# Annual Report 2010

GERARD LIGHTING

For the 6 month period to 30 June

Gerard Lighting Group Limited
ABN 16 141 079 594

## Our Performance
## for the 6 month period to 30 June

**$181m**

Operating Revenues in line with Prospectus forecast of $183 million.

**$5.7m**

Profit After Tax (forecast $5.5 million) despite difficult trading conditions.

**5.68c**

Basic Earnings Per Share

**$80m**

Debt Level reduced through listing proceeds and operating cash generated during the period by $80 million to $87 million.

ILP strategy confirmed with successful launch of the LED downlight in July 2010.

Overseas operations, Middle East, India and Indonesia established.

## Contents



FY2010 was a year in which the global and Australian economies continued to face unprecedented challenges and uncertainties, yet Gerard Lighting recorded a solid result for the six months to 30 June 2010 and successfully began trading as a public company.

# Chairman's Report

On behalf of the Directors of Gerard Lighting Group Limited ('Gerard Lighting'), I have great pleasure in reporting to you in our first Annual Report since the Group was listed on the ASX on 19 May 2010. The $85 million raised through the Offer has strengthened the company's balance sheet, reducing our gearing to 40% and provided us with greater flexibility to grow and manage ongoing operations.

FY2010 was a year in which the global and Australian economies continued to face unprecedented challenges and uncertainties, yet Gerard Lighting recorded a solid result for the six month period ended 30 June 2010, during which we began trading as a public company. When compared to the statutory forecast, as detailed in our Prospectus, sales revenue for the period of $181 million was substantially in line with the forecast of $183 million and EBIT was 4% higher at $15.5 million. NPAT of $5.7 million was above the statutory forecast of $5.5 million.

It was pleasing to see all of our Australian businesses grow in FY2010 and show improvement in their margins in a tough and challenging operating environment. This is a reflection of their strength, capability and the leading positions they have in their respective markets.

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

## Strategy and growth

Gerard Lighting's long-term business strategy is to protect and grow its core business while extending its capabilities into aligned market segments, distribution channels and selected geographic locations. As detailed in our Prospectus we will be pursuing growth through a combination of product innovation, intelligent lighting products (iLP), international expansion and local acquisition.

In line with our Prospectus undertaking that the Group will evaluate and pursue acquisition targets that fit strategically and satisfy our financial objectives, I am pleased to report that in July we entered into a Heads of Agreement for the proposed acquisition of Queensland lighting manufacturer and distributor Frend Lighting Pty Ltd for $9 million in cash. On completion the acquisition is expected to be immediately EPS accretive.

Technology is a fundamental driver of competition in the lighting industry and we continue to invest in product development. Our iLP strategy is focused on compatible technology, centralised research and development and being an early adopter of technology in the market. Our focus on iLP is driven by increased awareness of energy management as consumers seek to gain energy savings through their lighting systems. Our objective is to grow iLP to be 20% of total revenue within the next five years.

## Dividends

The Board is pleased to announce our first dividend as a publicly listed company of 2.0 cents per share, fully franked, in line with the Prospectus forecast. This dividend will be payable on 22 October 2010.

## Board and corporate governance

Prior to the Company listing on ASX, Mr Rick Allert AO and Mr Graham Walters AM were appointed to the Board as Non-executive Directors. Both new Directors bring a wealth of business experience to the Board. The relationship between the Board and management is both engaging and constructive.

Adopting best practice in corporate governance is a key focus of the Board. With this in mind the Company has implemented the ASX's eight core principles. While not prescriptive these principles provide a framework designed to influence how corporate objectives are set, how to monitor and assess risk and how to optimise performance. The Corporate Governance Statement on pages 23 to 25 outlines the key components of the Gerard Lighting governance framework.

## Shareholders

Whilst there continues to be volatility in global markets there will inevitably be some impact on Gerard Lighting's businesses. However, your Board and management remained focused on our long-term strategy as well as on our current operations. We remain confident that our current and long-term strategies are sound and have the potential to create incremental shareholder value in the years to come.

## Outlook

While the economic and financial environment still remains uncertain, the resilience of Gerard Lighting's business model will stand the company and its businesses in good stead. Following our ASX listing and the repayment of debt our balance sheet is strong, providing scope for further growth and acquisition.

Our core businesses are sound and operate in sectors where there are signs of increasing demand. Your Company is well positioned for the current conditions and ready to take advantage of opportunities as the market improves.

**Robert Gerard AO**
Non-executive Chairman

# Chief Executive Officer's Report

The 2010 financial year was an eventful period for the Gerard Lighting Group Ltd ('GLG'). We listed on the ASX, delivered a strong financial performance slightly ahead of Prospectus forecasts, and continued to increase market share in a challenging business environment.

The strength and depth of our business model and industry relationships, combined with a strategy of servicing diverse market sectors with a broad range of well recognised brands, saw the Group continue to grow earnings in a 'patchy' market.

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 have generated counter cyclical demand from which the Group has benefited.

In response to growing concerns surrounding climate change and energy efficiency, the Australian Government phased out sales of incandescent light bulbs and is now promoting innovation and energy efficient lighting solutions. Our ongoing investment in intelligent lighting products (iLP) and our plan to generate 20% of Group revenue from technology related products by 2016 place us in an excellent position to capitalise on this trend.

A number of other factors also give GLG significant competitive advantage and will assist the Group to achieve continued sales and profit growth in our existing businesses and superior business outcomes over time.

We are a customer-driven enterprise and are committed to staying ahead of the demand curve by offering innovative, energy efficient and technically advanced lighting products both in the Australasian market and internationally.

These factors include:
– our deep understanding of the lighting industry;
– decades of management experience;
– unique relationships with wholesalers and contractors (including 'The TRIBE' loyalty program);
– a distribution network without peer in Australia; and
– our established global network.

## FY2010 Results

On 31 December 2009, GLG became the holding company for the entities and businesses that comprise Gerard Lighting Group in preparation for the Listing of GLG on the Australian Securities Exchange. The company changed its status to that of a public company on 9 March 2010.

As a result of GLG becoming the holding company, effective 31 December 2009 the results shown for the period ended 30 June 2010 reflect actual trading for the six month period from 1 January 2010 to 30 June 2010, rather than a 12 month financial year.

In the table below, the Company has for the information of shareholders included a summary of pro forma results for FY2009 and all of FY2010. These pro forma results incorporate the results for the businesses comprising GLG, as if they were part of the Group for full 12 month periods; and certain other adjustments to reflect GLG's current business structure.

Reported net profit after tax for the six months to June 2010 was $5.7 million; this was achieved on sales revenue of $181 million. Pro forma profit for the full year was $10.8 million, on pro forma full year sales of $362 million, slightly ahead of Prospectus forecasts. Our earnings per share for the six month period was 5.68 cents per share.

Following the application of proceeds received through the Initial Public Offer, net debt has reduced to $72 million (31 December 2009 $163 million) with an interest cover of 2.3 times (annualised). Return on funds employed of 17% (annualised) is also ahead of the pro forma forecast as detailed in the Prospectus.

Full details of the pro forma adjustments were included in section 7 of the Prospectus dated 1 April 2010 and are provided for comparative purposes only.

## Business performance overview

### Sales

While sales for the six months at $181 million were marginally lower than our forecast, all of our Australian businesses showed improvement during FY2010. In a tough and challenging operating environment the result is a reflection of their strength, capability and the leading positions they have in their respective markets.

The Group's strategy of servicing diverse market sectors such as industrial, commercial, residential and government with a broad range of well recognised brands has protected the Group from the subdued trading conditions presently being experienced within the Australian construction sector.

### Operating expenses

The ongoing skills shortage in both Australia and New Zealand has necessarily resulted in increased costs of hiring and retaining key staff. Management continues to place high emphasis on ensuring that Gerard Lighting has the culture and work environment to enable the Group to attract and retain quality staff. Productivity improvement and supply chain cost reduction strategies are continually being implemented to counter increases in employment and other costs which continue to rise as a consequence of external factors.

## Summary Financial Information

| Year to 30 June ($000's) | Forecast* 6 mths to 30-06-10 | **Actual 6 mths to 30-06-10** | Actual Pro forma* FY2009 | Forecast Pro forma* FY2010 | **Actual Pro forma* FY2010** |
|---|---|---|---|---|---|
| Sales | 182,903 | **180,918** | 368,997 | 364,097 | **362,112** |
| **EBITDA** | 16,863 | **17,466** | 30,112 | 34,777 | **35,380** |
| Depreciation and amortisation | (2,022) | **(2,014)** | (3,747) | (3,800) | **(3,792)** |
| **EBIT** | 14,841 | **15,452** | 26,365 | 30,977 | **31,588** |
| Financing costs | (6,685) | **(6,231)** | (17,710) | (14,369) | **(13,915)** |
| **Profit before tax** | 8,156 | **9,221** | 8,655 | 16,608 | **17,673** |
| Income tax (expense)/ benefit | (2,626) | **(3,553)** | (1,672) | (5,986) | **(6,913)** |
| **Profit/(loss) for the period** | 5,530 | **5,668** | 6,983 | 10,622 | **10,760** |

* Forecast and Pro forma information is unaudited and has been extracted from the prospectus for information purposes only.

GLG's commitment to research and development has seen the recent release of a new LED downlight which consumes just 30% of the power while providing the same intensity of illumination as existing downlights.

### Safety

Management continually strives to improve the Group's health and safety performance through the implementation of safety systems and processes, continuous communication with the workforce and the identification of safety risks in the workplace.

During FY2010, the total number of injuries decreased by 43% from 46 to 26 (based on an annualised twelve months). The resulting injury frequency rate (injuries per man hour worked) was less than 0.1%. The Group considers safety performance a high priority and will continue to monitor our performance with a view to improve further in FY11.

### People

The success of the Group since its recent origins through the combination of the Gerard Lighting business with the Lighting Corporation business has been due to the efforts of a committed and talented workforce. The Group's years of experience in the lighting industry at a senior manager level, represent a significant asset.

Management encourages the advancement of its employees' skills, through participation in industry training and the organisation of Group conferences outside the work environment. These conferences are designed to build teamwork in a Group that comprises a number of competing brands to ensure the strategic objectives of the Group as a whole are ultimately achieved.

### Intelligent Lighting Products

There is now a focus on lighting as never before. Consumers – private, commercial and industrial – conscious about the rising cost of electricity and determined to contribute to the 'greening' of Australia, are seeking greater choices for innovative lighting products.

GLG's commitment to research and development has seen the recent release of a new LED downlight which consumes just 30% of the power while providing the same intensity of illumination as existing downlights. Our new LED downlight, released in July 2010, was the result of 18 months of dedication to our mantra of 'form, fit and function'.

GLG's recent partnership with California-based component manufacturer LUXIM extends lighting technology's reach into Australia even further with LUXIM's Light Emitting Plasma lamps having the capacity to offer a more efficient and capable solution for high-illuminance applications.

Part of our lifeblood is innovation. To that end, the company is committed to research and development so as to create a pipeline dispensing a continual flow of innovative, effective and more efficient lighting for its customers.

### International Operations

Australia represents only 2% of the global lighting market and the Group therefore has made strategic investments in offshore markets. We now have a manufacturing capability in India and in the Middle East as well as sourcing options in Indonesia. The strategic rationale behind these offshore investments is twofold. Firstly, they provide the Group with the opportunity to expand the Pierlite brand into the most densely populated regions outside Europe and the Americas. Secondly, our manufacturing facilities in these countries are expected to provide the Group with an alternative source of supply outside the People's Republic of China.

Notwithstanding their strategic importance, these offshore operations are still in their early stages of development and represented less than 5% of the Group's total sales in FY2010. In the medium term, these operations are expected to position Gerard Lighting as the leading lighting group in the region around the Indian Ocean.

### Acquisitions

Management continues to devote significant energy to the process of identifying and pursuing suitable strategic acquisitions which are consistent with GLG's core businesses and which will add accretive, sustainable long-term value for the benefit of shareholders.

On 19 July 2010, the Group announced that it had entered into a Heads of Agreement for the proposed acquisition of Queensland lighting manufacturer and distributor, Frend Lighting Industries Pty Ltd. On completion GLG will acquire all of the outstanding shares in Frend Lighting for $8 million in cash, with a further performance related $1 million payable to the vendors by September 2011.

The proposed acquisition is entirely consistent with the Group's strategy of growing organically and through strategic bolt-on acquisitions.

### Cash Flow and Gearing

The Group generated operating cash flow of $7.9 million (after payment of $6.8 million of interest and taxes) for the six month period ending 30 June 2010.

During the second half of the 2010 financial year, the Group repaid in total $80 million in debt ($70 million of which was sourced from IPO proceeds). As a consequence GLG's gearing ratio (net interest bearing debt divided by equity plus net debt) at 30 June 2010 decreased to 40% from 91% at 31 December 2009.

### Outlook

Leading indicators are now supporting the potential for some recovery in the broader industrial and commercial building sectors in Australia.

All GLG business units remain focused on improving market competitiveness through innovation, cost management and geographical expansion. With strong cash flows and well-recognised brands, all our major business units are well positioned to continue their recent growth trends as economic conditions recover. We are a customer-driven enterprise and are committed to staying ahead of the demand curve by offering innovative, energy-efficient and technically advanced lighting products both in the Australasian market and internationally.

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

**Simon Gerard**
Chief Executive Officer

All GLG business units remain focused on improving market competitiveness through innovation, cost management and geographical expansion. With strong cash flows and well-recognised brands, all our major business units are well positioned to continue their recent growth trends as economic conditions recover.

# Business Overview

Gerard Lighting Group is the largest lighting manufacturer and distributor in the combined Australian and New Zealand markets with sales representing in excess of 25% of the total Australian lighting market and generating revenues in excess of $362 million per annum. The business is vertically integrated incorporating research, design, manufacture, global sourcing, importation and distribution.

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

## The Gerard Lighting Group was founded by the Gerard family which has a long and successful history in the electrical and lighting industries. Today, GLG has a team of over 1,400 employees globally and leads the combined Australia and New Zealand lighting markets.

### 1920

**Alfred Gerard**

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

### 1920–2003

**Clipsal**

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

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

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


### 1950s

**Pierlite**

Established during the 1950s.

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

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

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

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

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

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

As the leading participant in the market, the Gerard Lighting Group has successfully assembled the most experienced team of lighting professionals operating in Australia and New Zealand. Each member of Gerard Lighting's Executive Management Team has over 20 years' experience in the lighting and electrical industry, complementing the Gerard family's long history in the electrical industry. Gerard Lighting considers that the cumulative experience of the broader management team represents a significant competitive advantage to Gerard Lighting.

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

Gerard Lighting Group is represented in all capital cities, states and territories in Australia and New Zealand. Under the Pierlite brand, Gerard Lighting's offshore strategic investments include India, the Middle East, Indonesia and Malaysia. In addition, the Gerard Lighting Group has franchised operations in the United Kingdom, Pakistan, East Africa, Mozambique and Italy.

## Gerard Lighting's key brands and businesses

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

## 2007

### Gerard Lighting

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

## 2008

### Acquired LCL

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

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

Today the Gerard Lighting Group has annual revenues in excess of $362 million and employs more than 1,400 staff.

## 2010

### Initial Public Offering

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

# Intelligent Lighting Products (iLP)

Intelligent lighting products ('iLP') are increasingly being demanded by consumers as they seek to reduce energy consumption. The combination of lighting controls with fixtures, lamps and control gear makes the lighting product offering 'intelligent'.

Core to Gerard Lighting's intelligent lighting strategy is to develop products

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


intelligent lighting products

## Research and Development

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

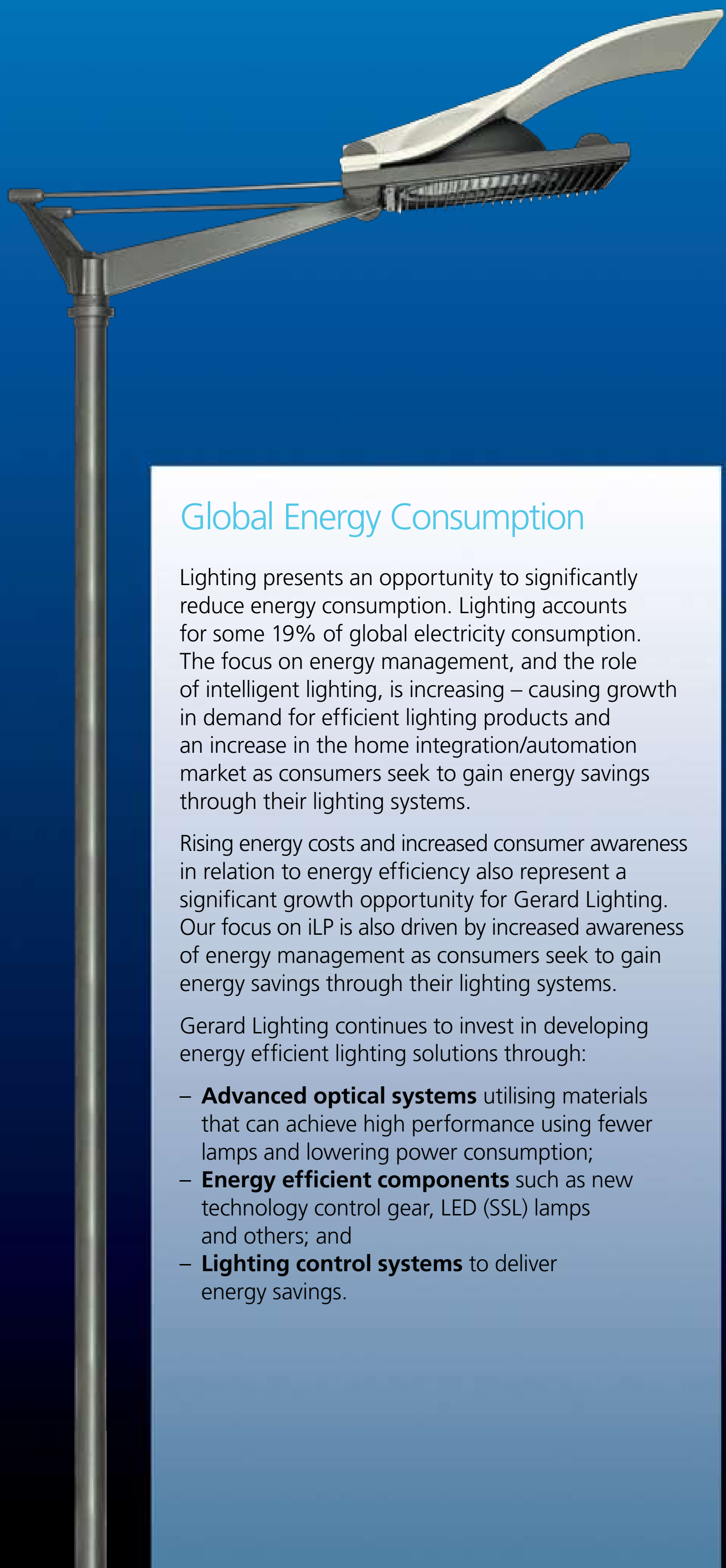
More recently, technology in the lighting industry has been tied to increasing global concerns around the environment, resulting in the development of more energy efficient lighting products and lighting control systems. Technology related products include:

- **LED technology** can be used from small fittings to large industrial street lighting.
- **Sensors** that combine with intelligent fixtures allow unused or low usage lighting to be switched off or dimmed to save energy.
- **Lighting control systems** that can monitor and report on the health and energy consumption of every lighting fixture within a building, promoting the responsible use of light and energy.
- **Emergency lighting systems** that utilise the latest in battery technology reducing hazardous waste and decreasing energy consumption. Efficient LED emergency lighting has emerged in recent times and its usage is on the rise.
- **Light-emitting plasma technology** that can produce high-intensity lighting with half the energy of existing systems.

that are compatible with recognised control and monitoring systems.

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

Core to the Group's ability to deliver innovative lighting solutions is an extensive network of research and development teams. Based in Adelaide, Sydney and Gosford these dedicated engineering teams specialise in lighting, electronic and electrical design; and they are leaders in their fields of expertise. Research and development will continue to remain a high priority, with the Group aiming to continually invest in support of product design and innovation.



## Global Energy Consumption

Lighting presents an opportunity to significantly reduce energy consumption. Lighting accounts for some 19% of global electricity consumption. The focus on energy management, and the role of intelligent lighting, is increasing – causing growth in demand for efficient lighting products and an increase in the home integration/automation market as consumers seek to gain energy savings through their lighting systems.

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

Gerard Lighting continues to invest in developing energy efficient lighting solutions through:

- **Advanced optical systems** utilising materials that can achieve high performance using fewer lamps and lowering power consumption;
- **Energy efficient components** such as new technology control gear, LED (SSL) lamps and others; and
- **Lighting control systems** to deliver energy savings.

# Geographical Presence

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


Australia represents only 2% of the global lighting market. The Group has made strategic investments in offshore markets which, in the medium term, are expected to position Gerard Lighting as the leading lighting group in the region around the Indian Ocean.

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

**International Expansion**

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

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

# Key Businesses and Brands

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

PIERLITE®

## Pierlite Australia

Pierlite has positioned itself as a market leader in Australia for the design and distribution of architectural, industrial and commercial lighting solutions. It distributes a diverse range of light fittings to the industrial and wholesale markets. Products are designed to deliver customers professional lighting solutions backed by support, service and warehouse facilities in each capital city of Australia.

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

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

**Brands**

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

**Product ranges**

Core ranges include commercial, industrial and architectural lighting products designed to deliver customers professional lighting solutions backed by support, service and warehouse facilities in each capital city of Australia. From the energy efficient linear or compact fluorescent lamp, through to the technically demanding Induction lamp, or to HIDs such as Metal Halide, Mercury Vapour and High Pressure Sodium, and including the diverse range of Halogens and LED systems.

**Landmark projects**

- Canberra Constitution Boulevarde
- Adelaide Airport
- OKI Jubilee Stadium, Sydney
- Lane Cove Tunnel, Sydney
- Commonwealth Games Village, Melbourne
- Cross City Tunnel, Sydney
- Brisbane Magistrates' Courts
- Memorial Drive Tennis, Adelaide

## Sylvania Lighting Australia (SLA)

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

Based on the Central Coast of New South Wales, SLA operates a fully equipped manufacturing, assembly and distribution centre. The centre operates under ISO9000 for environmental excellence and ISO14001 and IECex certified manufacture. This facility is also the manufacturing location for CSE products, which are distributed by the SLA team throughout Australia and by Pierlite internationally.

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

**Brands**

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

SLA also owns the highly regarded CSE brand. CSE specialises in the design and manufacture of electrical equipment for use in hazardous and arduous locations.

Sylvania is currently the exclusive distributor for Siteco (formerly Siemens Lighting) in Australia and New Zealand.

**Product range**

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

Sylvania is best known for delivering world class lighting solutions in industrial areas and road and tunnel lighting. The technology and longevity of these roadway lighting systems are unsurpassed. The Sylvania brand offers an extensive range of environmentally responsible products to satisfy any lighting requirement.

**Landmark projects SLA**

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

**Landmark projects CSE**

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

## Crompton Lighting

Operating in Australia since 1887, Crompton Lighting sources, markets and distributes an extensive range of cost effective lamps, light fixtures and control gear. With access to major worldwide lighting manufacturers, Crompton offers the latest in technology and design.

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

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

Crompton's head office is in Sydney, and incorporates sales, marketing and administration departments to support the national customer base. The business has operations in Brisbane, Melbourne, Adelaide and Perth to support the national sales and distribution network.

**Product range**

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

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

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

A key strength is the business' ability to source and distribute a wide range of lighting products that provide cost effective lighting solutions.

## Moonlighting

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 departments at all levels and decorative architectural lighting for councils.

**Brands**

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

**Product ranges**

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

**Landmark projects**

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


## Inlite

Formed in 1984 to bring quality and unique design to the Australian architectural market, developments in the Inlite portfolio have seen the fruition of a broad spectrum of works and a comprehensive range of specialised lighting equipment.

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

**Brands**

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

**Product range**

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

**Landmark projects**

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

## Austube

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

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

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

**Brands**

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

**Landmark projects:**

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

## Gerard Lighting (NZ)

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

**Brands**

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

**Product ranges**

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

**Landmark projects**

– BNZ Quay Park, Auckland
– BNZ Harbour Quay, Wellington
– BNZ, 80 Queen Street, Auckland
– Wellington Waterfront
– Princes Wharf, Auckland
– McDonald's regional refurbishments

## Offshore locations

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

**Pierlite India (100% owned)**

Established in 1999, Pierlite India's headquarters and manufacturing facility is located in Ahmedabad with sales branches in Mumbai, New Delhi, Jaipur, Pune, Hyderabad, Bangalore and Chennai.

Pierlite India works with major architectural firms, lighting consultants and large corporations. The company is backed by more than 50 channel partners spread across the country to ensure fast and efficient supply. The business focuses on office and commercial complexes, retail and accent lighting, pharmaceutical, and food and beverage.

**Pierlite Middle East (60% owned)**

Pierlite Middle East is located in Sharjah Airport Free Zone in close proximity to Dubai.

The region includes the Gulf countries, North, West and Central Africa, Iran, Iraq, and select countries in central Asia.

The manufacturing facility can produce troffer and batten fittings and has assembly capability for highbays, floodlights, downlights, street lights and weatherproof battens.

**Pierlite Indonesia (50% owned)**

Established in new headquarters in Jakarta, Pierlite Indonesia serves the entire country with a comprehensive choice of lighting products including industrial and commercial fluorescent lighting, flood lighting, architectural street lighting, landscape lighting and more.

Hazardous area lighting is a priority in this region and Pierlite Indonesia has the engineering expertise to support this technically challenging field.

The Group's CSE range of exit fixtures, visual alarms, floodlights, controls and cable glands offers the perfect solution for Indonesia's oil and gas industry.

**Pierlite Malaysia (40% effective ownership)**

Established in 2008 (after many years of operation as an agent), Pierlite Malaysia's operations are based in Petaling Jaya.

Pierlite Malaysia is anticipating strong growth in the oil and petroleum industry throughout the country and offers a complete hazardous area lighting solution with the Group's CSE range of explosion proof light fittings.

# Board of Directors

## Robert Gerard AO
Non-executive Chairman

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

## Simon Gerard
Managing Director and Chief Executive

Prior to his appointment as Gerard Lighting's Managing Director in early 2006, Simon Gerard held the position of Executive General Manager of Clipsal Australia (Australia's leading manufacturer of electrical accessories and automation products). Simon holds a Bachelor of Management and an Associate Diploma in Business from the University of South Australia. Simon is a member of the Board of Directors of Lighting Council Australia.

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

Rick Allert is Chairman of AXA Asia Pacific Holdings Limited.

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

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

**Graham Walters AM FCA**
Independent
Non-executive Director

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

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

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

**Michael Crompton MAICD**
Independent
Non-executive Director

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

**Gary Savage FCA**
Executive Director,
Company Secretary (Joint)

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

**Graham Ellis**
Alternate Director
to Gary Savage,
Chief Financial Officer

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

# Management and Corporate Governance

## Company Secretary

**Mark Pearson**
Company Secretary (Joint)

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

## Executive Management Team

**Ben Mills**
Executive General Manager Pierlite

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

**Mark West**
Executive General Manager Sylvania Lighting

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

**Michael Cotterill**
Executive General Manager Crompton Lighting

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

**Edwin Sargeant**
Executive General Manager Austube

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

**Craig Hewitt**
Executive General Manager Moonlighting

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

**Phil Eaton**
Executive General Manager Inlite

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

## Corporate Governance

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

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

A description of the Company's main corporate governance practices is set out below. All these practices, unless otherwise stated, were in place for the entire year. They comply with the August 2007 ASX *Principles of Good Corporate Governance and Best Practice Recommendations*.

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

## Principle 1: Lay solid foundations for management and oversight

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

The Board's focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.

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

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

## Principle 2: Structure the Board to add value

### Board composition

The Board is structured such that it comprises Directors from a variety of business and professional backgrounds who bring a range of commercial, operational, financial skills and experience relevant to the Company and the industry in which it operates.

### Directors' independence

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

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

### Board members

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

At the date of signing the Directors' Report, there are two Executive Directors and four Non-executive Directors. Of the Non-executive Directors three have no relationships adversely affecting independence and so are deemed independent under the principles set out above.

### Chairman and Managing Director

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

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

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

# Management and Corporate Governance

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

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

A performance evaluation for the Board and its members and committees has not taken place in the reporting period.

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

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

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

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

## Principle 3: Promote ethical and responsible decision making
The Company has a formal Code of Conduct which supports a foundation of honesty and integrity and adopts a Corporate Creed which requires that at all times all Company personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and Company policies.

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

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

Copies of the Code of Conduct, the whistleblower policy and the dealing in Company securities policy are available on the Company's website.

## Principle 4: Safeguard integrity in financial reporting

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

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

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

### External auditors

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

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

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

### Continuous disclosure and shareholder communication

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

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

## Principle 7: Recognise and manage risk

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

The Board has required management to design and implement a risk management and internal control system to manage the Company's material business risks and to report to it on whether those risks are being managed effectively.

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

## Principle 8: Remunerate fairly and responsibly

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

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

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

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

Recommendation 8.2 of the ASX Corporate Governance Principles and Recommendations states that companies should clearly distinguish the structure of Non-executive Directors' remuneration from that of Executive Directors and Senior Executives and an associated guideline suggests that Non-executive Directors should not receive Options. Messrs Allert and Walters have been issued Options to subscribe for Shares in Gerard Lighting. The Board considers that the issue of Options to Messrs Allert and Walters is appropriate and is unlikely to adversely affect their independence. The issue of Options enables a company in the circumstances of Gerard Lighting to provide adequate remuneration to attract and retain experienced Directors, such as Messrs Allert and Walters, without drawing on additional cash reserves of Gerard Lighting. Details of the Options issued to each of Messrs Allert and Walters are set out in the Remuneration Report.

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

# Financial Report

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# Directors' Report

Your Directors submit their report for the period ended 30 June 2010.

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

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

## Directors

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

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

## Officers who were previously partners of the audit firm

While Mr Savage was not a partner at any time that KPMG audited Gerard Lighting Group Limited, he was however a partner while KPMG audited two operating subsidiaries prior to the acquisition of Lighting Corporation Ltd. Furthermore, Mr Savage was not involved with the audit of any of the Groups entities for a period of two years before becoming a Director as required by the Corporations Act.

### Company Secretaries

| | |
|---|---|
| Gary Savage FCA – Joint Company Secretary | Appointed: 17 March 2010 |
| Mark Pearson – Joint Company Secretary | Appointed: 17 March 2010 |

## Directors' meetings

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

| | Directors' meetings | Audit & Risk Committee | Remuneration & Nominations Committee |
|---|---|---|---|
| **Number of meetings held** | **5** | **2** | **1** |
| Robert Gerard AO | 4 | | 1 |
| Richard Allert AO, FCA | 5 | 2 | 1 |
| Simon Gerard | 5 | | |
| Graham Walters AM, FCA | 5 | 2 | 1 |
| Michael Crompton | 5 | 2 | |
| Gary Savage FCA | 5 | | |
| Graham Ellis (alternate to Gary Savage) | 5 | | |

# Directors' Report

## Remuneration Report – Audited

### Remuneration Policy

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

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

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

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

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

### Non-executive Directors' benefits

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

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

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

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

## Executive Directors

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

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

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

### Short-Term Incentive Plan (STI Plan)

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

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

### Long-Term Incentive Plan (LTI Plan)

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

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

## Key Management Personnel

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

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

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

# Directors' Report

## Remuneration of Directors and Specified Executives – Audited

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

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

## Analysis of bonuses included in remuneration

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

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

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

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

## Service contracts

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

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

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

## Options and rights over equity instruments granted as compensation

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

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

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

# Directors' Report

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

### Exercise of options granted as compensation

During the reporting period no options were exercised.

### Analysis of options and rights over equity instruments granted as compensation

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

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

### Analysis of movements in options

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

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

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

| | **2010 Cents** | 2009 Cents |
|---|---|---|
| Earnings per share | | |
| Basic earnings per share | **5.68** | N/A |
| Diluted earnings per share | **5.68** | N/A |

## Dividends

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

| | Total amount $'000 | Cents per share | Date of payment | Franked/ unfranked |
|---|---|---|---|---|
| **Declared and paid during the financial period** | – | Nil | N/A | N/A |
| Total amount | – | | | |
| **Declared after end of period**<br>After the balance sheet date the following dividends were proposed by the Directors. The dividends have not been provided and there are no income tax consequences. | | | | |
| Final ordinary | 3,540,000 | 2.00 | 22-Oct-10 | Fully Franked |
| Total amount | 3,540,000 | | | |

The financial effect of these dividends has not been brought to account in the financial statements for the period ended 30 June 2010 and will be recognised in subsequent financial reports. Refer to Note 8 for additional detail on dividends paid.

## Principal activities

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

## Results

The consolidated net profit after tax of the Group for the period ended 30 June 2010 was $5,570,000.

## Operating and financial review

A review of operations for the period is set out in the "CEO's Report" on pages 4 to 7.

## Significant changes in the state of affairs

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

## Significant events after the balance date

Since the end of the reporting period and as at the date of this Report the Directors are not aware of any matter or circumstance, not otherwise disclosed in Note 23 – Events after balance sheet date, or dealt with in the "Chairman's Report" or "CEO's Report," that has significantly or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

## Likely developments and expected results

The Directors are not aware of any likely developments that may significantly affect the Group not included in the "Chairman's Report" on pages 2 to 3 and the "CEO's Report" on pages 4 to 7.

## Environmental regulation and performance

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

# Directors' Report

## Interests in the shares and options of the Company

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

| | Ordinary Shares held | Relevant interest in Ordinary Shares | Options over Ordinary Shares |
|---|---|---|---|
| Robert Gerard AO | – | 92,117,647 | – |
| Richard Allert AO, FCA | – | 100,000 | 500,000 |
| Simon Gerard | – | 110,000 | 5,000,000 |
| Graham Walters AM, FCA | – | 106,000 | 500,000 |
| Michael Crompton MAICD | – | 120,000 | – |
| Gary Savage FCA | 50,000 | 2,000 | 2,000,000 |
| Graham Ellis | 32,000 | 12,000 | 2,000,000 |

## Share options

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

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

No options were granted since the end of the financial period. Options exercised or forfeited during the period are set out in Note 17 of the financial statements. No options have been issued or exercised since the end of the financial period up to the date of this report. No options have lapsed since the end of the financial period up to the date of this report. No amounts are unpaid on any of the shares issued as a result of the exercise of these options. The options do not entitle the holder to participate in any share issue of any other corporation.

## Indemnification and insurance of Directors

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

## Rounding

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

## Corporate governance

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

## Auditor

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

### Independence

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

### Non-audit services

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

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

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

Signed in accordance with a resolution of the Directors.

Simon Gerard
Managing Director

Robert Gerard
Non-Executive Chairman

Adelaide, 24 August 2010.

# Statement of Comprehensive Income

period ending 30 June 2010

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

The above Statement of Comprehensive Income should be read in conjunction with the accompanying Notes

# Statement of Financial Position

as at 30 June 2010

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

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

# Statement of Cash Flows
period ending 30 June 2010

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

The above Statement of Cash Flows should be read in conjunction with the accompanying Notes

# Statement of Changes in Equity

period ending 30 June 2010

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

The above Statement of Changes in Equity should be read in conjunction with the accompanying Notes

# Notes to the Financial Statements

for the period ended 30 June 2010

## 1 Summary of Significant Accounting Policies

### (a) Reporting entity

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

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

### (b) Basis of Preparation

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

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

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

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

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

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

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

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

#### (i) Changes in accounting policy

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

#### (ii) Standards issued but not yet effective

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

## Standards issued but not yet effective

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

* Designates the beginning of the applicable reporting period.

# Notes to the Financial Statements
for the period ended 30 June 2010

### (c) Basis of consolidation

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

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

### (d) Comparative information

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

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

### (e) Business combinations

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

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

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

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

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

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

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

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

### (f) Foreign currency

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

#### Foreign currency transactions

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

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

#### Foreign operations

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

Foreign currency differences are recognised in other comprehensive income.

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

### (g) Property, plant and equipment

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

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

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

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

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

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

# Notes to the Financial Statements

for the period ended 30 June 2010

## (h) Impairment of assets

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

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

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

## (i) Other intangible assets

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

### Brand names

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

### Product development

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

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

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

## (j) Inventories

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

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

### (k) Trade and other receivables

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

### (l) Trade and other payables

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

### (m) Cash and cash equivalents

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

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

### (n) Interest-bearing liabilities

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

### (o) Provisions

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

### (p) Employee benefits

#### Wages, salaries, incentives and annual leave

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

#### Long service leave

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

#### Retirement benefit obligations

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

#### Termination benefits

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

# Notes to the Financial Statements
for the period ended 30 June 2010

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

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

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

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

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

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

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

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

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

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

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

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

### (v) Segment reporting

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

### (w) Income tax

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

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

#### Deferred tax balances

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

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

### (x) Tax consolidation

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

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

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

### (y) Tax funding arrangements and tax sharing agreements

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

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

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

# Notes to the Financial Statements

for the period ended 30 June 2010

### (z) Goods and services tax

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

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

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

### (aa) Derivative financial instruments

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

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

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

### (ab) Earnings per share

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

### (ac) Presentation of financial statements

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

### (ad) Share Capital

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

## 2 Determination of fair values

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

### (i) Property, plant and equipment

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

### (ii) Intangible assets

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

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

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

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

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

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

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

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

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

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

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

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

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

# Notes to the Financial Statements
for the period ended 30 June 2010

### Guarantees
Group policy is to provide financial guarantees only to wholly owned subsidiaries. Details of outstanding guarantees are provided in Note 22.

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

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

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

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

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

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

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

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

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

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

### Capital management

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

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

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

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

## 4 Segment reporting

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

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

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

# Notes to the Financial Statements
for the period ended 30 June 2010

| | Consolidated | |
|---|---|---|
| | **2010 $'000** | 2009 $'000 |
| **5 Revenue and expenses** | | |
| **(a) Revenue** | | |
| Sale of goods | **180,918** | – |
| | **180,918** | – |
| **(b) Other income** | | |
| Gain/(loss) on disposal of property, plant and equipment | **(53)** | – |
| Other revenue | **426** | – |
| | **373** | – |
| **(c) Employee benefits expense** | | |
| Wages and salaries | **36,228** | – |
| Superannuation paid | **2,605** | – |
| Workers compensation costs | **968** | – |
| Termination payments | **43** | – |
| Expense of share-based payments | **73** | – |
| Other personnel costs | **3,984** | – |
| Total employee benefits expense | **43,901** | – |
| **(d) Depreciation and amortisation expense** | | |
| Depreciation of non-current assets | | |
| Land and buildings | **61** | – |
| Plant and equipment | **1,873** | – |
| Plant and equipment under lease | **80** | – |
| Total depreciation and amortisation expense | **2,014** | – |
| **(e) Other expenses** | | |
| Warehouse and distribution | **8,222** | – |
| Occupancy | **4,652** | – |
| Advertising and promotion | **1,991** | – |
| Professional services | **1,229** | – |
| Motor vehicle | **2,070** | – |
| Travel, entertainment and marketing | **4,249** | – |
| Office cost and other | **9,761** | – |
| Total other expenses | **32,174** | – |
| **(f) Finance income** | | |
| Bank interest received | **44** | – |
| Foreign currency gains | **317** | – |
| Net change in value of financial assets | **154** | – |
| Total finance income | **515** | – |
| **(g) Finance costs** | | |
| Bank loans and overdrafts | **6,731** | – |
| Lease and hire purchase | **15** | – |
| Total finance costs | **6,746** | – |
| **(h) Amounts recognised in other comprehensive income** | | |
| Foreign currency translation differences – foreign operations | **(98)** | – |
| Income tax applicable | **–** | – |
| | **(98)** | – |
| Attributable to: | | |
| Equity holders | **(96)** | – |
| Non controlling interests | **(2)** | – |
| | **(98)** | – |

| | Consolidated | |
|---|---|---|
| | **2010 $'000** | 2009 $'000 |
| **6 Income tax** | | |
| **Income tax expense** | | |
| Current period | **2,009** | – |
| **Deferred tax expense** | | |
| Origination and reversal of temporary differences | **1,544** | – |
| Income tax expense reported in income statement | **3,553** | – |
| **Numerical reconciliation between tax expense and pre-tax accounting profit** | | |
| Profit for the period | **5,668** | – |
| Total income tax expense | **(3,553)** | – |
| Profit excluding income tax | **9,221** | – |
| Income tax expense at company's tax rate of 30% | **2,766** | – |
| Expenditure not allowable for income tax purposes | **787** | – |
| Income tax expense | **3,553** | – |
| Effective income tax rate | **38.5%** | – |
| **Deferred income tax** | | |
| Deferred income tax of the Gerard Lighting Group at 30 June relates to the following: | | |
| **Deferred income tax liabilities** | | |
| Accelerated depreciation for tax purposes | **201** | – |
| Other receivables | **488** | – |
| Set off of deferred tax balance | **(689)** | – |
| Total | **–** | – |
| **Deferred income tax assets** | | |
| Provisions | **5,333** | – |
| Listing costs offset against equity | **1,197** | – |
| Accruals | **795** | – |
| Other | **27** | – |
| Set off of deferred tax balance | **(689)** | – |
| Total | **6,663** | – |
| **Income tax payable – current period** | | |
| Effect of common control transaction (Note 21) | **3,811** | – |
| Current period | **2,009** | – |
| | **5,820** | – |
| **Income tax recognised in other comprehensive income** | | |
| Foreign currency translation differences – foreign operations | **(98)** | – |
| Income tax applicable | **–** | – |
| | **(98)** | – |

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

# Notes to the Financial Statements

for the period ended 30 June 2010

## 7 Earnings per share

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

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

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

| | Consolidated | |
|---|---|---|
| | **2010 $'000** | 2009 $'000 |
| Net profit from continuing operations attributable to equity holders of the parent | **6,130** | – |
| | **Thousands** | Thousands |
| Weighted average number of ordinary shares for basic earnings per share | **107,884** | N/A |
| Effect of dilution: | | |
| Effect of share issues | **–** | N/A |
| Effect of share options | **–** | N/A |
| Adjusted weighted average number of ordinary shares for diluted earnings per share | **107,884** | N/A |

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

## 8 Dividends paid and proposed

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

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

| | Cents per share | Total amount $'000 | Franked/ unfranked | Date of payment |
|---|---|---|---|---|
| Final 2010 – Ordinary | **2.00** | **3,540** | Fully Franked | 22-Oct-10 |

| | Consolidated | |
|---|---|---|
| | **2010 $'000** | 2009 $'000 |
| **Franking credit balance** | | |
| The amount of franking credits available for the subsequent financial year: | | |
| – franking account balance as at the end of the financial period at 30%. | **15,168** | – |
| – franking credits that will arise from the payment of income tax payable as at the end of the financial period | **6,641** | – |
| – impact on the franking account of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution to equity holders during the period | **(3,540)** | – |
| The amount of franking credits available for future reporting periods: | **18,269** | – |

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

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

| | Consolidated | |
|---|---|---|
| | **2010 $'000** | 2009 $'000 |

## 9 Cash and cash equivalents

| | | |
|---|---|---|
| Cash at bank and in hand | **14,690** | – |
| | **14,690** | – |

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

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

### Reconciliation of cash

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

| | | |
|---|---|---|
| Cash at bank and in hand | **14,690** | – |
| | **14,690** | – |

### Reconciliation from the net profit after tax to the net cash flows from operating activities

| | | |
|---|---|---|
| Net profit for the period | **5,668** | – |
| Adjustments for: | | |
| Depreciation | **1,934** | – |
| Amortisation of leased assets | **80** | – |
| Loss on disposal of property, plant and equipment | **53** | – |
| Other items – net | **149** | – |
| Net finance expense | **6,231** | – |
| Income tax expense | **3,553** | – |
| Operating profit before changes in working capital and provisions | **17,668** | – |
| Increase in trade and other receivables | **(9,777)** | – |
| Decrease in inventory | **1,686** | – |
| Increase in prepayments | **(1,858)** | – |
| Increase in trade and other creditors | **5,844** | – |
| Increase in provisions | **1,218** | – |
| Cash generated from operating activities | **14,781** | – |
| Interest paid | **(6,746)** | – |
| Income tax paid | **(89)** | – |
| Net cash flow from operating activities | **7,946** | – |

## 10 Trade and other receivables

### Current

| | | |
|---|---|---|
| Trade receivables | **80,569** | – |
| Provision for impairment | **(1,804)** | – |
| | **78,765** | – |
| Other receivables | **1,312** | – |
| Total trade and other receivables | **81,881** | – |
| Provision for impairment | **(1,804)** | – |
| | **80,077** | – |

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

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

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

# Notes to the Financial Statements
for the period ended 30 June 2010

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

| | Consolidated | |
|---|---|---|
| | **2010 $'000** | 2009 $'000 |
| Opening balance | **–** | – |
| Effect of common control transaction (Note 21) | **1,561** | – |
| Charge for the period | **353** | – |
| Amounts written off as non recoverable | **(110)** | – |
| As at 30 June | **1,804** | – |

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

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

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

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

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

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

## 11 Inventories

| | Consolidated | |
|---|---|---|
| | **2010 $'000** | 2009 $'000 |
| Raw materials | **19,031** | – |
| Work in progress | **2,687** | – |
| Finished goods | **46,161** | – |
| | **67,879** | – |

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

| | Consolidated | |
|---|---|---|
| | **2010 $'000** | 2009 $'000 |
| Opening balance | **–** | – |
| Effect of common control transaction (Note 21) | **6,598** | – |
| Charge for the period | **1,201** | – |
| Amounts written off as non recoverable | **(829)** | – |
| As at 30 June | **6,970** | – |

## 12 Other financial assets

### Current

| | | |
|---|---|---|
| Change in fair value – open forward currency contracts | **154** | – |

### Non Current

| | | |
|---|---|---|
| Investments in outside entities – at cost | **438** | – |
| Provision for impairment | **(408)** | – |
| | **30** | – |

## 13 Property, plant and equipment

### Plant and equipment

| | | |
|---|---|---|
| Opening net carrying amount | **–** | – |
| Effect of common control transaction (Note 21) | **17,263** | – |
| Additions | **201** | – |
| Transfers from capital WIP | **1,042** | – |
| Disposals | **(245)** | – |
| Depreciation and amortisation | **(1,425)** | – |
| Impairment losses | **–** | – |
| Closing net carrying amount | **16,836** | – |

### Tooling

| | | |
|---|---|---|
| Opening net carrying amount | **–** | – |
| Effect of common control transaction (Note 21) | **2,870** | – |
| Additions | **504** | – |
| Disposals | **(198)** | – |
| Depreciation and amortisation | **(448)** | – |
| Impairment losses | **–** | – |
| Closing net carrying amount | **2,728** | – |

### Leased plant and equipment

| | | |
|---|---|---|
| Opening net carrying amount | **–** | – |
| Effect of common control transaction (Note 21) | **472** | – |
| Depreciation and amortisation | **(80)** | – |
| Closing net carrying amount | **392** | – |

### Capital works in progress

| | | |
|---|---|---|
| Opening net carrying amount | **–** | – |
| Effect of common control transaction (Note 21) | **334** | – |
| Additions | **1,328** | – |
| Transfers to plant and equipment | **(1,042)** | – |
| Closing net carrying amount | **620** | – |

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| | Consolidated 2010 $'000 | 2009 $'000 |
|---|---|---|
| **Land and buildings** | | |
| Opening net carrying amount | **–** | – |
| Effect of common control transaction (Note 21) | **1,948** | – |
| Additions | **66** | – |
| Depreciation and amortisation | **(61)** | – |
| Closing net carrying amount | **1,953** | – |
| **Total – carrying amount** | | |
| Opening net carrying amount | **–** | – |
| Effect of common control transaction (Note 21) | **22,887** | – |
| Additions | **2,098** | – |
| Disposals | **(443)** | – |
| Depreciation and amortisation | **(2,014)** | – |
| Closing net carrying amount | **22,528** | – |
| **Summary** | | |
| Opening value at cost | **–** | – |
| Effect of common control transaction (Note 21) | **54,096** | – |
| Additions at cost | **2,098** | – |
| Disposals at cost | **(1,628)** | – |
| Closing value at cost | **54,566** | – |
| Accumulated depreciation and amortisation | **(32,038)** | – |
| Closing net carrying amount | **22,528** | – |

## 14 Intangible assets and goodwill

| | Consolidated 2010 $'000 | 2009 $'000 |
|---|---|---|
| **Opening net carrying amount** | | |
| Brand names | **–** | – |
| Product development | **–** | – |
| Other | **–** | – |
| Goodwill | **–** | – |
| | **–** | – |
| **Movements current period** | | |
| Effect of common control transaction (Note 21) | **79,694** | – |
| Additions | **670** | – |
| | **80,364** | – |
| **Closing net carrying amount** | | |
| Brand names | **22,100** | – |
| Product development | **670** | – |
| Goodwill | **57,594** | – |
| | **80,364** | – |

### Brand Names

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

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

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

| | Brand Name Valuation |
|---|---|
| Sylvania Lighting/Concord Lighting (*incl. derivations*) | 15,400 |
| Crompton Lighting (*incl. derivations*) | 6,700 |
| | **22,100** |

### Goodwill

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

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

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

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

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

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

### Product development

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

# Notes to the Financial Statements

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

| | Consolidated | |
|---|---|---|
| | **2010 $'000** | 2009 $'000 |
| **Movements current period – at cost** | | |
| Opening balance | **–** | – |
| Capitalised during the period | **670** | – |
| Closing balance | **670** | – |
| **Closing net carrying amount** | | |
| At cost | **670** | – |
| Accumulated amortisation | **–** | – |
| | **670** | – |

## 15 Payables

| | 2010 $'000 | 2009 $'000 |
|---|---|---|
| **Current** | | |
| Trade creditors | **34,634** | – |
| Trade creditors related parties (Note 21) | **842** | – |
| Deferred income | **2,039** | – |
| Other creditors and accruals | **26,306** | – |
| | **63,821** | – |

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

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

## 16 Provisions

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

## 17 Employee benefits

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

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

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

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

| | **2010 No.** | **2010 WAEP** | 2009 No. | 2009 WAEP |
|---|---|---|---|---|
| Outstanding at the beginning of the period | **–** | **–** | – | – |
| Granted during the period | **10,000,000** | **$1.000** | – | – |
| Outstanding at the end of the period | **10,000,000** | **$1.000** | – | – |
| Exercisable at the end of the period | **–** | **–** | – | – |

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

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

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

| | Consolidated | |
|---|---|---|
| | **2010 $'000** | 2009 $'000 |
| **Employee expenses** | | |
| Share options granted in 2010 | **73** | – |
| Total expense recognised as employee costs | **73** | – |
| Total intrinsic value of liability for vested benefits | **–** | – |

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

# Notes to the Financial Statements
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| | Consolidated 2010 $'000 | Consolidated 2009 $'000 |
|---|---|---|
| **18 Interest bearing liabilities** | | |
| **Current** | | |
| **Secured** | | |
| Finance lease and hire purchase liabilities | **172** | – |
| Bank bills | **3,600** | – |
| Trade finance | **4,675** | – |
| **Unsecured** | | |
| Loans other | **1,948** | – |
| | **10,395** | – |
| **Non-current** | | |
| **Secured** | | |
| Finance lease and hire purchase liabilities | **240** | – |
| Bank bills | **76,000** | – |
| | **76,240** | – |

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

## Terms and debt repayment schedule

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

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

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

## 19 Issued capital and reserves

| | Notes | Consolidated 2010 Thousands | 2009 Thousands |
|---|---|---|---|
| **Share capital** | | | |
| On issue 1 July | | – | – |
| Issued in connection with corporate restructure | i | **87,000** | – |
| Issued for cash | ii | **85,000** | – |
| Conversion of debt to equity | iii | **5,000** | – |
| On issue 30 June – fully paid | | **177,000** | – |

| | | $'000 | $'000 |
|---|---|---|---|
| Share capital issued during the period | ii, iii | **90,000** | – |
| Costs directly attributable to the issue of shares | | **(5,189)** | – |
| Deferred tax asset in relation to share issue costs | | **1,557** | – |
| Increase in share capital as reflected in the statement of changes in equity | | **86,368** | – |

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

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

### Foreign currency translation reserve

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

### Equity reserve

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

### Reserve for own shares

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

## 20 Financial instruments

### Financial risk management objectives

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

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

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

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

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

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

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

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

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

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

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

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

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

## Sensitivity analysis

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

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

## Credit risk

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

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

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

## Foreign currency risk

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

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

The following significant exchange rates applied during the period:

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

# Notes to the Financial Statements
for the period ended 30 June 2010

### Sensitivity analysis
A variation of 10% in the value of the Australian dollar against the following currencies at 30 June 2010 would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

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

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

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

## 21 Related party disclosures

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

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

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

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

### Key management personnel compensation

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

| | Consolidated | |
|---|---|---|
| | **2010 $** | 2009 $ |
| Short-term employee benefits | **3,212,295** | – |
| Other long-term benefits | **–** | – |
| Post-employment benefits | **155,515** | – |
| Termination benefits | **–** | – |
| Share-based payments | **72,950** | – |
| | **3,440,760** | – |

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

### Individual Directors' and Executives' compensation disclosures

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

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

### Loans to and from key management personnel and their related parties

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

### Loans *to* key management personnel and their related parties

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

### Loans *from* key management personnel and their related parties

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

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

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

# Notes to the Financial Statements
for the period ended 30 June 2010

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

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

## Key management personnel and Director transactions

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

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

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

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

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

Notes
i. Operating costs incurred by Gerard Corporation Pty Ltd on behalf of the consolidated group are recharged at the cost incurred. Costs recharged include but are not limited to: utilities, vehicle lease costs and payroll costs. Gerard Corporation Pty Ltd is controlled by the Gerard family.
ii. Approximately 90% of the amount paid to Bell Total Logistics was reimbursement of their direct external costs incurred in providing freight forwarding and distribution services. Bell Total Logistics Pty Ltd is a wholly owned subsidiary of Gerard Corporation Pty Ltd, an entity controlled by the Gerard family.
iii. A wholly owned subsidiary of Gerard Corporation Pty Ltd, an entity controlled by the Gerard family.
iv. A wholly owned subsidiary of True North Corporation No. 2 Pty Ltd, an entity ultimately controlled by Robert Gerard.
v. True North Corporation Pty Ltd is owned by Gerard Lighting Investments No. 1 Pty Ltd (51%) and Gerard Lighting Investments No. 2 Pty Ltd (49%). Both these entities are controlled by the Gerard family.
vi. The Group leases premises owned by Edwin Sargeant and a non related third party. The lease terms and conditions are commercial in nature.
vii. The amount owing by Gerard Corporation Pty Ltd is comprised of: sale of product and operating costs incurred by Gerard Lighting Pty Ltd and recharged at the cost incurred. Costs recharged include but are not limited to payroll costs and the use of entertainment facilities. Gerard Corporation Pty Ltd is controlled by the Gerard family.

## Options and rights over equity instruments

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

| | Held at 1-Jan-10 | Granted as compensation | Exercised | Other changes | Held at 30-Jun-10 | Vested during the period | Vested and exercisable at 30-Jun-10 |
|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | |
| Richard Allert AO, FCA | – | 500,000 | – | – | 500,000 | – | – |
| Simon Gerard | – | 5,000,000 | – | – | 5,000,000 | – | – |
| Graham Walters AM, FCA | – | 500,000 | – | – | 500,000 | – | – |
| Gary Savage FCA | – | 2,000,000 | – | – | 2,000,000 | – | – |
| Graham Ellis | – | 2,000,000 | – | – | 2,000,000 | – | – |
| **Executives** | | | | | | | |
| Ben Mills, *EGM Pierlite* | – | – | – | – | – | – | – |
| Mark West, *EGM Sylvania* | – | – | – | – | – | – | – |
| Michael Cotterill, *EGM Crompton* | – | – | – | – | – | – | – |
| Craig Hewitt, *EGM Moonlighting* | – | – | – | – | – | – | – |
| Phil Eaton, *EGM Inlite* | – | – | – | – | – | – | – |
| Edwin Sargeant, *EGM Austube* | – | – | – | – | – | – | – |

# Notes to the Financial Statements
for the period ended 30 June 2010

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

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

## 22 Commitments and contingencies

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

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

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

| | Consolidated | |
|---|---|---|
| | **2010 $'000** | 2009 $'000 |
| Within one year | **7,834** | – |
| After one year but not more than five years | **17,817** | – |
| More than five years | **13,761** | – |
| Total minimum lease payments | **39,412** | – |

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

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

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

## 23 Events after balance sheet date

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

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

## 24 Auditors' remuneration

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

## 25 Group entities

### Parent and ultimate controlling party

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

# Notes to the Financial Statements
for the period ended 30 June 2010

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

## 26 Deed of cross guarantee

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

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

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

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

### Summarised income statement

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

## Balance sheet

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

# Notes to the Financial Statements
for the period ended 30 June 2010

## 27 Parent entity disclosures

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

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

### Parent entity contingencies

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

### Parent entity guarantees in respect of debts of its subsidiaries

The parent entity has entered into a Deed of Cross Guarantee with the effect that the company guarantees debts in respect of its subsidiaries.

Further details of the Deed of Cross Guarantee are disclosed in Note 26.

# Directors Declaration

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

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

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

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

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

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

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

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

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

On behalf of the Board

**Simon Gerard**
Managing Director

**Robert Gerard**
Non-Executive Chairman

Adelaide, 24 August 2010.

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

**Report on the financial report**

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

*Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1(b), the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

*Auditor's responsibility*

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

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

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

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

*Independence*

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

KPMG

*Auditor's opinion*

In our opinion:

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

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

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

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

**Report on the remuneration report**

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

*Auditor's opinion*

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

KPMG

KPMG

Paul Cenko
*Partner*

Adelaide

24 August 2010

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

To: the directors of Gerard Lighting Group Limited

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

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

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

KPMG

KPMG

Paul Cenko
*Partner*

Adelaide

24 August 2010

# Shareholder Information

as at 16 August 2010

## 1. Distribution of equity security holders

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

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

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

## 2. Twenty Largest Shareholders

| | | Number of Ordinary Shares | % |
|---|---|---|---|
| 1. | Gerard Lighting Investments No 1 Pty Limited | 46,919,603 | 26.5 |
| 2. | Gerard Lighting Investments No 2 Pty Limited | 45,080,397 | 25.5 |
| 3. | HSBC Custody Nominees (Australia) Limited | 17,699,352 | 10.0 |
| 4. | National Nominees Limited | 16,425,599 | 9.3 |
| 5. | Citicorp Nominees Pty Limited | 9,850,000 | 5.6 |
| 6. | ANZ Nominees Limited <Cash Income A/C> | 7,717,606 | 4.4 |
| 7. | J P Morgan Nominees Australia Limited | 7,522,229 | 4.2 |
| 8. | AMP Life Limited | 3,745,728 | 2.1 |
| 9. | China Faith Capital Resources Limited | 3,000,000 | 1.7 |
| 10. | Cogent Nominees Pty Limited | 2,876,818 | 1.6 |
| 11. | Austock Nominees Pty Limited <Custodian A/C> | 1,900,000 | 1.1 |
| 12. | Citicorp Nominees Pty Limited <Cwlth Small Co Fd 9 A/C> | 1,350,359 | 0.8 |
| 13. | UBS Nominees Pty Limited | 1,206,012 | 0.7 |
| 14. | RBC Dexia Investor Services Australia Nominees Pty Limited <Piselect A/C> | 860,275 | 0.5 |
| 15. | Cogent Nominees Pty Limited <Smp Accounts> | 747,536 | 0.4 |
| 16. | Metal Manufactures Limited | 500,000 | 0.3 |
| 17. | Citicorp Nominees Pty Limited <Cwlth Bank Off Super A/C> | 282,640 | 0.2 |
| 18. | HSBC Custody Nominees (Australia) Limited – A/C 2 | 220,000 | 0.1 |
| 19. | Jag Super Pty Limited <Jag Superannuation Fund A/C> | 200,000 | 0.1 |
| 20. | RBC Dexia Investor Services Australia Nominees Pty Limited <Bkcust A/C> | 200,000 | 0.1 |
| | | 168,304,154 | 95.1 |

# Shareholder Information

as at 16 August 2010

## 3. Substantial Shareholders

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

| | Name | Notes | Number of shares in which a relevant interest is held | % |
|---|---|---|---|---|
| 1. | Gerard Lighting Investments No 1 Pty Limited | (i) | 46,919,603 | 26.5 |
| 2. | Gerard Lighting Investments No 2 Pty Limited | (i) | 45,080,397 | 25.5 |
| 3. | K2 Asset Management Limited | | 11,923,154 | 6.7 |
| 4. | Commonwealth Bank Of Australia (ACN 123 123 124) and its subsidiaries | | 9,866,285 | 5.6 |
| 5. | AMP Limited (ACN 079 354 519) and its related bodies corporate | | 9,096,722 | 5.1 |

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

## 4. Voting Rights

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

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

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

# Corporate Information

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

**Share Register**
Computershare Investor Services Pty Limited
Level 5, 115 Grenfell Street,
Adelaide SA 5000
GPO Box 1903
Adelaide SA 5001

**Auditors**
KPMG
151 Pirie Street,
Adelaide SA 5000

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

**Lawyers**
Norman Waterhouse Lawyers
Level 15, 45 Pirie Street,
Adelaide SA 5000
GPO Box 639,
Adelaide SA 5004