerard Lighting Shares (whether combined with a financing arrangement or not).

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### 8.3 LGA limitation of liability

LGA is not liable in respect of a Warranty Claim in relation to a LGA Warranty if the fact, matter, circumstance or act giving rise to the Warranty Claim:

- (a) was required to be done by LGA under the Transaction Documents;
- (b) was approved by Gerard Lighting in writing (prior to the fact, matter, circumstance or act occurring); or
- (c) has been fairly disclosed in writing by LGA to Gerard Lighting prior to the date the parties entered into this Agreement.

### 8.4 Gerard Lighting limitation of liability

Gerard Lighting is not liable in respect of a Warranty Claim in relation to a Gerard Lighting Warranty if the fact, matter, circumstance or act giving rise to the Warranty Claim:

- (a) was required to be done by Gerard Lighting under the Transaction Documents; or
- (b) was approved by LGA in writing (prior to the fact, matter, circumstance or act occurring); or
- (c) has been fairly disclosed in writing by Gerard Lighting to LGA prior to the date the parties entered into this Agreement, including in the Gerard Lighting Due Diligence Information, except in relation to the Gerard Lighting Warranty in clause 8.1(l) which is not subject to this paragraph (c).

### 8.5 Reliance

- (a) Each party acknowledges that the other has entered into this Agreement in reliance on the representations, warranties and undertakings that are given by the party in this clause 8.
- (b) The parties have not relied on any representation or warranty in deciding whether to enter into this Agreement, other than as expressly set out in this clause 8.

### 8.6 Nature of provisions

- (a) Each of the representations and warranties in this clause 8 shall be deemed to be given as at the date of this Agreement and at 8.00am on the Second Court Date by reference to the circumstances then existing.
- (b) Each of the representations, warranties and undertakings given by a party in this clause 8 must be construed as a separate and independent provision and will not be limited or restricted by reference to the terms of any other representation, warranty or undertaking in this clause 8 or any other term of this Agreement.
- (c) Each of the representations and warranties in this clause 8:
  - (i) will survive the completion of the transactions contemplated by this Agreement or the termination of this Agreement; and
  - (ii) is given with the intent that liability under it will not be confined to breaches which are discovered prior to the completion of the transactions contemplated by this Agreement or the date of termination of this Agreement.

### 8.7 Notification

A party must promptly advise the other in writing of any representation or warranty provided in this clause 8 by the party being false or misleading in any material respect when given or a breach of any undertaking in this clause 8 by the party.

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## **9 Indemnities**

### **9.1 Indemnity from Gerard Lighting**

Gerard Lighting indemnifies LGA and the other LGA Indemnified Parties from and against all claims, actions, proceedings, liabilities, obligations, damages, loss, harm, charges, costs, expenses, duties and other outgoings of whatever nature and however arising which any of the LGA Indemnified Parties may suffer or incur by reason of any breach of any of the representations, warranties and undertakings in clause 8.1.

### **9.2 Indemnity from LGA**

LGA indemnifies Gerard Lighting and the other Gerard Lighting Indemnified Parties from and against all claims, actions, proceedings, liabilities, obligations, damages, loss, harm, charges, costs, expenses, duties and other outgoings of whatever nature and however arising which any of the Gerard Lighting Indemnified Parties may suffer or incur by reason of any breach of any of the representations, warranties and undertakings given by it in clause 8.2.

### **9.3 Nature of indemnities**

Each indemnity in clauses 9.1 and 9.2 is a continuing obligation, separate and independent from the other obligations of the parties, and survives termination or completion of this Agreement. It is not necessary for a person to incur expense or make any payment before enforcing a right of indemnity in this clause 9. The making of a claim by a person under an indemnity in this clause 9 in respect of a particular event does not preclude that person from subsequently making further claims under that indemnity in respect of any further loss arising out of the same event for which it has not previously been indemnified.

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## **10 Gerard Lighting Due Diligence Information**

### **10.1 Due diligence investigations**

LGA acknowledges and agrees, both on its own behalf and on behalf of each of the other LGA Indemnified Persons that:

- (a) prior to entry into this Agreement, it and its Representatives have undertaken their own due diligence investigations in relation to the Gerard Lighting Group, including access to data rooms, site visits, management presentations, interviews and discussions and access to Gerard Lighting Group external auditors and advisers;
- (b) in the course of those investigations, and the negotiations and discussions in relation thereto, Gerard Lighting and its Representatives have provided to LGA and its Representatives information in various forms in connection with the Scheme or relating to the Gerard Lighting Group (the **Gerard Lighting Due Diligence Information**);
- (c) as at the date of this Agreement it is not aware, as a consequence of obtaining the Gerard Lighting Due Diligence Information, of any information or matter that would give it a right to terminate this Agreement or would constitute a breach of any Gerard Lighting Warranty; and
- (d) the Gerard Lighting Warranties are provided subject to, and are qualified by, any facts, matters or circumstances which have been fairly disclosed in writing to LGA or its Representatives prior to the date of this Agreement in the Gerard Lighting Due Diligence Information or otherwise on the terms and conditions of this Agreement.

### **10.2 LGA acknowledgements relating to Due Diligence Information**

Subject to clause 8.1(s), LGA acknowledges and agrees, both on its own behalf and on behalf of each of the other LGA Indemnified Persons that none of Gerard Lighting and its Representatives, to the maximum extent permitted by law:

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- (a) makes any representation or warranty:
  - (i) as to the accuracy, reasonableness, completeness or relevance of any of the Gerard Lighting Due Diligence Information;
  - (ii) the reasonableness of any forecast or other forward looking statement contained or referred to in the Gerard Lighting Due Diligence Information, or any assumption upon which any such forecast or other forward looking statement is based;
  - (iii) that any of the Gerard Lighting Due Diligence Information has been audited, verified or prepared with reasonable care; or
  - (iv) that the Gerard Lighting Due Diligence Information is the totality of the information that a person would require or expect to find in order to consider or evaluate the Scheme;
- (b) accepts any responsibility to LGA, any of the other LGA Indemnified Persons or any other person for any false, inaccurate or misleading Gerard Lighting Due Diligence Information or for any opinion formed or conclusion drawn by LGA or its Representatives as a result of examining the Gerard Lighting Due Diligence Information;
- (c) accepts any responsibility to inform LGA or any of its Representatives of any matter arising or coming to the notice of Gerard Lighting which may affect or qualify any Gerard Lighting Due Diligence Information; and
- (d) is liable for any loss of any kind (including, without limitation, any consequential or economic loss) arising from any inaccuracy, incompleteness or similar defect in the Gerard Lighting Due Diligence Information or any default, negligence or lack of care in relation to the preparation or provision of the Gerard Lighting Due Diligence Information.

### 10.3 Own enquiries

Subject to clause 8.1(s), without limiting clauses 10.1 and 10.2:

- (a) LGA acknowledges and agrees both on its own behalf and on behalf of each of the other LGA Indemnified Persons that each of them has made its own independent assessment of all Gerard Lighting Due Diligence Information and has carried out, and relied solely on, its own investigation and analysis of the Gerard Lighting Due Diligence Information and the Scheme.; and
- (b) LGA acknowledges and agrees that it has entered into this Agreement utilising the Gerard Lighting Due Diligence Information solely at its own risk.

### 10.4 Benefit

The acknowledgements, confirmations and agreements in clauses 10.1, 10.2 and 10.3 are given to Gerard Lighting on its own behalf and separately as trustee for each of the Gerard Lighting Indemnified Parties.

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## 11 Exclusivity

### 11.1 No shop obligation

Subject to clauses 11.4(b) and 11.5, during the Exclusivity Period, Gerard Lighting must not and must ensure that each of its Representatives does not:

- (a) directly or indirectly solicit or invite; or
- (b) initiate any enquiries, negotiations or discussions, or communicates any intention to do any of these things, with a view to obtaining,

any offer, expression of interest or proposal from any person in relation to a Competing Proposal.

### **11.2 No talk obligation and no due diligence**

Subject to clauses 11.4 and 11.5:

- (a) during the Exclusivity Period, Gerard Lighting must not and must ensure that each of its Representatives does not enter into, continue or participate in negotiations or discussions with, any person regarding or in connection with a Competing Proposal (or potential Competing Proposal); and
- (b) without limiting clause 11.2(a), during the Exclusivity Period, Gerard Lighting must not, and must ensure that its Representatives do not:
  - (i) solicit, initiate, facilitate or encourage any party (other than LGA or its Representatives) to undertake due diligence on Gerard Lighting or its Related Bodies Corporate; or
  - (ii) make available to any other person (other than LGA or its Representatives) or permit such person to receive any non-public information relating to Gerard Lighting or its Related Bodies Corporate.

### **11.3 Notification**

If Gerard Lighting or, so far as it is aware, any of its Representatives is approached (directly or indirectly) during the Exclusivity Period by any person to engage in any activity, or take any other action, that would breach Gerard Lighting's obligations under clause 11.1 or 11.2 (or would breach its obligations under those clauses but for the operation of clauses 11.4 or 11.5) Gerard Lighting must promptly inform LGA in writing of:

- (a) the fact of that approach and the identity of the person who made the approach;
- (b) details of the expression of interest and/or proposal or proposed Competing Proposal made by the person making the approach and details of any discussions between such persons and Gerard Lighting (or its Representatives),

unless the Board of Gerard Lighting has determined, in good faith, after having obtained written advice from its legal and, if appropriate, its financial advisers that notifying LGA would or would be likely to involve a breach of the Gerard Lighting directors' fiduciary or statutory duties.

### **11.4 Fiduciary carve out**

- (a) Nothing in clauses 2, 4, 7, 11.2 or 11.3 prevents any action by or on behalf of Gerard Lighting to respond to any bona fide approach by a third party in respect of a Competing Proposal not solicited in breach of clause 11.1 if, after consultation with Gerard Lighting's financial advisers and receiving written legal advice from external legal advisers, the Board of Gerard Lighting has determined, in good faith that:
  - (i) the Competing Proposal is or, if it was proposed, is reasonably capable of becoming a Superior Proposal; and
  - (ii) failure to take such action would involve, or would be likely to involve, a breach of the fiduciary or statutory duties of the directors of Gerard Lighting.
- (b) Any action permitted by clause 11.4(a) will not be regarded as a breach of clause 11.1.

### **11.5 Normal provision of information**

Nothing in this clause 11 prevents Gerard Lighting from:

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- (a) providing information to rating agencies or any Governmental Agency in response to a request;
- (b) providing information to its auditors, advisers, financiers, customers, joint venturers, franchisees, business partners and suppliers acting in that capacity in the ordinary course of business; or
- (c) making presentations to brokers, portfolio investors, analysts and other third parties in the ordinary course of business.

### 11.6 Matching right

- (a) During the Exclusivity Period, Gerard Lighting must not recommend a Competing Proposal, or enter into any agreement, arrangement or understanding to undertake or facilitate a Competing Proposal, unless it has first:
  - (i) notified LGA in writing of the material terms of the Competing Proposal and the person or persons proposing the Competing Proposal; and
  - (ii) given LGA at least 72 hours after provision of that information in which to provide a matching or superior deal to the relevant Competing Proposal (**LGA Counter Proposal**); and
- (b) Gerard Lighting must use its reasonable endeavours to procure that the directors of Gerard Lighting consider any LGA Counter Proposal in good faith and, if the directors of Gerard Lighting determine that the terms and conditions of the LGA Counter Proposal taken as a whole are no less favourable than those of the relevant Competing Proposal, Gerard Lighting and LGA must each use their reasonable endeavours to agree and enter into such documentation as is necessary to give effect to and implement the LGA Counter Proposal as soon as reasonably practicable, and Gerard Lighting must use its reasonable endeavours to procure that each directors of Gerard Lighting makes a public statement to the Gerard Lighting Shareholders recommending the LGA Counter Proposal to the Gerard Lighting Shareholders (subject to qualifications consistent with those provided in clause 4.2(a) of this Agreement).

### 11.7 Acknowledgements and undertaking

- (a) LGA has required Gerard Lighting to agree to the obligations set out in this clause 11 in consideration of LGA proceeding with the Scheme and incurring significant costs in doing so. In the absence of obtaining these obligations, LGA would not have entered into this Agreement.
- (b) Gerard Lighting undertakes that, other than the discussions with LGA in respect of the Scheme, neither it nor any of its Representatives are in any negotiations or discussions in respect of any possible Competing Proposal with any person as at the date of this Agreement.

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## 12 Termination

### 12.1 Gerard Lighting Termination Events

Gerard Lighting may terminate this Agreement by notice in writing to LGA:

- (a) in accordance with clause 2.4(b);
- (b) before 8.00am on the Second Court Date, if LGA is in breach of any provision of this Agreement (including a breach of a representation or warranty under clause 8) and:
  - (i) that breach is material;
  - (ii) Gerard Lighting has given prompt written notice to LGA setting out the breach; and

- (iii) if the breach is capable of remedy, the breach is not remedied by LGA within 5 Business Days (or such shorter period ending at 11.59pm on the Business Day before the Second Court Date) of it receiving notice under sub-paragraph (ii);
- (c) before 8.00am on the Second Court Date, if the Independent Expert concludes (whether in its original or any subsequent opinion) that the Scheme is not in the best interests of Gerard Lighting Shareholders;
- (d) before 8.00am on the Second Court Date, if a majority of the Gerard Lighting Board withdraws its recommendation that the Scheme is in the best interests of Gerard Lighting Shareholders in accordance with clause 4.2(c);
- (e) before 8.00am on the Second Court Date, if the Gerard Lighting Board, in good faith and acting reasonably, publicly recommends a Superior Proposal in accordance with clause 11;
- (f) before 5.00pm on the Business Day before the Second Court Date, if at the Scheme Meeting or any adjournment or postponement of it at which the Scheme is voted on, the Scheme is not approved by the requisite majority of Gerard Lighting Shareholders required under the Corporations Act; or
- (g) if the Scheme has not been Implemented by the End Date, or becomes incapable, for any reason, of being Implemented by the End Date.

## 12.2 LGA Termination Events

LGA may terminate this Agreement by notice in writing to Gerard Lighting:

- (a) in accordance with clause 2.4(b);
- (b) before 8.00am on the Second Court Date, if Gerard Lighting is in breach of any provision of this Agreement (including a breach of a representation or warranty under clause 8) and:
  - (i) that breach is material;
  - (ii) LGA has given prompt written notice to Gerard Lighting setting out the breach; and
  - (iii) if the breach is capable of remedy, the breach is not remedied by Gerard Lighting within 5 Business Days (or such shorter period ending at 11.59pm on the Business Day before the Second Court Date) of it receiving notice under sub-paragraph (ii);
- (c) before 8.00am on the Second Court Date, if any of Gerard Lighting's directors:
  - (i) adversely changes (including by attaching any qualifications to) or withdraws his recommendation that the Scheme is in the best interests of Gerard Lighting Shareholders or makes any public statement that he has qualified, adversely changed or withdrawn his recommendation that the Scheme is in the best interests of Gerard Lighting Shareholders;
  - (ii) recommends, promotes or otherwise endorses a Competing Proposal, whether or not in accordance with clause 4.2(c); or
  - (iii) states an intention to change their voting intention in respect of any of their Gerard Lighting Shares (or any Gerard Lighting Shares that they can control the voting of), whether or not in accordance with clause 4.2(c);
- (d) before 5.00pm on the Business Day before the Second Court Date, if at the Scheme Meeting or any adjournment or postponement of it at which the Scheme is voted on, the Scheme is not approved by the requisite majority of Gerard Lighting Shareholders required under the Corporations Act; or

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- (e) if the Scheme has not been Implemented by the End Date, or becomes incapable, for any reason, of being Implemented by the End Date.

### 12.3 Effect of termination

If a party terminates this Agreement in accordance with this clause 12, this Agreement will have no further force or effect and the rights and obligations of the parties under this Agreement will cease, save that:

- (a) clauses 1, 8, 9, 10, 12, 13, 15, 16.3, 16.4, 17 and 18 will survive termination; and
- (b) termination will be without prejudice to rights and liabilities of a party which have accrued before termination.

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## 13 Break Fee

### 13.1 Background

- (a) Gerard Lighting believes the Scheme will provide significant benefits to Gerard Lighting and its shareholders and acknowledges that LGA will incur significant costs in connection with performing its obligations under this Agreement and the Scheme.
- (b) In these circumstances:
  - (i) LGA has requested that provision be made in this Agreement for the payment set out in clauses 13.2, without which it would not have entered into this Agreement; and
  - (ii) Gerard Lighting believes that it is appropriate to agree to the payment which it agrees to make under this clause 13 in order to secure the participation of LGA in the Scheme.
- (c) Gerard Lighting acknowledges that the amount it has agreed to pay under this clause 13 is an amount which is appropriate to compensate LGA for their reasonable external and internal costs and opportunity costs in connection with the Scheme.

### 13.2 Payment by Gerard Lighting to LGA

- (a) Gerard Lighting must pay LGA \$1,863,000 (exclusive of GST) if:
  - (i) Gerard Lighting is in material breach of any provision of this Agreement (including a material breach of a representation or warranty under clause 8.1) and this Agreement is terminated in accordance with clause 12;
  - (ii) any member of the Gerard Lighting Board adversely changes, or withdraws, their recommendation that the Scheme is in the best interests of Gerard Lighting Shareholders or makes any public statement that they have adversely changed, or withdrawn, his recommendation that the Scheme is in the best interests of Gerard Lighting Shareholders, or makes an announcement in support of a Competing Proposal or any other transaction that would be likely to substantially reduce the likelihood of success of the Scheme or announces an intention to do any of those acts, other than in circumstances:
    - (A) where the Scheme:
      - (1) is not Implemented by the End Date; or
      - (2) becomes incapable, for any reason, of being Implemented by the End Date because a Condition Precedent has not been satisfied or becomes incapable of being satisfied (other than as a result of a



breach by Gerard Lighting of any obligation it may have in this Agreement);

- (B) where LGA is in material breach of any provision of this document (including a material breach of a representation or warranty under clause 8.2); or
  - (C) where the Independent Expert concludes (whether in its original or any subsequent opinion) that the Scheme is not in the best interests of Gerard Lighting Shareholders other than because of the existence of a Superior Proposal; or
- (iii) the Gerard Lighting Board or any member of it recommends a Competing Proposal, other than in circumstances:
- (A) where LGA is in material breach of any provision of this Agreement (including a material breach of an LGA Warranty); or
  - (B) where the Independent Expert concludes (whether in its original or any subsequent opinion) that the Scheme is not in the best interests of Gerard Lighting Shareholders other than because of the existence of a Superior Proposal); or
- (iv) LGA validly terminates this Agreement under clause 12.2(a) as a consequence that a condition precedent in clause 2.1(e) (No Gerard Lighting Prescribed Event), clause 2.1(j) (Gerard Lighting Options), clause 2.1(l)(i) (Statement of Voting Intention), 2.1(m) (Pre-emptive Rights and Margin Loan) or 2.1(o) (Restraint Deeds) is not satisfied or waived, other than in circumstances:
- (A) where LGA is in material breach of any provision of this document (including a material breach of a representation or warranty under clause 8.2); or
  - (B) where the Independent Expert concludes (whether in its original or any subsequent opinion) that the Scheme is not in the best interests of Gerard Lighting Shareholders other than because of the existence of a Superior Proposal,

provided that no amount shall be payable under this clause 13.2 if the Scheme (or a transaction the subject of clause 11.6) is implemented with LGA.

- (b) Gerard Lighting must pay LGA the amount referred to in clause 13.2(a) within 10 Business Days of receipt by Gerard Lighting from LGA of a demand for payment, failing which, the due amount shall be subject to interest payable by Gerard Lighting to LGA at a rate of 3% above the Reserve Bank of Australia's published overnight cash rate, from the 10<sup>th</sup> Business Day after LGA's demand was made, until payment of the amount referred to in 13.2(a) (plus interest payable under this clause) has been received by LGA. The demand may only be made after the occurrence of an event referred to in clause 13.2(a).

### 13.3 Exclusive remedy

LGA agrees that if an amount is paid by Gerard Lighting under clause 13.2 in respect of an act or event referred to therein, that payment constitutes its sole and exclusive remedy for any liability arising under or in connection with this Agreement in respect of that act or event except in relation to wilful misconduct or wilful default by Gerard Lighting, in which circumstances LGA shall retain all rights and remedies it has or may have against Gerard Lighting in connection with this Agreement in respect of that act or event in excess of any payment made under clause 13.2.

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### 13.4 Compliance

A payment under this clause 13 is not required to be made or, if already made, is refundable, to the extent that such payment is determined by a court to be unlawful or is determined by the Takeovers Panel to constitute unacceptable circumstances within the meaning of that phrase in the Corporations Act.

### 13.5 Gross up

If Gerard Lighting is required by law to make any deduction or withholding from any payment to LGA under this clause 13:

- (a) Gerard Lighting must notify LGA of the amount and reason for the deduction or withholding and pay or procure the payment of the full amount of the deduction or withholding to the appropriate Governmental Agency within the applicable timeframe for payment; and
- (b) the amount payable by Gerard Lighting to LGA must be increased so that (after deducting or withholding the aforesaid amount and making any further deduction or withholding in respect of the increased amount) LGA receives the same amount it would have received had no deduction or withholding been made.

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## 14 Public Announcements

### 14.1 Agreed Announcement

Immediately following the execution of this Agreement, Gerard Lighting must release the Agreed Announcement, which has attached to it a summary of the key terms of this Agreement, or a copy of this Agreement (minus the annexures).

### 14.2 Restriction on other announcements

- (a) Neither party may make any press release or announcement or make any other public disclosure relating to the subject matter of this Agreement or make public or otherwise publicly disclose this Agreement or any of its terms unless the release, announcement, publication or other public disclosure:
  - (i) is required by this Agreement, or is required to give effect to this Agreement or the Scheme;
  - (ii) is required to be made under any applicable law or the rules of any recognised stock exchange;
  - (iii) is required by a Governmental Agency to be made by the party;
  - (iv) repeats information or statements already in the public domain; or
  - (v) has the prior approval of the other party.
- (b) Nothing in clause 14.2(a) prohibits Gerard Lighting from making any announcement or public disclosure if, in the reasonable opinion of the Gerard Lighting Board, failure to disclose at that time the information proposed to be contained in the announcement or public disclosure would reasonably be expected to be inconsistent with the proper exercise of the duties of the directors of that party.

### 14.3 Notification

If a party is required by law, the rules of any stock exchange or any Governmental Agency to do any of the things referred to in clause 14.2, or if clause 14.2(b) otherwise applies, it must give the other party, to the extent lawful, as much notice (if any) as is reasonably practicable of the announcement or public disclosure.

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## **15 Confidentiality and Standstill**

### **15.1 Confidentiality**

- (a) Each of Gerard Lighting and LGA acknowledges and agrees that it remains bound by the Confidentiality Deed, provided that it agrees that the terms of this Agreement will prevail over the Confidentiality Deed to the extent of any inconsistency.
- (b) LGA undertakes in favour of Gerard Lighting that any information concerning the Gerard Lighting Group which it acquires pursuant to this Agreement or the Scheme will be held and used by it on the same terms as contained in the Confidentiality Deed, to the extent those terms are not inconsistent with any provision of this Agreement.
- (c) For the purposes of the Confidentiality Deed and the terms referred to in paragraph (b), each party consents to the use of, and the disclosure on a confidential basis to a Relevant Government Authority of, its confidential information for the purposes of satisfying any Condition Precedent and the implementation of the transactions contemplated by this Agreement.

### **15.2 Survival of obligations**

The:

- (a) rights and obligations of Gerard Lighting and LGA under the Confidentiality Deed;
- (b) the obligations of LGA under clause 15.1(b),

survive termination of this Agreement.

### **15.3 Standstill**

Subject to clause 15.4, without the prior written approval of Gerard Lighting (which Gerard Lighting may withhold in its sole discretion), LGA must not, and must ensure that its Related Entities do not, until 13 April 2013, in any manner (whether alone or with others):

- (a) Deal in any:
  - (i) Restricted Securities; or
  - (ii) derivative instrument or other financial product (including, without limitation, any cash-settled equity swap) affording a party to the instrument or financial product an economic exposure to Gerard Lighting or to movements in the price of any Restricted Securities;
- (b) solicit proxies from Gerard Lighting shareholders, or otherwise seek to control the management or policies of Gerard Lighting;
- (c) announce an intention (including without limitation a conditional intention), willingness or preparedness to do, or initiate any rumour or media comment in respect of, any of the things referred to in clauses 15.3(a) or 15.3(b) (including without limitation any non-binding, conditional or indicative proposal);
- (d) aid, abet, counsel, procure, co-operate, assist or induce any other person in doing any of the things referred to in clauses 15.3(a), 15.3(b) or 15.3(c); or
- (e) do any of the things referred to in clauses 15.3(a)(ii), 15.3(b) or 15.3(c) conditionally upon, or subject to, the terms of this clause 15 being waived or varied.

## Appendix 2 Scheme Implementation Agreement continued

### 15.4 Exceptions to Standstill

- (a) Clause 15.3 does not apply to any action taken in connection with the Scheme.
- (b) Clause 15.3 ceases to apply if a Competing Proposal is announced by a person (other than LGA or a Related Entity of LGA) after the date of this document and the Gerard Lighting Board recommends or agrees to it, or announces an intention to recommend it in the absence of a superior proposal.

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## 16 Directors' indemnity, insurance and release

### 16.1 D&O Insurance

Subject to Implementation occurring, LGA must take out and maintain for a period of seven years after the Implementation Date, or must procure that Gerard Lighting takes out and maintains for that period, to the maximum extent permitted by law, insurance cover with a reputable insurer, and on terms that are no less advantageous to each person who is a director of Gerard Lighting or any of its Related Bodies Corporate at the Implementation Date (the **Indemnified Directors**) than the coverage provided under the existing D&O policies of the Gerard Lighting Group, insuring each Indemnified Director against all liabilities incurred by the Indemnified Director in the course of his or her service as a director of any member of the Gerard Lighting Group prior to Implementation. LGA must use its reasonable endeavours not do anything, and must use its reasonable endeavours to procure that no other member of the LGA Group or Gerard Lighting Group following the Implementation Date does anything, which prejudices any such insurance cover.

### 16.2 No limitation

The rights of the Indemnified Directors under this clause 16 are in addition to and without prejudice to any rights to indemnification or insurance coverage which an Indemnified Person may have under the constitution of, or in any deed or other agreement with, any member of the Gerard Lighting Group.

### 16.3 Release by LGA

To the maximum extent permitted by law, LGA releases its rights against each Officer and Representative of Gerard Lighting (including each Indemnified Director) (**Gerard Lighting Released Person**) and undertakes that it will not make any claim or demand of any nature (howsoever arising and whether present or future, fixed or unascertained, actual or contingent, whether at law, in equity, under statute or otherwise) against any Gerard Lighting Released Person in connection with any breach of any representations, covenants or warranties in this Agreement or any disclosures in connection with this Agreement except where the Gerard Lighting Released Person has not acted in good faith or has engaged in wilful misconduct.

### 16.4 Release by Gerard Lighting

To the maximum extent permitted by law, Gerard Lighting releases its rights against each Officer and Representative of LGA (**LGA Released Person**) and undertakes that it will not make any claim or demand of any nature (howsoever arising and whether present or future, fixed or unascertained, actual or contingent, whether at law, in equity, under statute or otherwise) against any Released Person in connection with any breach of any representations, covenants or warranties in this Agreement or any disclosures in connection with this Agreement except where the LGA Released Person has not acted in good faith or has engaged in wilful misconduct.

### 16.5 Benefit

- (a) The undertakings of LGA in this clause 16 are given to and held by Gerard Lighting as trustee for each of the Gerard Lighting Released Persons.
- (b) The undertakings of Gerard Lighting in this clause 16 are given to and held by LGA as trustee for each of the LGA Released Persons.

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## **17 Miscellaneous**

### **17.1 No waiver**

- (a) A party waives a right under this Agreement only by written notice that it waives that right. A waiver is limited to the specific instance to which it relates and to the specific purpose for which it is given.
- (b) Failure to exercise or enforce or a delay in exercising or enforcing or the partial exercise or enforcement of any right, power or remedy provided by law or under this Agreement by any party will not in any way preclude, or operate as a waiver of, any exercise or enforcement, or further exercise or enforcement of that or any other right, power or remedy provided by law or under this Agreement.

### **17.2 Severance**

If a provision of this Agreement would, but for this clause, be unenforceable or illegal:

- (a) the provision must be read down to the extent necessary to avoid that result; and
- (b) if the provision cannot be read down to that extent, it must be severed without affecting the validity and enforceability of the remainder of this document.

### **17.3 About this document**

- (a) This Agreement and the Confidentiality Deed record the entire agreement between the parties as to their subject matter. Together they supersede all prior contracts, obligations, representations, conduct and understandings. This Agreement is immediately enforceable, subject to its own express terms.
- (b) This Agreement may be amended only by written agreement of both parties.
- (c) This Agreement may be executed in any number of counterparts, and by the parties in separate counterparts, but is not effective until each party has executed at least one counterpart. Each counterpart of this Agreement constitutes an original of this Agreement but the counterparts together constitute one and the same instrument.

### **17.4 Governing law and jurisdiction**

- (a) The laws of South Australia govern this Agreement.
- (b) Each party submits to the jurisdiction of the courts exercising jurisdiction in South Australia, and any court that may hear appeals from any of those courts, for any proceedings in connection with this Agreement.
- (c) Each party irrevocably waives any right it may have to claim that the courts referred to in paragraph (b) are an inconvenient forum.

### **17.5 Costs**

- (a) Except where expressly provided otherwise, each party must bear its own costs in relation to the negotiation, preparation, execution and performance of this Agreement and any further document required.
- (b) LGA must pay all stamp duties (if any) and any fines and penalties with respect to stamp duty in respect of this Agreement, the Scheme, the Deed Poll or the steps to be taken under this Agreement, the Scheme or the Deed Poll.

## Appendix 2 Scheme Implementation Agreement continued

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### 17.6 Further Acts

Each party must promptly do and perform all further acts and execute and deliver all further documents required by law or reasonably requested by any other party to give effect to this Agreement or the Scheme.

### 17.7 Assignment

A party may not assign, novate or otherwise transfer any of its rights or obligations under this Agreement except with the prior written consent of the other party.

### 17.8 No merger

The rights and obligations of the parties under this Agreement will not merge on completion of any transaction pursuant to this Agreement. They will survive the execution and delivery of any assignment or other document entered into for the purpose of implementing any transaction.

### 17.9 GST

- (a) Unless otherwise expressly stated, all amounts payable under this Agreement are expressed to be exclusive of GST. If GST is payable on a taxable supply made under or in connection with this Agreement, the recipient of the supply must pay the supplier an additional amount equal to the GST payable on that supply provided that the supplier first issues a tax invoice for that supply.
- (b) Without limiting clause 17.9(a), if an amount payable under this Agreement is calculated by reference to a liability incurred by a party, then the amount of the liability must be reduced by the amount of any input tax credit to which that party or the representative member of the GST group of which that party is a member, is entitled in respect of the acquisition of the supply to which that liability relates. A party will be assumed to be entitled to a full Input Tax Credit unless it demonstrates that its entitlement is otherwise prior to the date on which payment must be made.
- (c) Words and expressions used in this clause 17.9 have the same meaning as in *A New Tax System (Goods and Services) Tax Act 1999* (Cth).

### 17.10 Clauses benefiting third parties

If a provision of this Agreement is expressed to be for the benefit of a person that is not a party to this Agreement, the party to this Agreement that receives that promise (the **promisee**):

- (a) does so not only in its own capacity but also as trustee for the third party;
- (b) must permit the third party to enforce the provision in the promisee's name on giving full indemnity and any reasonable security the promisee requires; and
- (c) assumes no other duty or liability whatever to the third party such as to inform the third party of anything, to supervise, to monitor or to claim anything.

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## 18 Notices

### 18.1 How to give notices

A notice in connection with this Agreement must be:

- (a) in writing;
- (b) signed by the party or its agent; and

- (c) given to the recipient either by hand delivery, pre-paid airmail or facsimile transmission, in each case addressed in the manner relevantly described in Schedule 1.

### **18.2 Change of Details**

- (a) A party may at any time change any of the details set out in Schedule 1 by not less than 5 Business Days notice to the other party.
- (b) If details are so changed, this clause applies as if those changed details were set out in Schedule 1.

### **18.3 Proof of Notices**

- (a) Any notice given in accordance with clause 18.1, in the absence of earlier receipt, shall be deemed to have been duly given as follows:
  - (i) if delivered personally, on delivery;
  - (ii) if sent by pre-paid mail, on the Business Day after posting; and
  - (iii) if sent by facsimile, at the local time (in the place of receipt of that fax) which then equates to the time at which that fax is sent as shown on the transmission report which is produced by the machine from which that fax is sent and which confirms transmission of that fax in its entirety.
- (b) Any notice given outside Working Hours shall be deemed not to have been given until the start of the next period of Working Hours.

## Appendix 2 Scheme Implementation Agreement continued

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**EXECUTED** as an agreement

**EXECUTED** by **GERARD LIGHTING** )  
**GROUP LIMITED** in accordance with )  
section 127 of the *Corporations Act 2001* by: )  
)

.....  
Director

.....  
Director/Secretary

.....  
Name  
(BLOCK LETTERS)

.....  
Name  
(BLOCK LETTERS)

**EXECUTED** by **LIGHTING GROUP** )  
**AUSTRALIA PTY LIMITED** in )  
accordance with section 127 of the )  
*Corporations Act 2001* by: )  
)

.....  
Director

.....  
Director/Company Secretary

.....  
Name  
(BLOCK LETTERS)

.....  
Name  
(BLOCK LETTERS)



**Schedule 1 – Notices**

Name: Gerard Lighting Group Limited  
Address: 101 Port Wakefield Road, Cavan SA 5094  
Facsimile: +61 8 8139 7325  
Attention: Mr Simon Gerard, Managing Director

Name: Lighting Group Australia Pty Limited  
Address: Level 4 Customs House, 31 Alfred Street, Sydney NSW 2000  
Facsimile: +61 2 8248 8877  
Attention: Mr John Haddock

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## Schedule 2 – Gerard Lighting Options

Grant date	Name	Number of options	Vesting period	Expiry date	Ex price	Exercise date
19-Mar-10	Simon Gerard	5,000,000	30/7/10 to 30/7/15	31-Dec-15	\$1.00	30-Jul-15
19-Mar-10	Gary Savage	2,000,000	30/7/10 to 30/7/15	31-Dec-15	\$1.00	30-Jul-15
19-Mar-10	Graham Ellis	2,000,000	30/7/10 to 30/7/15	31-Dec-15	\$1.00	30-Jul-15
19-Mar-10	Richard Allert	500,000	30/7/10 to 30/7/15	31-Dec-15	\$1.00	30-Jul-15
19-Mar-10	Graham Walters	500,000	30/7/10 to 30/7/15	31-Dec-15	\$1.00	30-Jul-15
		<u>10,000,000</u>				
28-Nov-11	Simon Gerard	1,000,000	1/12/11 to 30/11/15	30-Apr-16	\$1.00	1-Dec-16
28-Nov-11	Gary Savage	500,000	1/12/11 to 30/11/15	30-Apr-16	\$1.00	1-Dec-16
28-Nov-11	Graham Ellis	500,000	1/12/11 to 30/11/15	30-Apr-16	\$1.00	1-Dec-16
28-Nov-11	Benjamin Mills	750,000	1/12/11 to 30/11/15	30-Apr-16	\$1.00	1-Dec-16
28-Nov-11	Mark West	500,000	1/12/11 to 30/11/15	30-Apr-16	\$1.00	1-Dec-16
28-Nov-11	Michael Cotterill	400,000	1/12/11 to 30/11/15	30-Apr-16	\$1.00	1-Dec-16
28-Nov-11	Edwin Sargeant	400,000	1/12/11 to 30/11/15	30-Apr-16	\$1.00	1-Dec-16
28-Nov-11	Phil Eaton	250,000	1/12/11 to 30/11/15	30-Apr-16	\$1.00	1-Dec-16
28-Nov-11	Mark Pearson	250,000	1/12/11 to 30/11/15	30-Apr-16	\$1.00	1-Dec-16
28-Nov-11	Jason Gerard	250,000	1/12/11 to 30/11/15	30-Apr-16	\$1.00	1-Dec-16
		<u>4,800,000</u>				
<b>TOTAL</b>		<b><u>14,800,000</u></b>				

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**Schedule 3 – Partly Owned Subsidiaries**

<b>Company</b>	<b>Percentage of shares held by a member of the Gerard Lighting Group</b>
Pierlite Middle East FZC	60%
Pierlite Graha Nusantara PT (Indonesia)	50%
Pierlite Malaysia Sda Bhd (indirectly owned through Pierlite Graha Nusantara PT)	40%

## Scheme of Arrangement

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# Appendix

# 3

## SCHEME OF ARRANGEMENT

Pursuant to section 411 of the *Corporations Act 2001* (Cth)

### BETWEEN

- 1 **GERARD LIGHTING GROUP LIMITED** ABN 16 141 079 594 of 101 Port Wakefield Road, Cavan, South Australia 5094 (**Gerard Lighting**); and
- 2 Each person registered as a holder of Gerard Lighting Shares as at the Record Date.

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## 1 Definitions and Interpretation

### 1.1 Definitions

In this Scheme:

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited ABN 98 008 624 691 or, as the context requires, the financial market known as the Australian Securities Exchange operated by it.

**ASX Listing Rules** means the official listing rules of the ASX.

**Business Day** has the meaning given in the ASX Listing Rules.

**CHESS** means the Clearing House Electronic Subregister System for electronic transfers of securities operated by ASX Settlement Pty Limited ABN 49 008 504 532.

**Corporations Act** means the Corporations Act 2001 (Cth).

**Court** means the Federal Court of Australia or such other court of competent jurisdiction under the Corporations Act as agreed by the parties.

**Deed Poll** means the deed poll dated 24 August 2012 under which Lighting Investments covenants in favour of the Scheme Shareholders to perform its obligations under this Scheme.

**Effective** means the coming into effect, pursuant to section 411(10) of the Corporations Act, of the orders of the Court made under section 411(4)(b) in relation to the Scheme.

**Effective Date** means the date upon which Scheme becomes Effective.

**End Date** means 31 December 2012 or such later date as Gerard Lighting and Lighting Investments may agree in writing.

**Gerard Lighting Incentive Plans** means the Gerard Lighting Non-Executive Director Option Plan and the Gerard Lighting Long Term Incentive Plan.

**Gerard Lighting Option** means an option issued by Gerard Lighting under the terms of the Gerard Lighting Incentive Plans.

**Gerard Lighting Register** means the register of members of Gerard Lighting.

**Gerard Lighting Share** means a fully paid ordinary share in the capital of Gerard Lighting.

**Implementation Date** means the fifth Business Day following the Record Date or such other date agreed by the parties in writing, or ordered by the Court or as may be required by ASX.

## Appendix 3 Scheme of Arrangement continued

**Lighting Investments** means Lighting Investments Australia Pty Limited ACN 159 522 611 (formerly Lighting Group Australia Pty Ltd) of Level 4 Customs House, 31 Alfred Street, Sydney, New South Wales 2000.

**Record Date** means 7.00pm (Sydney time) on the fifth Business Day following the Effective Date.

**Registered Address** means, in relation to a Scheme Shareholder, their address as shown in the Gerard Lighting Register as at the Record Date.

**Related Body Corporate** has the meaning given in the Corporations Act.

**Scheme** means this scheme of arrangement under Part 5.1 of the *Corporations Act* between Gerard Lighting and Scheme Shareholders, subject to any alterations or conditions (whether proposed by a party or required by the Court) which are agreed in writing by Gerard Lighting and Lighting Investments.

**Scheme Booklet** means the explanatory statement to be approved by the Court and despatched by Gerard Lighting to holders of Gerard Lighting Shares, and which includes, amongst other things, this Scheme and an explanatory statement under section 412 of the Corporations Act.

**Scheme Consideration** means the consideration to be provided by Lighting Investments to Scheme Shareholders in consideration for the transfer of the Scheme Shares held by Scheme Shareholders to Lighting Investments, being \$1.05 in respect of each Scheme Share.

**Scheme Implementation Agreement** means the scheme implementation agreement dated 18 July 2012 between Gerard Lighting and Lighting Investments, as amended, substituted or replaced from time to time.

**Scheme Share** means a Gerard Lighting Share on issue as at the Record Date.

**Scheme Shareholder** means a person who is registered in the Gerard Lighting Register as the holder of Gerard Lighting Shares at the Record Date (other than Lighting Investments or any Related Body Corporate of Lighting Investments).

**Scheme Transfer** means, in relation to each Scheme Shareholder, a proper instrument of transfer of their Scheme Shares for the purpose of section 1071B of the Corporations Act, which may be a master transfer of all or part of all of the Scheme Shares.

**Second Court Date** means the first day on which the application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme is, or is to be, heard or, if the application is adjourned for any reason, the first day on which the adjourned application is heard, or is to be heard.

### 1.2 Interpretation

In this Scheme, unless a contrary intention appears:

- (a) words or expressions importing the singular include the plural and vice versa;
- (b) words or expressions importing a gender include any gender;
- (c) words or expressions denoting individuals include corporations, firms, unincorporated bodies, government authorities and instrumentalities;
- (d) a reference to a party to a document includes that party's successors and permitted assigns;
- (e) where a word or expression is defined or given meaning, another grammatical form of that word or expression has a corresponding meaning;

- (f) any heading, index, table of contents or marginal note is for convenience only and does not affect the interpretation of this Scheme;
- (g) a provision of this Scheme shall not be construed to the disadvantage of a party merely because that party was responsible for the preparation of this Scheme or that provision;
- (h) a reference to a clause, party, annexure, exhibit or schedule is a reference to a clause of, and a party, annexure, exhibit and schedule to, this Scheme;
- (i) any recital, schedule or annexure forms part of this document and has effect as if set out in full in the body of this document;
- (j) a reference to legislation or a provision of legislation includes:
  - (i) all regulations, orders or instruments issued under the legislation or provision; and
  - (ii) any modification, consolidation, amendment, re-enactment, replacement or codification of such legislation or provision;
- (k) references to “include”, “including” or any variation thereof are to be construed without limitation;
- (l) a reference to “\$” or “dollar” is a reference to Australian currency;
- (m) where the day on which any act, matter or thing is to be done is a day other than a Business Day, such act, matter or thing will be done on the next Business Day; and
- (n) a reference to time is to that time in Adelaide, Australia.

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## 2 Preliminary

- (a) Gerard Lighting is a public company limited by shares, incorporated in Australia and registered in Victoria. Gerard Lighting is admitted to the official list of the ASX and Gerard Lighting Shares are officially quoted on the ASX.
- (b) As at the date of the Scheme Booklet, Gerard Lighting had the following securities on issue:
  - (i) 176,729,681 Gerard Lighting Shares; and
  - (ii) 14,800,000 Gerard Lighting Options.
- (c) Lighting Investments is a proprietary company limited by shares, incorporated in Australia. Lighting Investments is a wholly-owned subsidiary of Lighting Investments Australia Finance Pty Limited, a proprietary company limited by shares.
- (d) Gerard Lighting and Lighting Investments have agreed by entering into the Scheme Implementation Agreement to implement this Scheme. In particular, Gerard Lighting and Lighting Investments have agreed that each of them will perform their respective obligations under the Scheme which relate to each of them respectively and have agreed to take certain steps to give effect to the Scheme.
- (e) If this Scheme becomes Effective, each of the following will occur:
  - (i) all of the Scheme Shares will be transferred to Lighting Investments and Gerard Lighting will become a wholly-owned subsidiary of Lighting Investments;

## Appendix 3 Scheme of Arrangement continued

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- (ii) in consideration of the transfer of the Scheme Shares to Lighting Investments, Lighting Investments will pay or procure the payment of the Scheme Consideration to the Scheme Shareholders in accordance with this Scheme; and
  - (iii) Gerard Lighting will enter Lighting Investments' name in the Gerard Lighting Register as the holder of all Scheme Shares.
- (f) Lighting Investments has agreed by executing the Deed Poll to pay or procure the payment of the Scheme Consideration to Scheme Shareholders in accordance with this Scheme and take the other actions attributed to it under this Scheme.

---

### **3 Conditions Precedent**

#### **3.1 Conditions Precedent**

This Scheme is conditional upon and will have no force or effect until each of the following conditions precedent is satisfied:

- (a) all of the conditions precedent set out in clause 2.1 of the Scheme Implementation Agreement having been satisfied or waived in accordance with the terms of the Scheme Implementation Agreement;
- (b) the Scheme Implementation Agreement nor the Deed Poll has been terminated in accordance with its terms before 8:00am on the Second Court Date; and
- (c) such other conditions as may be imposed by the Court under section 411(6) of the Corporations Act in relation to the Scheme and agreed to by Gerard Lighting and Lighting Investments (acting reasonably), having been satisfied.

#### **3.2 Certificate**

At the Court hearing on the Second Court Date, Gerard Lighting and Lighting Investments will each provide the Court with a certificate, or such other evidence as the Court requests, confirming (in respect of matters within its own knowledge) whether or not all of the conditions precedent set out in clause 2.1 of the Scheme Implementation Agreement (other than the condition precedent in clause 2.1(c) of the Scheme Implementation Agreement) have been satisfied or waived in accordance with the terms of the Scheme Implementation Agreement. Where the certificates disclose that any of those conditions precedent has been satisfied or waived in accordance with the terms of the Scheme Implementation Agreement, they will constitute conclusive evidence of the satisfaction or waiver of the condition (as the case may be).

#### **3.3 Lapse of Scheme**

Unless Lighting Investments and Gerard Lighting agree otherwise, the Scheme will lapse and be of no further force or effect if the Scheme Implementation Agreement is terminated in accordance with its terms, or if the Effective Date does not occur by the End Date, in which event Gerard Lighting and Lighting Investments are each released from:

- (a) any further obligation to take steps to implement this Scheme; and
- (b) any liability with respect to this Scheme.

---

### **4 Implementation of the Scheme**

#### **4.1 Lodgement of Court Orders**

- (a) By no later than 4:00pm on the first Business Day following the date on which the Court makes orders approving the Scheme under section 411(4)(b) of the Corporations Act (and if applicable section 411(6) of the Corporations Act), Gerard Lighting must lodge with



ASIC an office copy of the Court order approving this Scheme in accordance with section 411(10) of the Corporations Act.

- (b) Subject to clause 3.3, this Scheme will become Effective on and from the Effective Date.

#### 4.2 Transfer of Scheme Shares

Subject to this Scheme becoming Effective in accordance with clause 4.1, the following actions will occur (in the order set out below) on the Implementation Date:

- (a) on or before 10.00am on the Implementation Date, and in consideration for the transfer of the Scheme Shares to Lighting Investments under this Scheme, Lighting Investments must pay the Scheme Consideration to each Scheme Shareholder for each Scheme Share that is held by the Scheme Shareholders as at the Record Date in accordance with clause 4.3;
- (b) subject to Lighting Investments fulfilling its obligations under clauses 4.2(a) and 4.3, all of the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares at the Implementation Date, must be transferred to Lighting Investments without the need for any further act by any Scheme Shareholder (other than acts performed by Gerard Lighting or any of its directors or officers as attorney and agent for Scheme Shareholders under clause 6.6), by Gerard Lighting effecting a valid transfer or transfers of the Scheme Shares to Lighting Investments under section 1074D of the Corporations Act or, if that procedure is not available for any reason by:
- (i) Gerard Lighting delivering to Lighting Investments a duly completed and executed Scheme Transfer; and
- (ii) Lighting Investments duly executing and delivering the Scheme Transfer to Gerard Lighting for registration; and
- (c) immediately after receipt of the duly executed Scheme Transfer from Lighting Investments under clause 4.2(b)(ii), Gerard Lighting must enter, or must procure the entry of, the name and address of Lighting Investments in the Gerard Lighting Register as the holder of the Scheme Shares.

#### 4.3 Payment of Scheme Consideration

The obligation of Lighting Investments to pay the Scheme Consideration pursuant to clause 4.2(a) will be deemed to be satisfied if Lighting Investments:

- (a) before 10.00 am on the Implementation Date, deposits in cleared funds into an account established by, or on behalf of, Gerard Lighting and in the name of Gerard Lighting (**Trust Account**) (details of which must be notified by Gerard Lighting to Lighting Investments at least five Business Days before the Implementation Date), an amount equal to the aggregate Scheme Consideration payable to all Scheme Shareholders such amount to be held on trust by Gerard Lighting for the Scheme Shareholders (except that any interest on the amount will be for the benefit of Lighting Investments), for the purpose of Gerard Lighting paying the Scheme Consideration to the Scheme Shareholders; and
- (b) provides Gerard Lighting with written confirmation of that payment.

#### 4.4 Despatch of Scheme Consideration

- (a) Subject to Lighting Investments complying with its obligations under clauses 4.2(a) and 4.3, Gerard Lighting must within three Business Days after the Implementation Date, pay from the Trust Account to each Scheme Shareholder an amount equal to the Scheme Consideration due to that Scheme Shareholder in accordance with this Scheme by:
- (i) making, or procure the making, of a deposit for the relevant amount in an account with any ADI (as defined in the *Banking Act 1959* (Cth)) in Australia notified by

## Appendix 3 Scheme of Arrangement continued

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the Scheme Shareholder to Gerard Lighting and recorded in the Gerard Lighting Register as at the Record Date; or

- (ii) if Gerard Lighting has not been notified by the Scheme Shareholder of an account with any ADI as set out in clause 4.4(a)(i), despatching or procuring the despatch to the Scheme Shareholder of a cheque in the name of the Scheme Shareholder for the relevant amount, by pre-paid ordinary post (or, if the Registered Address of the Scheme Shareholder is outside Australia, by pre-paid airmail post) in an envelope addressed to the Registered Address as at the Record Date. In the case of Scheme Shares held in joint names any cheque required to be paid to Scheme Shareholders must be payable to the joint holders and be forwarded to the holder whose name appears first in the Register as at the Record Date.
- (b) To the extent that a cheque properly despatched by or on behalf of Gerard Lighting pursuant to clause 4.4(a)(ii) is returned to Gerard Lighting (or its agents) as undelivered or the cheque is not presented by a Scheme Shareholder earlier than six months after the Implementation Date (**Unclaimed Consideration**):
- (i) Gerard Lighting must deal with the Unclaimed Consideration in accordance with any applicable unclaimed moneys legislation; and
  - (ii) subject to Gerard Lighting complying with its obligations under clause 4.4(b)(i), Gerard Lighting is discharged from liability to any Scheme Shareholder in respect of the Unclaimed Consideration.

### 5 Dealings in Gerard Lighting Shares

#### 5.1 Dealings in Gerard Lighting Shares by Scheme Shareholders

- (a) For the purpose of establishing who is a Scheme Shareholder, dealings in Gerard Lighting Shares will only be recognised if:
- (i) in the case of dealings of the type to be effected using CHESSE, the transferee is registered in the Gerard Lighting Register as the holder of the relevant Gerard Lighting Shares by the Record Date; and
  - (ii) in all other cases, registrable transfers or transmission applications in respect of those dealings are received at the place where the Gerard Lighting Register is kept by 5:00pm on the Record Date,

and Gerard Lighting will not accept for registration or recognise for any purpose any transmission application or transfer in respect of Gerard Lighting Shares received after such times, or received prior to such times but not in registrable form (except pursuant to clause 4.2 or any subsequent transfer by Lighting Investments).

- (b) Gerard Lighting must register transfers or transmission applications of the type referred to in clause 5.1(a)(ii) by the Record Date.

#### 5.2 Gerard Lighting Register

- (a) Gerard Lighting must, until the Scheme Consideration has been provided to Scheme Shareholders in accordance with this Scheme, maintain or procure the maintenance of the Gerard Lighting Register in accordance with the provisions of this clause 5 and the Gerard Lighting Register in this form will solely determine entitlements to Scheme Consideration.
- (b) As from the Record Date (other than for Lighting Investments after the Implementation Date), each entry current at that time in the Gerard Lighting Register in relation to the Scheme Shares will cease to be of any effect other than as evidence of entitlement of

Scheme Shareholders to the Scheme Consideration in accordance with this Scheme in respect of those Scheme Shares.

### **5.3 Certificates and Holding Statements**

All certificates and statements of holding for Scheme Shares held by Scheme Shareholders shall, following the Record Date (other than for Lighting Investments following the Implementation Date), cease to have any effect as documents of title in respect of such Scheme Shares.

### **5.4 Provision of Information**

As soon as practicable after the Record Date and in any event at least three Business Days before the Implementation Date, Gerard Lighting must, or must procure, details of the names, Registered Addresses and holdings of Scheme Shares of each Scheme Shareholder as at the Record Date are given to Lighting Investments (or as it directs) in such form as Lighting Investments may reasonably require. Scheme Shareholders agree that this information may be disclosed to Lighting Investments, Lighting Investments' advisers or its other service providers to the extent necessary to effect the Scheme.

### **5.5 No disposals after Record Date**

If the Scheme becomes Effective, each Scheme Shareholder, and any person claiming through that Scheme Shareholder, must not in any way, deal with or dispose of or purport or agree to deal with or dispose of, any Scheme Shares or any interest in them except as set out in this Scheme, after the Record Date and any attempt to do so will be void and will have no legal effect whatsoever.

### **5.6 Quotation of Gerard Lighting Shares**

- (a) Gerard Lighting must apply for suspension of trading in Gerard Lighting Shares on the ASX with effect from the close of trading on ASX on the Effective Date.
- (b) At a date after the Implementation Date to be determined by Lighting Investments, Gerard Lighting will apply to ASX:
  - (i) for termination of the official quotation of Gerard Lighting Shares on ASX; and
  - (ii) to have itself removed from the official list of ASX.

---

## **6 General provisions**

### **6.1 Binding effect of Scheme**

Each Scheme Shareholder acknowledges that this Scheme binds Gerard Lighting and all of the Scheme Shareholders (including those who do not attend the members' meeting of Gerard Lighting to approve the Scheme or do not vote at that meeting or who vote against the Scheme at that meeting) and, to the extent of any inconsistency and as permitted by law, overrides the constitution of Gerard Lighting.

### **6.2 Agreement by Scheme Shareholders**

Each Scheme Shareholder irrevocably agrees to:

- (a) transfer its Scheme Shares, together with all rights and entitlements attaching to those Scheme Shares to Lighting Investments in accordance with this Scheme; and
- (b) any variation, cancellation or modification (if any) of the rights attached to its Scheme Shares constituted by or resulting from this Scheme.

## Appendix 3 Scheme of Arrangement continued

### 6.3 Warranties by Scheme Shareholders

Each Scheme Shareholder is deemed to have warranted to Lighting Investments, and to have appointed and authorised Gerard Lighting as its attorney and agent to warrant to Lighting Investments, that all their Scheme Shares (including any rights and entitlements attaching to those Scheme Shares) will, at the date of transfer of them to Lighting Investments pursuant to the Scheme, be fully paid and free from all mortgages, charges, liens, encumbrances, security interests and other interests of third parties of any kind whether legal or otherwise, including any restrictions on transfer of any kind, and that they have full power and capacity to sell and to transfer their Scheme Shares (including any rights and entitlements attaching to those Scheme Shares) to Lighting Investments under the Scheme. Gerard Lighting undertakes in favour of each Scheme Shareholder that it will provide such warranty to Lighting Investments as agent and attorney on behalf of each Scheme Shareholder.

### 6.4 Pending registration of transfers

From the Effective Date, until the registration of Lighting Investments in the Gerard Lighting Register as the holder of the Scheme Shares:

- (a) Lighting Investments will be beneficially entitled to the Scheme Shares transferred to it under this Scheme;
- (b) each Scheme Shareholder is deemed to have irrevocably appointed Lighting Investments as attorney and agent (and directed Lighting Investments in each capacity) to appoint any officer or agent nominated by Lighting Investments as its sole proxy and, where appropriate, its corporate representative, to attend Gerard Lighting shareholders' meetings, exercise the votes attached to the Scheme Shares registered in their name and sign any Gerard Lighting shareholders' resolution (and each Scheme Shareholder acknowledges and agrees that as a result of such appointment they must not themselves attend or vote at any meetings or sign any resolutions, whether in person or by proxy or corporate representative);
- (c) each Scheme Shareholder must take all other action in the capacity of a registered holder of Scheme Shares as Lighting Investments reasonably directs; and
- (d) each Scheme Shareholder acknowledges and agrees that in exercising the powers referred to in this clause 6.4, Lighting Investments and any officer or agent nominated by Lighting Investments under clause 6.4 may act in the best interests of Lighting Investments as the intended registered holder of Scheme Shares.

### 6.5 Stamp Duty

Lighting Investments must pay all stamp duty (if any) and any related fines and penalties payable in connection with the transfer of the Scheme Shares under this Scheme.

### 6.6 Authority to Gerard Lighting

- (a) Each Scheme Shareholder consents to Gerard Lighting doing all acts and things as may be necessary or desirable to give full effect to the Scheme and the transactions contemplated by it.
- (b) Each Scheme Shareholder, without the need for any further act, irrevocably appoints Gerard Lighting and each of its directors and officers (jointly and severally) as its agent and attorney for the purpose of:
  - (i) executing any document or doing any other act necessary, expedient or desirable to give effect to the terms of this Scheme and the transactions contemplated by it including (without limitation) the execution and provision of the Scheme Transfer; and

- (ii) enforcing the Deed Poll against Lighting Investments.

Gerard Lighting undertakes in favour of each Scheme Shareholder that it will enforce the Deed Poll against Lighting Investments on behalf of and as agent and attorney for each Scheme Shareholder.

#### **6.7 Further Assurance**

- (a) Each Scheme Shareholder and Gerard Lighting will execute all documents and do all acts and things as may be necessary or desirable to give full effect to the Scheme and the transactions contemplated by it.
- (b) Without limiting Gerard Lighting's other powers under the Scheme, Gerard Lighting has power to do all things that it considers necessary or desirable to give effect to this Scheme and the transactions contemplated by it.

#### **6.8 Amendments to the Scheme**

If the Court proposes to approve the Scheme subject to any alterations or conditions, Gerard Lighting may consent on behalf of all persons concerned, by its counsel or solicitors, to those alterations or conditions to which Lighting Investments has provided its prior written consent.

#### **6.9 Notices**

If a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to Gerard Lighting, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at the registered office of Gerard Lighting.

#### **6.10 Governing Law**

- (a) This Scheme is governed by the laws of South Australia.
- (b) Each party irrevocably and unconditionally submits, in connection with this Scheme, to the non-exclusive jurisdiction of the of courts of South Australia and any courts which have jurisdiction to hear appeals from the Court and waives any right to object to any proceedings being brought in these courts.

Deed Poll

---

# Appendix

# 4

**DEED POLL**

**LIGHTING INVESTMENTS AUSTRALIA PTY LIMITED  
SCHEME SHAREHOLDERS**

**JOHNSON WINTER & SLATTERY**  
LAWYERS

211 Victoria Square, Adelaide SA 5000  
GPO Box 2649, Adelaide SA 5001  
T +61 8 8239 7111 | F +61 8 8239 7100  
[www.jws.com.au](http://www.jws.com.au)

SYDNEY | PERTH | MELBOURNE | BRISBANE | ADELAIDE

Liability limited by a scheme approved under Professional Standards Legislation (Australia-wide except in Tasmania)

## Appendix 4 Deed Poll continued

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## DEED POLL

**DATE**                    24 August 2012

**BY**                        **LIGHTING INVESTMENTS AUSTRALIA PTY LIMITED** ACN 159 522 611  
(formerly Lighting Group Australia Pty Ltd) of Level 4 Customs House, 31 Alfred Street, Sydney, New South Wales 2000 (**Lighting Investments**); and

**IN FAVOUR OF:**        Each Scheme Shareholder.

### RECITALS

- A**        Gerard Lighting Group Limited (ABN 16 141 079 594) (**Gerard Lighting**) and **Lighting Investments** have entered into the Scheme Implementation Agreement with respect to the Scheme and associated matters.
- B**        Gerard Lighting has agreed in the Scheme Implementation Agreement to propose the Scheme, pursuant to which (amongst other things), subject to the satisfaction or waiver of certain conditions precedent, **Lighting Investments** will acquire all of the Scheme Shares from Scheme Shareholders for the Scheme Consideration.
- C**        In accordance with the Scheme Implementation Agreement, **Lighting Investments** enters into this Deed Poll for the purpose of covenanting in favour of the Scheme Shareholders to perform the obligations attributed to it under the Scheme.

### OPERATIVE PART

#### 1 Definitions and Interpretation

##### 1.1 Definitions

In this Deed Poll:

- (a)        **Scheme** means the proposed scheme of arrangement pursuant to Part 5.1 of the Corporations Act between **Gerard Lighting** and Scheme Shareholders as contemplated by the Scheme Implementation Agreement;
- (b)        **Scheme Implementation Agreement** means the scheme implementation agreement entered into between **Gerard Lighting** and **Lighting Investments** on 18 July 2012, as amended, substituted or replaced from time to time; and
- (c)        terms defined in the Scheme have the same meaning when used in this Deed Poll unless the context requires otherwise.

##### 1.2 Interpretation

In this Deed Poll, unless a contrary intention appears:

- (a)        words or expressions importing the singular include the plural and vice versa;
- (b)        words or expressions importing a gender include any gender;
- (c)        words or expressions denoting individuals include corporations, firms, unincorporated bodies, government authorities and instrumentalities;
- (d)        a reference to a party to a document includes that party's successors and permitted assigns;

## Appendix 4 Deed Poll continued

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- (e) where a word or expression is defined or given meaning, another grammatical form of that word or expression has a corresponding meaning;
- (f) any heading, index, table of contents or marginal note is for convenience only and does not affect the interpretation of this Deed Poll;
- (g) a provision of this Deed Poll shall not be construed to the disadvantage of a party merely because that party was responsible for the preparation of this Deed Poll or that provision;
- (h) a reference to this Deed Poll includes this Deed Poll as amended, varied, novated, supplemented or replaced from time to time;
- (i) a reference to a clause is a reference to a clause of this Deed Poll;
- (j) the recitals form part of this Deed Poll and have effect as if set out in full in the body of this Deed Poll;
- (k) a reference to legislation or a provision of legislation includes:
  - (i) all regulations, orders or instruments issued under the legislation or provision; and
  - (ii) any modification, consolidation, amendment, re-enactment, replacement or codification of such legislation or provision;
- (l) references to "include", "including" or any variation thereof are to be construed without limitation; and
- (m) a reference to any time is a reference to that time in Adelaide, Australia.

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### **2 Nature of Deed Poll**

Lighting Investments acknowledges and agrees that:

- (a) this Deed Poll may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Scheme Shareholders are not party to it; and
- (b) under the Scheme, each Scheme Shareholder irrevocably appoints Gerard Lighting and each of its directors and officers (jointly and severally) as its agent and attorney to enforce this Deed Poll against Lighting Investments on behalf of that Scheme Shareholder.

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### **3 Conditions**

#### **3.1 Conditions**

The obligations of Lighting Investments under clause 4 are subject to the Scheme becoming Effective.

#### **3.2 Termination**

Unless Gerard Lighting and Lighting Investments agree otherwise, the obligations of Lighting Investments under this Deed Poll will automatically terminate and the terms of this Deed Poll will be of no further force or effect if:

- (a) the Scheme Implementation Agreement is terminated in accordance with its terms before the Effective Date; or
- (b) the Scheme does not become Effective by the End Date.

### **3.3 Consequences of termination**

If this Deed Poll is terminated under clause 3.2, then in addition and without prejudice to any other available rights, powers or remedies:

- (a) Lighting Investments is released from its obligations under this Deed Poll except those obligations contained in clause 8.1; and
- (b) each Scheme Shareholder retains the rights they have against Lighting Investments in respect of any breach of this Deed Poll by Lighting Investments which occurs before this Deed Poll is terminated.

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## **4 Payment of Scheme Consideration and performance of Scheme steps**

- (a) Subject to clause 3, in consideration for the transfer to Lighting Investments of the Scheme Shares in accordance with the Scheme, Lighting Investments covenants in favour of each Scheme Shareholder that it will observe and perform all obligations contemplated of it under the Scheme including the relevant obligations relating to the provision of the Scheme Consideration to each Scheme Shareholder, in accordance with the terms of the Scheme.
- (b) The obligation of Lighting Investments in relation to the payment of the Scheme Consideration to Scheme Shareholders must be satisfied by Lighting Investments, before 10.00am on the Implementation Date, depositing in cleared funds into an account established by, or on behalf of, Gerard Lighting and in the name of Gerard Lighting (the details of which must be notified by Gerard Lighting to Lighting Investments at least five Business Days before the Implementation Date), an amount equal to the aggregate Scheme Consideration payable to all Scheme Shareholders, such amount to be held on trust by Gerard Lighting for the Scheme Shareholders pending implementation of the Scheme (except that any interest on the amount will be for the benefit of Lighting Investments), for the purpose of Gerard Lighting paying the Scheme Consideration to the Scheme Shareholders in accordance with the terms of the Scheme.

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## **5 Representations and Warranties**

Lighting Investments represents and warrants in favour of each Scheme Shareholder that:

- (a) it is a corporation validly existing under the laws of Australia;
- (b) it has the corporate power to enter into and perform its obligations under this Deed Poll and to carry out the transactions contemplated by this Deed Poll;
- (c) it has taken all necessary corporate action to authorise the entry into this Deed Poll and has taken or will take all necessary corporate action to authorise the performance of this Deed Poll and to carry out the transactions contemplated by this Deed Poll; and
- (d) this Deed Poll is valid and binding upon it and enforceable against it in accordance with its terms.

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## **6 Continuing obligations**

This Deed Poll is irrevocable and, subject to clause 3, remains in full force and effect until the earlier of:

- (a) Lighting Investments having fully performed its obligations under this Deed Poll; or
- (b) the termination of this Deed Poll under clause 3.2.

## Appendix 4 Deed Poll continued

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### 7 Further assurances

Lighting Investments will do all things and execute all deeds, instruments, transfers or other documents and do all acts or things as may be necessary or desirable to give full effect to the provisions of this Deed Poll and the transactions contemplated by it.

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### 8 General

#### 8.1 Stamp duty

Lighting Investments must:

- (a) pay all stamp duties (if any) and any fines and penalties with respect to stamp duty in respect of this Deed Poll or the steps to be taken under this the Deed Poll; and
- (b) indemnify each Scheme Shareholder against any liability arising from any failure to comply with clause 8.1(a).

#### 8.2 Notices

- (a) Any notice or other communication to Lighting Investments in connection with this Deed Poll must be in legible writing in English, signed by the person making the communication or its agent and must be given to Lighting Investments either by hand delivery, pre-paid post or facsimile, in each case addressed in the manner relevantly described below:

Address: Level 4 Customs House, 31 Alfred Street, Sydney NSW 2000

Facsimile: +61 2 8248 8877

Attention: Mr John Haddock

- (b) Any notice or other communication given in accordance with clause 8.2(a) shall, in the absence of proof of earlier receipt, be deemed to have been duly given as follows:
  - (i) if delivered by hand, on delivery;
  - (ii) if sent by pre-paid mail, on the third Business Day after posting; and
  - (iii) if sent by facsimile, at the local time (in the place of receipt of the fax) which then equates to the time at which that fax is sent as shown on the transmission report which is produced by the machine from which that fax is sent and which confirms transmission of that fax in its entirety.
- (c) Any notice given before 9:00am or after 5:00pm on a Business Day in the place to which it is addressed shall be deemed not to have been given until 9:00am on the next Business Day in the place to which it is addressed.

#### 8.3 Cumulative rights

The rights, powers and remedies of Lighting Investments and the Scheme Shareholders under this Deed Poll are in addition to and do not exclude the rights, powers or remedies provided by law or equity or by any agreement.

#### 8.4 Waiver and variation

- (a) A party waives a right under this Deed Poll only by written notice that it waives that right. A waiver is limited to the specific instance to which it relates and to the specific purpose for which it is given.

- (b) Failure to exercise or enforce or a delay in exercising or enforcing or the partial exercise or enforcement of any right, power or remedy provided by law or under this Deed Poll by any party will not in any way preclude, or operate as a waiver of, any exercise or enforcement, or further exercise or enforcement of that or any other right, power or remedy provided by law or under this Deed Poll.
- (c) A provision of this Deed Poll may not be varied unless:
  - (i) before the Second Court Date, the variation is agreed to by Gerard Lighting in writing; or
  - (ii) on or after the Second Court Date, the variation is agreed to by Gerard Lighting in writing and the Court indicates that the variation would not of itself preclude approval of the Scheme; and
  - (iii) Lighting Investments enters into a further deed poll in favour of the Scheme Shareholders giving effect to such amendment.

#### **8.5 Governing law and jurisdiction**

- (a) The laws of South Australia govern this Deed Poll.
- (b) Each party submits to the jurisdiction of the courts exercising jurisdiction in South Australia, and any court that may hear appeals from any of those courts, for any proceedings in connection with this Deed Poll.
- (c) Each party irrevocably waives any right it may have to claim that the courts referred to in paragraph (b) are an inconvenient forum.

#### **8.6 Assignment**

The rights of a Scheme Shareholder under this Deed Poll are personal. They cannot be assigned, charged or otherwise dealt with, and no person shall attempt or purport to do so, without the prior written consent of Lighting Investments.

## Appendix 4 Deed Poll continued

**EXECUTED** as a deed poll

**EXECUTED** by **LIGHTING  
INVESTMENTS AUSTRALIA PTY  
LIMITED** in accordance with section  
127(1) of the *Corporations Act 2001* by:

  
.....  
Director

John Haddock  
.....  
Name  
(BLOCK LETTERS)

  
.....  
Director/Secretary

Joe Thickins  
.....  
Name  
(BLOCK LETTERS)

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Notice of Scheme Meeting

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# Appendix

# 5

## Appendix 5 Notice of Scheme Meeting

### NOTICE OF COURT ORDERED MEETING OF HOLDERS OF ORDINARY SHARES IN GERARD LIGHTING GROUP LIMITED ACN 141 079 594

**NOTICE IS HEREBY GIVEN** that, by an order of the Federal Court of Australia (**Court**) made on 29 August 2012 pursuant to section 411(1) of the Corporations Act, a meeting of the holders of fully paid ordinary shares (**Gerard Lighting Shareholders**) in Gerard Lighting Group Limited ACN 141 079 594 (**Gerard Lighting**) will be held at the Sebel Playford, 120 North Terrace, Adelaide, South Australia on Friday, 5 October 2012 commencing at 11.00am (Adelaide time).

The Court has also directed that Richard Allert AO act as Chairman of the meeting, or failing him, Graham Walters AM, and has directed the Chairman to report the result of the meeting to the Court.

#### Purpose of this meeting

The purpose of this meeting is to consider and, if thought fit, to agree to a scheme of arrangement (with or without modification) proposed to be made between Gerard Lighting and the Gerard Lighting Shareholders (**Scheme**).

A copy of the Scheme and a copy of the explanatory statement required by section 412 of the Corporations Act in relation to the Scheme are contained in the Scheme Booklet accompanying this notice of meeting.

#### Resolution

To consider and, if thought fit, to pass the following resolution in accordance with section 411(4)(a)(ii) of the Corporations Act:

*"That pursuant to and in accordance with section 411 of the Corporations Act, the scheme of arrangement proposed to be entered into between Gerard Lighting and the Gerard Lighting Shareholders, as more particularly set out in the Scheme Booklet accompanying this notice of meeting, is agreed to (with or without modification as approved by the Court)."*

By order of the Court



Gerard Lighting Group Limited  
Gary Savage FCA  
Company Secretary

29 August 2012

### EXPLANATORY NOTES

**1. General:** Capitalised terms used in this notice of meeting (and not otherwise defined in it) have the meanings set out in the Glossary contained in the Scheme Booklet accompanying this notice of meeting.

This notice of meeting should be read in conjunction with the entire Scheme Booklet accompanying this notice of meeting. The Scheme Booklet contains important information to assist Gerard Lighting Shareholders in determining how to vote on the proposed resolution.

**2. Required majorities:** In accordance with section 411(4)(a)(ii) of the Corporations Act, the resolution to approve the Scheme must be approved by:

- (a) unless the Court orders otherwise, a majority (i.e. more than 50%) in number of Gerard Lighting Shareholders voting on the resolution (whether in person or by proxy, attorney or corporate representative); and
- (b) at least 75% of the total number of votes cast by Gerard Lighting Shareholders on the resolution (whether in person or by proxy, attorney or corporate representative).

**3. Court approval:** The Scheme is conditional (among other things) on approval by order of the Court. If the resolution set out in this notice of meeting is passed (with or without modification) in accordance with the requisite majorities set out above and the conditions precedent to the Scheme referred to in Section 4.3 of the Scheme Booklet are satisfied or, where applicable, waived, Gerard Lighting intends to apply to the Court for the necessary orders to give effect to the Scheme. The Court has a discretion to approve the Scheme where it is approved by at least 75% of all votes cast on the Scheme Resolution but not by a majority in number of Gerard Lighting Shareholders voting on the Scheme Resolution: refer to section 411(4)(a)(ii)(A) of the Corporations Act.

**4. Voting entitlement:** Each person who is recorded in the Gerard Lighting Register as the holder of Gerard Lighting Shares as at 6.30pm (Adelaide time) on Wednesday, 3 October 2012 is entitled to attend and vote at the Scheme Meeting.



**5. How to vote:** Voting at the Scheme Meeting will occur by poll. Gerard Lighting Shareholders entitled to vote at the Scheme Meeting may vote in one of the following ways:

- by attending the Scheme Meeting and voting in person;
- by appointing a proxy to attend the Scheme Meeting and vote on their behalf, by sending the Proxy Form to Computershare;
- by appointing an attorney to attend the Scheme Meeting and vote on their behalf; or
- in the case of bodies corporate, by appointing an authorised corporate representative pursuant to section 250D of the Corporations Act to attend the Scheme Meeting and vote on their behalf.

Further information about each of the above ways to vote is set out below.

**6. Attending the Scheme Meeting:** Gerard Lighting Shareholders or their representatives who plan to attend the Scheme Meeting are asked to arrive at the venue at least 30 minutes prior to the time the Scheme Meeting is to commence, so that their shareholding may be checked against the Gerard Lighting Register, their power of attorney or appointment as proxy or corporate representative can be verified (as the case may be) and their attendance noted.

**7. Jointly held shares:** If Gerard Lighting Shares are jointly held, only one of the joint shareholders is entitled to vote. If more than one shareholder votes in respect of jointly held Gerard Lighting Shares, only the vote of the shareholder whose name appears first on the Gerard Lighting Register will be counted.

**8. Voting in person:** To vote in person at the Scheme Meeting, Gerard Lighting Shareholders must attend the Scheme Meeting to be held at the Sebel Playford, 120 North Terrace, Adelaide, South Australia on Friday, 5 October 2012. The meeting will commence at 11.00am (Adelaide time).

**9. Voting by proxy:** If you cannot attend the Scheme Meeting, you may appoint a proxy to attend the Scheme Meeting and vote on your behalf. You can vote by proxy by completing and sending in the Proxy Form accompanying the Scheme Booklet in accordance with the instructions set out on the Proxy Form so that it is received by Computershare by no later than 11.00am (Adelaide time) on Wednesday, 3 October 2012. A proxy need not be a Gerard Lighting Shareholder.

A Gerard Lighting Shareholder who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes which each proxy is appointed to exercise. If proportions or numbers are not specified, each proxy may exercise half the Gerard Lighting Shareholder's votes. Fractions of votes will be disregarded. Appointing a proxy will not preclude a Gerard Lighting Shareholder from attending the Scheme Meeting in person and voting at the meeting instead of their proxy.

The Proxy Form (together with any power of attorney or other authority under which the Proxy Form is signed or a certified copy of that power of attorney or authority) must be:

- posted to Computershare in the reply paid envelope provided or, if you are outside of Australia or do not otherwise use the reply paid envelope, to Computershare Investor Services Pty Ltd at GPO Box 242, Melbourne, VIC 3001;
- successfully transmitted by facsimile to Computershare on 1800 783 447 (from within Australia) or +61 3 9473 2555 (from outside Australia); or
- posted, delivered or successfully transmitted by facsimile to the registered office of Gerard Lighting,

so that it is received by no later than 11.00am (Adelaide time) on Wednesday, 3 October 2012.

Your proxy should retain a copy of the Proxy Form (together with any power of attorney or other authority under which the Proxy Form is signed or a certified copy of that power of attorney or authority) to assist with admission to the Scheme Meeting.

Alternatively, you may submit your proxy vote online at [www.investorvote.com.au](http://www.investorvote.com.au) by no later than 11.00am (Adelaide time) on Wednesday, 3 October 2012. To use this facility you will need your Shareholder Reference Number (SRN) or Holder Identification Number (HIN), postcode and control number as shown on the Proxy Form. For Intermediary Online subscribers (custodians) please visit [www.intermediaryonline.com](http://www.intermediaryonline.com) to submit your proxy vote online. If you submit your proxy vote online, you do not need to complete and return the enclosed Proxy Form.

## Appendix 5 Notice of Scheme Meeting continued

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**10. Voting by attorney:** If you cannot attend the Scheme Meeting, you may have a duly authorised attorney attend and vote on your behalf. An attorney need not be a Gerard Lighting Shareholder.

A Gerard Lighting Shareholder who is entitled to cast two or more votes may appoint two attorneys and may specify the proportion or number of votes which each attorney is appointed to exercise. If proportions or numbers are not specified, each attorney may exercise half the Gerard Lighting Shareholder's votes. Fractions of votes will be disregarded. Appointing an attorney will not preclude a Gerard Lighting Shareholder from attending the Scheme Meeting in person and voting at the meeting instead of their attorney.

The power of attorney, or a certified copy of the power of attorney, should be lodged with Computershare before the Scheme Meeting or brought to the Scheme Meeting.

**11. Corporate representative:** Gerard Lighting Shareholders which are bodies corporate can also vote at the Scheme Meeting by having your corporate representative attend the Scheme Meeting in person and vote on your behalf. A corporate representative need not be a Gerard Lighting Shareholder. If a representative of a Gerard Lighting Shareholder or corporate proxy is to attend the Scheme Meeting pursuant to section 250D of the Corporations Act, a certificate of appointment of the representative (or such other document as the Chairman of the Scheme Meeting considers sufficient together with any power of attorney or other authority under which the certificate or other document is signed or a certified copy of that power of attorney or authority) should be lodged with Computershare prior to the Scheme Meeting or be brought to the meeting.

A form of certificate can be obtained from Computershare.

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# Corporate Directory

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**Company**

Gerard Lighting Group Limited  
ACN 141 079 594

**Registered Office**

101 Port Wakefield Road  
CAVAN SA 5094

**Company Secretary**

Gary Savage (Joint)  
Mark Pearson (Joint)

**Share Registry**

Computershare Investor Services Pty Ltd  
Level 5, 115 Grenfell Street  
ADELAIDE SA 5000  
PO Box 1903  
ADELAIDE SA 5001

**Legal Adviser**

Johnson Winter & Slattery  
Level 10, 211 Victoria Square  
ADELAIDE SA 5000

**Independent Expert**

Lonergan Edwards & Associates Limited  
Level 27, 363 George Street  
SYDNEY NSW 2000

