



## **GERARD LIGHTING GROUP LIMITED**

**ABN 16 141 079 594**

### **NOTICE OF ANNUAL GENERAL MEETING AND PROXY FORM**

**Notice is hereby given that the second Annual General Meeting of Shareholders of Gerard Lighting Group Limited (“Company”) will be held in the Crystal Room, Stamford Plaza, 150 North Terrace, Adelaide, South Australia on Wednesday 26 October 2011 commencing at 10.00am (Adelaide time).**

<b>IMPORTANT NOTICE</b>
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This Notice of Annual General Meeting and the Explanatory Notes which accompany and form part of it are important and should be read in their entirety. If you are in doubt as to how you should vote, you should consult your stockbroker, accountant, solicitor or other professional adviser prior to voting.

## BUSINESS

1. **To receive and consider the Financial Report and the Reports of the Directors and the auditor, respectively, for the year ended 30 June 2011.**

2. **To receive and adopt the Remuneration Report for the year ended 30 June 2011.**

*To consider and, if thought fit, pass the following resolution as an ordinary resolution:*

*“That the Remuneration Report for the year ended 30 June 2011 be adopted.”*

**Voting Exclusion Statement (Corporations Act):** The Company will not accept any votes cast on this resolution by or on behalf of a person who is disclosed in the Remuneration Report as one of the key management personnel of the Company (including the directors), or a closely related party of that person (as these persons are not entitled to vote on the resolution in their own capacity). However, such a person may cast a vote on this resolution if they do so as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form.

**Note:** The vote on this item is advisory only and does not bind the Company or its Directors.

3. **Election and Re-election of Directors**

*To consider, and if thought fit, to pass the following resolution as an ordinary resolution:*

*“That Robert Gerard, being a director of the Company who retires pursuant to Rule 9.2 (c) of the Constitution of the Company, and being eligible, is re-elected as a director of the Company.”*

4. **Increase in Maximum Aggregate Remuneration payable to Non-executive Directors**

*To consider, and if thought fit, pass the following resolution as an ordinary resolution:*

*“That, for the purpose of clause 9.6 of the Constitution of the Company and ASX Listing Rule 10.17 and for all other purposes, the maximum aggregate remuneration payable to non-executive directors of the Company is increased by \$100,000 from \$700,000 to \$800,000 per annum.”*

**Voting Exclusion Statement (ASX Listing Rules and Corporations Act):** Refer below.

5. **Approval of the grant of Options to Simon Gerard**

*To consider and, if thought fit, to pass the following resolution as an ordinary resolution:*

*“That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval be given to Simon Gerard to acquire up to a maximum of 1,000,000 options to acquire fully paid ordinary shares in the Company under the Company’s Long Term Incentive Plan upon the terms summarised in the Explanatory Notes accompanying this Notice of Meeting.”*

**Voting Exclusion Statement (ASX Listing Rules and Corporations Act):** Refer below.

**6. Approval of the grant of Options to Gary Savage**

*To consider and, if thought fit, to pass the following resolution as an ordinary resolution:*

*"That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval be given to Gary Savage to acquire up to a maximum of 500,000 options to acquire fully paid ordinary shares in the Company under the Company's Long Term Incentive Plan upon the terms summarised in the Explanatory Notes accompanying this Notice of Meeting."*

**Voting Exclusion Statement (ASX Listing Rules and Corporations Act):** Refer below.

**7. Approval of the grant of Options to Graham Ellis**

*To consider and, if thought fit, to pass the following resolution as an ordinary resolution:*

*"That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval be given to Graham Ellis to acquire up to a maximum of 500,000 options to acquire fully paid ordinary shares in the Company under the Company's Long Term Incentive Plan upon the terms summarised in the Explanatory Notes accompanying this Notice of Meeting."*

**Voting Exclusion Statement (ASX Listing Rules and Corporations Act):** Refer below.

**Voting Exclusion Statement (ASX Listing Rules and Corporations Act) applicable to resolutions 4, 5, 6 and 7:**

The Company will disregard any votes cast on these resolutions by or on behalf of a Director of the Company or any of their associates (as these persons are not permitted to vote on the resolution in their own capacity) unless the vote is cast by:

- a person as proxy for a person who is permitted to vote, in accordance with a direction on the Proxy Form; or
- the person chairing the meeting as proxy for a person who is permitted to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

In addition, the Company's key management personnel (who are disclosed in the Remuneration Report) and their closely related parties are not permitted to cast a vote as a proxy for a person, if that person has not included a direction on how to vote on these resolutions in the Proxy Form.

**8. Other Ordinary Business**

*To transact any other ordinary business that may be legally brought forward.*

*By Order of the Board*



**Mark Pearson**  
Company Secretary

## EXPLANATORY NOTES

The following notes have been prepared to assist shareholders to better understand the business to be considered by shareholders at the 2011 Annual General Meeting.

### Item 1: To Receive and Consider the Financial Report and Reports of the Directors and Auditor

In accordance with the requirements of the Corporations Act 2001 (Cth) (**Corporations Act**) and the Constitution of the Company, the Financial Report and the reports of the Directors and the Auditor for the year ended 30 June 2011 will be laid before the meeting.

Shareholders will be given a reasonable opportunity at the meeting to ask questions, or make comments on the Company's results. Shareholders will also be given a reasonable opportunity to ask the Auditor or its representative's questions relevant to the conduct of the audit and the preparation and content of the Auditor's Report.

A copy of the 2011 Annual Report (which includes the reports of the Directors and the Auditor) will be mailed to all shareholders who have elected to receive a printed copy of the Report. The 2011 Annual Report is available on the Company's website [www.gerardlighting.com.au](http://www.gerardlighting.com.au)

### Item 2: To Adopt the Remuneration Report

Under the provisions of the Corporations Act the Company is required to propose a resolution to shareholders that the Remuneration Report be adopted. The Remuneration Report which forms part of the Directors Report can be found on pages 32 to 37 of the Company's 2011 Annual Report. The Remuneration Report includes:

- i. an explanation of the Company's policy for determining the nature and amount of remuneration of Directors and senior executives;
- ii. a discussion of the relationship between the remuneration policy and the Company's performance; and
- iii. a detailed summary of remuneration components for Directors and senior executives including relevant performance conditions.

The vote on this resolution is advisory only and does not bind the Company or the Directors of the Company. However, the Board will take the outcome of the vote and the views of shareholders into consideration when reviewing remuneration policies and practices.

The Directors unanimously recommend that shareholders vote in favour of this resolution.

### Item 3: Election and Re-election of Directors

In accordance with Rule 9.2(c) of the Constitution of the Company, Mr Robert Gerard, the current Non-executive Chairman of Gerard Lighting Group Limited, will retire by rotation at the Annual General Meeting and offers himself for re-election.

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

Your Directors have reviewed the necessary and desirable competencies of Board members, the composition of the Board and each member's contribution to the Board. As a result the Directors, other than the Director standing for re-election, unanimously recommend the re-election of Mr Robert Gerard.

### Item 4: Increase in Maximum Aggregate Remuneration payable to Non Executive Directors:

The current maximum aggregate amount payable to non-executive Directors of the Company is \$700,000 as set out in the Company's IPO Prospectus dated 19 March 2010. Approval is sought under Clause 9.6 of the Company's Constitution and ASX Listing Rule 10.17, to increase the maximum aggregate remuneration to \$800,000.

Executive Directors receive salary and other remuneration in accordance with the terms of their terms of engagement with the Company, but do not receive directors' fees. The remuneration paid by the Company to its executive Directors is not included in the maximum aggregate amount of directors' fees for the purposes of this resolution.

Details of the amounts paid to each non-executive Director for the year ended 30 June 2011 are set out in the Directors' Remuneration Report on page 34 of the Annual Report.

The Company has undertaken a review of the fees paid to non-executive Directors and the Board considers it necessary to increase the aggregate amount payable in order to:

- i. attract and retain the calibre of Director able to appropriately contribute to a high-performing Board; and
- ii. have flexibility within the shareholder approved amount to increase Directors' fees in line with fees for similar companies and market conditions.

The Board is seeking shareholder approval to increase the maximum aggregate fees by \$100,000 (from \$700,000 to \$800,000) in order to provide the flexibility to make any increases in Directors' fees it considers appropriate.

Given the interests of the non-executive Directors in this item, the Board as a whole makes no recommendation.

### **Items 5, 6 and 7: Approval of the grant of Options to Simon Gerard, Gary Savage and Graham Ellis – 2011 Grant**

The Board is proposing to grant options (**2011 Grant**) to the following executives: Simon Gerard, Gary Savage and Graham Ellis, each of whom is a Director of the Company, under the Company's Long Term Incentive Plan (**LTIP**). The primary objectives of the 2011 Grant include to:

- support the strategic objectives of the Company;
- align the interests of the executives with the interests of the shareholders;
- encourage the executives to focus on long term Company growth; and
- motivate the executives to outperform.

Details of the 2011 Grant and a summary of the main terms of the LTIP are set out below.

#### Why is shareholder approval required?

Under ASX Listing Rule 10.14, shareholder approval is required in order for a director of a company to acquire securities (which include options over unissued shares) issued by the company under an employee incentive scheme. For the purposes of ASX Listing Rule 10.14, shareholders are being asked to approve the 2011 Grant.

ASX Listing Rule 10.11 provides that a listed company must not issue or agree to issue any equity securities (which include options over unissued shares) to a related party without the approval of shareholders. However, if shareholder approval is given under ASX Listing Rule 10.14 then shareholder approval is not required under ASX Listing Rule 10.11 (see ASX Listing Rule 10.12, Exception 4). Accordingly, shareholder approval is not being sought under ASX Listing Rule 10.11.

#### Details of 2011 Grant and LTIP

Details of the 2011 Grant and a summary of the main terms of the LTIP are set out below.

<b>Number of options</b>	<p>The following executives will be invited to apply for a grant of options under the LTIP as follows:</p> <ul style="list-style-type: none"> <li>▪ Simon Gerard - up to 1,000,000 options</li> <li>▪ Gary Savage - up to 500,000 options</li> <li>▪ Graham Ellis - up to 500,000 options</li> </ul> <p>Each option is a right to acquire one fully paid ordinary share in the Company, subject to the payment of the exercise price.</p> <p>Options do not carry a right to vote nor to dividends nor, in general, a right to participate in other corporate actions such as bonus issues. However, in certain circumstances (for example, if bonus shares are issued or there is a capital reorganisation), the Board may adjust the number of options to which a holder is entitled so that there is no dilution of their share in Company equity over which their options subsist, in the manner set out in the LTIP Rules.</p>
<b>Date of grant of options</b>	<p>If shareholder approval is obtained, the options will be granted to the executives following the meeting but, in any event, within 12 months after the date of the meeting.</p>

<b>Vesting period</b>	The options issued will vest over a 4 year period commencing the date the options are granted.
<b>Exercise period</b>	Options must be exercised within a period of 6 months from the date on which the Option vests, or such other period determined by the Board. Those Options which are not exercised within that period automatically lapse. Shares will be allocated upon exercise of the options and the payment of the exercise price.
<b>Issue Price</b>	No amount is payable upon the grant of the options.
<b>Exercise price</b>	The exercise price payable on the exercise of each option will be \$1.00. In the event of a bonus or rights issue, or a reorganisation of the Company's capital, the exercise price may be adjusted in accordance with the LTIP Rules.
<b>Performance Conditions</b>	Satisfying hurdle rates for compound growth in Earnings Per Share (EPS) and continuing employment over the vesting period are the performance conditions attaching to the options. The EPS performance condition is as follows: <ul style="list-style-type: none"> <li>▪ Less than 7% compound growth in EPS over the vesting period – none of the options issued will vest or become available to be exercised.</li> <li>▪ Between 7% and 10% compound growth in EPS over the vesting period – a pro rata amount of the options issued will vest and are available to be exercised.</li> <li>▪ Greater than 10% compound growth in EPS over the vesting period – 100% of the options issued will vest and are available to be exercised.</li> </ul>
<b>Restrictions on dealings</b>	Options are not transferable and may not be dealt with (except with Board approval or by force of law upon death or bankruptcy) and will lapse immediately if the director purports to deal with them in breach of the LTIP Rules. Holders are also prohibited from entering into hedging arrangements in respect of options which are not exercisable.
<b>Share trading restrictions</b>	Ordinary shares allocated on the exercise of the options will not be subject to trading restrictions on dealing, subject to compliance with the Company's Share Trading Policy.
<b>Cessation of employment</b>	If a holder ceases to be an employee of the Company, its subsidiaries and any other entity declared by the Board to be a member of the group for the purposes of the LTIP (each a <b>Group Company</b> ) before the options have vested, the options will vest at the end of the vesting period to the extent that any performance conditions have been satisfied and must be exercised within a period of 6 months of vesting. If the options are not exercised within the applicable period, the options will lapse. If a holder ceases to be an employee of a Group Company before the options have vested for any other reason, those options will lapse. However, if the holder ceases to be an employee of a Group Company in circumstances where the options have vested, the options must be exercised within a period of 6 months of cessation resulting from his or her death, disability, bona fide redundancy or other reason with the approval of the Board or 90 days after cessation for any other reason (as applicable). If the options are not exercised within the applicable period, the options will lapse.
<b>Fraud or dishonesty</b>	Where a holder acts fraudulently or dishonestly or is in breach of his or her obligations to the Company, the Board may: <ul style="list-style-type: none"> <li>▪ deem all or any unvested options of the holder to have lapsed;</li> <li>▪ deem all or any vested but unexercised options of the holder to have lapsed;</li> <li>▪ deem all or any shares held by the holder to be forfeited; and/or</li> <li>▪ where shares have been sold by the holder, require the holder to pay all or part of the net proceeds of that sale to the Company.</li> </ul>
<b>Takeover, scheme of arrangement and winding up</b>	The Board has discretion to vest some or all of the options in the event of a takeover, scheme of arrangement or winding up. If the options are vested, they must be exercised within 90 days of notice of vesting from the Board.

<b>Bonus issues, rights issues and reconstruction</b>	In the event of a bonus issue, rights issue or reconstruction, the number and exercise price of options will be adjusted in the manner determined by the Board.
<b>Amendments</b>	In general, the Board may, at any time, amend the terms and conditions of options granted or the LTIP Rules, provided the amendment does not materially reduce the rights of any option holder which existed prior to the amendment.

#### Additional Details

The following additional details are provided for the purpose of ASX Listing Rule 10.15.

- (a) The maximum numbers of options that may be acquired under the 2011 Grant are specified in the table above.
- (b) The options will be issued under the 2011 Grant for no consideration (but with an exercise price as described in the table above).
- (c) No approval has previously been sought under the LTIP, and therefore, the number of options granted under the LTIP since the date of the last approval is nil.
- (d) Simon Gerard, Gary Savage and Graham Ellis are the only directors entitled to participate in the LTIP.
- (e) A voting exclusion statement is set out at the end of resolutions 5, 6 and 7 in the Notice of Meeting.
- (f) No loan is offered by the Company, or any Group Company, to Simon Gerard, Gary Savage or Graham Ellis in relation to the 2011 Grant.
- (g) If shareholder approval is obtained, the 2011 Grant will be made shortly after the meeting, and in any case no later than 12 months from the date of the meeting.
- (h) Details of any options granted under the LTIP will be published in each annual report of the Company relating to a period in which the options have been issued/granted, and that approval for the issue/grant of options was obtained under ASX Listing Rule 10.14.

Any additional persons who become entitled to participate in the LTIP after the resolution was approved and who were not named in the notice of meeting will not participate until approval is obtained under ASX Listing Rule 10.14.

The non-executive Directors recommend that shareholders vote in favour of resolutions 5, 6 and 7.

#### **VOTING**

##### **Record Date**

The Directors have determined that the persons eligible to vote at the AGM will be those persons who are registered shareholders at close of business on Monday 24 October 2011. Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

##### **Proxies**

Each shareholder is entitled to appoint a proxy. The proxy does not need to be a member of the Company. A shareholder that is entitled to cast 2 or more votes may appoint a maximum of 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If a shareholder appoints 2 proxies, each proxy may exercise half of the shareholder's votes if no proportion or number of votes is specified.

A Proxy Form accompanies this Notice and to be effective must be completed and received at either the Company's registered office or its share registry, Computershare Investor Services Pty Ltd:

##### **Registered Office**

The Company Secretary  
Gerard Lighting Group Limited  
PO BOX 186  
Enfield Plaza SA 5085  
Facsimile: +61 8 8139 7325  
Email: mpearson@gerardlighting.com.au

##### **Share Registry**

Gerard Lighting Group Limited  
C/- Computershare Investor Services P/L  
GPO Box 242  
Adelaide SA 5001  
Facsimile: 1800 783 447 (within Australia)  
+61 3 9473 2555 (outside Australia)

**Vote online:** Shareholders can also cast their votes online at [www.investorvote.com.au](http://www.investorvote.com.au) and follow the prompts. 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. You will have taken to have signed the proxy form if you lodge it in accordance with the instructions on the website.

**Custodian voting** - For Intermediary Online subscribers only (custodians) please visit [www.intermediaryonline.com](http://www.intermediaryonline.com) to submit your voting intentions.

Proxies must be received **no later than 10 am on Monday 24 October 2011.**

### Attorneys

A shareholder may appoint an attorney to vote on his or her behalf. For an appointment to be effective for the AGM, the instrument effecting the appointment (or a certified copy of it) must be received by the Company at its registered office or one of the addresses listed above for the receipt of proxy appointments at least 48 hours before the Meeting.

### Corporate Representatives

Any corporate shareholder wishing to appoint a person to act as its representative at the AGM may do so by providing that person with:

- i. a letter or certificate, executed in accordance with the corporate shareholder's constitution, authorising that person as the corporate shareholder's representative at the AGM; or
- ii. a copy of the resolution appointing the person as the corporate shareholder's representative at the AGM, certified by a secretary or director of the corporate shareholder.

### Conduct of Annual General Meeting

1. The Chairman, Deputy Chairman and the Chief Executive Officer will generally answer questions on behalf of the Board and the management team, respectively. If questions cannot be answered at the AGM, the Company will seek to provide a response to the shareholder as soon as possible after the annual general meeting.
2. At the annual general meeting, the Company will inform shareholders of the proxy position with respect to the resolutions to be considered by the annual general meeting, and how the Chairman intends to vote undirected proxies.
3. Subject to the following, the Chairman of the Meeting intends to vote all available proxies in favour of all resolutions placed before the meeting.

By marking the relevant box on the proxy form as provided in **STEP 1** of the Proxy Form you are directing the Chairman of the Meeting to vote your undirected proxy in accordance with the Chairman's voting intentions (other than in relation to resolutions 2, 4, 5, 6 and 7, see further below). If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes and your votes will not be counted. If you appoint the Chairman of the Meeting as your proxy you can direct the Chairman how to vote by marking the appropriate boxes as indicated on the proxy form.

As a result of recent amendments to the Corporations Act, the Chairman of the meeting will not vote undirected proxies on Resolution 2 relating to the Remuneration Report, Resolution 4 relating to the increase in remuneration payable to Non- executive Directors or resolutions 5, 6 and 7 relating to the grant of options to Directors. If you appoint the Chairman as your proxy and wish to support these resolutions, please mark "X" in the box as provided in **STEP 2** on the Proxy Form.

4. We ask that shareholders:
  - i. are courteous and respectful to all attendees at the AGM, including not photographing, videotaping or recording the meeting;
  - ii. keep their questions to a reasonable length to allow as many shareholders as possible to participate; and
  - iii. confine their questions to matters being considered at the AGM and matters relevant to shareholders as a whole.

Questions relating to the shareholder's personal circumstances can be raised with the Company or Computershare representatives who will be available at the AGM.