



Gerard Lighting Group Limited
ABN 16 141 079 594



**APPENDIX 4D AND
CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED
31 December 2010**

Appendix 4D

Half Year Report

Name of entity

GERARD LIGHTING GROUP LIMITED

ABN

16 141 079 594

For the half year ended
31 December 2010

Results for announcement to the market

\$'000

Revenues from ordinary activities	209,255
Net profit after tax for the period	9,584
Profit from ordinary activities after tax attributable to members	10,036

Note - no previous corresponding period refer to commentary below.

Dividends

	Amount per security	Franked amt. per security
Interim dividend (cents per share) *	2.70	2.70
Total	2.70	2.70

* to be paid on 18 March 2011

Record date for determining entitlements to the dividend	08 March 2011
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Brief explanation of any figures reported above necessary to enable the figures to be understood:

On 31 December 2009 Gerard Lighting Group Limited (GLG) became the holding company for the former Gerard Lighting Group after Gerard Lighting Pty Limited and its then holding company Gerard Lighting Holdings Pty Limited undertook various changes to their structure and portfolio of assets to prepare the business for the listing of GLG on the Australian Stock 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 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 as shown in the statement of comprehensive income and statement of cash flows (except for the opening cash balance immediately following the common control transaction - refer Note 13) for the half year ended 31 December 2009 is shown as \$nil.

For additional information on operational results refer to the GLG media release dated 22 February 2011

Earnings per share

	December 2010 Cents per share	December 2009 Cents per share
EPS	5.67	N/A
EPS - diluted	5.67	N/A

For additional information on Earnings Per Share refer to note 4 of the notes accompanying the financial statements.

Net tangible assets per share

	December 2010 Cents per share	December 2009 Cents per share
Net tangible asset backing	16.46	N/A

Details of dividend or distribution plans in operation

The company does not have a dividend reinvestment plan in place.

Details of entities over which control has been gained or lost during the period

On 8 October 2010 the Gerard Lighting Group Limited completed the acquisition of Frennd Lighting Pty Limited. On completion Frennd Lighting Pty Limited became a wholly owned subsidiary of Gerard Lighting Group Limited. As a result of the acquisition goodwill of approximately \$7.9 million has been recognised by the Group. The acquisition was funded entirely through cash on hand.

Up to \$1 million of the \$9 million purchase price is subject to performance hurdles directly linked to EBIT for the year ending 30 June 2011.

Effective 22 October 2010 the Group acquired the business of Future Lighting Systems Pty Limited, a distributor of the Group's Austube product in New Zealand. An intangible asset of \$151,000 has been recognised in relation to the acquisition of the distributorship. Contingent consideration of up to \$76,000 (\$NZ 100,000) will become payable on the vendor meeting certain performance hurdles over the first 25 months following completion of the acquisition.

For additional information in relation to entities over which control has been gained refer to note 10 of the attached financial statements.

Details of associates and joint venture entities

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

For additional information in relation to the Groups investment in joint ventures refer to note 11 of the attached financial statements.

Statement as to whether the report is based on accounts which have been audited

This report is based on financial statements that have been reviewed by KPMG, the Group's auditors.

Gerard Lighting Group Limited

For the half year ended 31 December 2010

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This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly this report should be read in conjunction with the annual report for the year ended 30 June 2010 and any public announcements made by Gerard Lighting Group Limited in the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Gerard Lighting Group Limited

Half year ended 31 December 2010

Director's Report

Your directors present their report on the consolidated Group consisting of Gerard Lighting Group Limited (GLG) and the entities it controlled at the end of, or during, the half year ended 31 December 2010.

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 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 as show in the consolidated statement of comprehensive income and consolidated statement of cash flows (except for the opening cash balance immediately following the common control transaction - refer Note 13) for the half year ended 31 December 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 this entire period unless otherwise stated.

Robert Gerard AO (Chairman)

Richard Allert AO, FCA (Deputy Chairman - Independent Non Executive Director)

Simon Gerard (Managing Director)

Graham Walters AM, FCA (Independent Non Executive Director)

Michael Crompton GAICD (Independent Non Executive Director)

Gary Savage FCA (Executive Director)

Graham Ellis (Chief Financial Officer, alternate to Gary Savage)

Review of operations

A summary of the financial results for the half year is as follows:

	Actual 6 mths to 31/12/10	Actual 6 mths to 30/06/10	Forecast Proforma* FY2011	Actual Proforma* FY2010
Sales	209,255	180,918	399,850	362,112
EBITDA	21,905	17,466	40,234	35,380
Depreciation and amortisation	(2,103)	(2,014)	(4,691)	(3,792)
EBIT	19,802	15,452	35,543	31,588
Financing costs	(5,014)	(6,231)	(8,370)	(13,915)
Equity accounted investments	(25)	-	-	-
Profit before tax	14,763	9,221	27,173	17,673
Income tax expense	(5,179)	(3,553)	(8,773)	(6,913)
Profit for the period	9,584	5,668	18,400	10,760

**Proforma information is for the year to 30 June has been extracted from the Prospectus. This data is for information purposes only and is unaudited.*

Gerard Lighting Group Limited

Half year ended 31 December 2010

Director's Report

For additional detail and commentary on the financial results and review of operations please refer to the media release accompanying the appendix 4D.

Dividends

The Directors have announced a fully franked dividend of 2.7 cents per share. The record date for the dividend is 8 March 2011 and the dividend will be paid on 18 March 2011.

Subsequent events

Since the end of the financial period and as at the date of this report, the Directors are not aware of any matter or circumstance 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 periods.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 3.

Rounding to the nearest thousand dollars

The company is of a kind referred to in Class Order 98/0100 issued by the Australian Securities and Investments Commission relating to "rounding off" of amounts in the directors' report and financial report. Amounts in the directors report and financial report have been rounded to the nearest thousand dollars in accordance with that Class Order.

This report is made in accordance with a resolution of the Directors.



Simon Gerard
Managing Director



Richard Allert
Director

Adelaide, 22 February 2011.



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 review for the half-year ended 31 December 2010 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

A handwritten signature in dark ink that reads 'KPMG'.

KPMG

A handwritten signature in dark ink that appears to read 'Paul Cenko'.

Paul Cenko
Partner

Adelaide

22 February 2011

Gerard Lighting Group Limited

For the half year ending 31 December 2010

Condensed Consolidated Statement of Comprehensive Income

	Notes	CONSOLIDATED	
		31-Dec-10 \$'000	31-Dec-09 \$'000
Continuing operations			
Revenue	3(a)	208,943	-
Other income	3(b)	312	-
		<u>209,255</u>	<u>-</u>
Materials and consumables used		(97,910)	-
Employee benefits expense	3(c)	(51,720)	-
Depreciation and amortisation expense	3(d)	(2,103)	-
Other expenses	3(e)	(37,720)	-
Results from operating activities		<u>19,802</u>	<u>-</u>
Finance income	3(f)	420	-
Finance costs	3(g)	(5,434)	-
Net finance costs		<u>(5,014)</u>	<u>-</u>
Share of (loss) of equity accounted investees (net of income tax)	11	(25)	-
Profit before income tax		<u>14,763</u>	<u>-</u>
Income tax expense		(5,179)	-
Profit for the period		<u>9,584</u>	<u>-</u>
Other comprehensive income			
Foreign currency translation differences - foreign operations	3(h)	(707)	-
Income tax on other comprehensive income		-	-
Other comprehensive income for the period, net of tax		(707)	-
Total comprehensive income for the period		<u>8,877</u>	<u>-</u>
Profit attributable to:			
Equity holders of the Company		10,036	-
Non controlling interest		(452)	-
Profit for the period		<u>9,584</u>	<u>-</u>
Total comprehensive income attributable to:			
Equity holders of the Company		9,500	-
Non controlling interest		(623)	-
Total comprehensive income for the period		<u>8,877</u>	<u>-</u>
Earnings per share (cents per share)			
Basic earnings per share	4	5.67	-
Diluted earnings per share	4	5.67	-

Gerard Lighting Group Limited

For the half year ending 31 December 2010

Condensed Consolidated Statement of Financial Position

	<i>Notes</i>	CONSOLIDATED	
		31-Dec-10 \$'000	30-Jun-10 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	6	16,083	14,690
Trade and other receivables		71,977	80,077
Other financial assets		-	154
Inventories		69,270	67,879
Prepayments		2,521	3,366
Total Current Assets		159,851	166,166
Non-current Assets			
Other financial assets		30	30
Investments in equity accounted investees		625	-
Other receivables		613	-
Deferred tax assets		8,762	6,663
Property, plant and equipment		22,660	22,528
Intangible assets		88,416	80,364
Total Non-current Assets		121,106	109,585
TOTAL ASSETS		280,957	275,751
LIABILITIES			
Current Liabilities			
Trade and other payables		54,106	63,821
Interest-bearing liabilities		8,197	10,395
Income tax payable		13,897	5,820
Provisions		12,306	9,636
Total Current Liabilities		88,506	89,672
Non-current Liabilities			
Provisions		1,792	1,341
Interest-bearing liabilities		73,769	76,240
Total Non-current Liabilities		75,561	77,581
TOTAL LIABILITIES		164,067	167,253
NET ASSETS		116,890	108,498
EQUITY			
Equity attributable to equity holders of the Company			
Share Capital	7	86,368	86,368
Retained earnings		12,626	6,130
Other reserves		15,573	15,792
Equity attributable to equity holders of the Company		114,567	108,290
Non controlling interest		2,323	208
TOTAL EQUITY		116,890	108,498

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes

Gerard Lighting Group Limited

For the half year ending 31 December 2010

Condensed Consolidated Statement of Changes in Equity

	<i>Notes</i>	Contributed equity \$'000	Foreign currency translation reserve \$'000	Equity reserve \$'000	Reserve for own shares \$'000	Retained earnings \$'000	Total \$'000	Non controlling interest \$'000	Total equity \$'000
Consolidated									
Balance at 1 July 2009		-	-	-	-	-	-	-	-
Total comprehensive income for the period									
Profit or loss		-	-	-	-	-	-	-	-
Total comprehensive income for the period		-	-	-	-	-	-	-	-
Transactions with owners, recorded directly in equity									
Effect of common control transaction	13	-	-	15,815	-	-	15,815	672	16,487
Total transactions with owners		-	-	15,815	-	-	15,815	672	16,487
Balance at 31 December 2009		-	-	15,815	-	-	15,815	672	16,487
Balance at 1 July 2010		86,368	(96)	15,815	73	6,130	108,290	208	108,498
Total comprehensive income for the period									
Profit or loss		-	-	-	-	10,036	10,036	(452)	9,584
Other comprehensive income									
Foreign currency translation differences		-	(536)	-	-	-	(536)	(171)	(707)
Total comprehensive income for the period		-	(536)	-	-	10,036	9,500	(623)	8,877
Transactions with owners, recorded directly in equity									
Total changes in ownership interests in subsidiaries		-	-	-	-	-	-	2,738	2,738
Share-based payments, net of tax		-	-	-	317	-	317	-	317
Dividends to equity holders		-	-	-	-	(3,540)	(3,540)	-	(3,540)
Total transactions with owners		-	-	-	317	(3,540)	(3,223)	2,738	(485)
Balance at 31 December 2010		86,368	(632)	15,815	390	12,626	114,567	2,323	116,890

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Gerard Lighting Group Limited

For the half year ending 31 December 2010

Condensed Consolidated Statement of Cash Flows

	Notes	CONSOLIDATED	
		31-Dec-10 \$'000	31-Dec-09 \$'000
Cash flows from operating activities			
Cash receipts from customers		240,044	-
Cash paid to suppliers and employees		(217,975)	-
Cash generated from operations		22,069	-
Interest paid		(4,195)	-
Income taxes (paid)/ received		546	-
Net cash from operating activities		18,420	-
Cash flows from investing activities			
Interest received		420	-
Acquisition of subsidiaries - net of cash acquired	10	(7,252)	-
Acquisition of business	10	(151)	-
Investment in equity accounted investees	11	(650)	-
Proceeds from sale of property, plant and equipment		26	-
Product development - capitalised		(58)	-
Acquisition of property, plant and equipment		(2,534)	-
Net cash flows used in investing activities		(10,199)	-
Cash flows from financing activities			
Effect of common control transaction	13	-	8,969
Net repayments of borrowings		(3,211)	-
Finance lease repayments		(103)	-
Payment of dividends on ordinary shares	5	(3,540)	-
Net cash flows used in financing activities		(6,854)	8,969
Net increase in cash and cash equivalents		1,367	8,969
Effect of exchange rate fluctuations on cash held		26	-
Cash and cash equivalents at beginning of period		14,690	-
Cash and cash equivalents at end of period	6	16,083	8,969

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes

Notes to the condensed consolidated interim financial statements

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

This preliminary financial report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4D.

(b) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with AASB 134 *Interim Financial Reporting*, the *Corporations Act 2001* and other mandatory professional requirements. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 30 June 2010.

These condensed consolidated interim financial statements were approved by the Board of Directors on 22 February 2011.

(c) 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.

(d) 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 are consistent 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.

(e) 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 as shown in the statement of comprehensive income and statement of cash flows (except for the opening cash balance immediately following the common control transaction - refer Note 13) for the half year ended 31 December 2009 is shown as \$nil.

(f) 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 condensed consolidated interim financial statements

(g) **Accounting estimates**

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as applied to the consolidated financial statements as at and for the period ended 30 June 2010.

(h) **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.

(i) **Rounding of amounts**

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.

2 FINANCIAL RISK MANAGEMENT

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the period ending 30 June 2010.

	31-Dec-10 \$000's	31-Dec-09 \$000's
3 REVENUE AND EXPENSES		
(a) Revenue		
Sale of goods	208,943	-
	<u>208,943</u>	<u>-</u>
(b) Other income		
Gain/(loss) on disposal of property, plant and equipment	4	-
Other revenue	308	-
	<u>312</u>	<u>-</u>
(c) Employee benefits expense		
Wages and salaries	41,840	-
Superannuation paid	2,989	-
Workers compensation costs	985	-
Termination payments	429	-
Expense of share-based payments	317	-
Other personnel costs	5,160	-
Total employee benefits expense	<u>51,720</u>	<u>-</u>
(d) Depreciation and amortisation expense		
Property, plant and equipment	1,963	-
Plant and equipment under lease	70	-
Amortisation of product development costs	70	-
Total depreciation and amortisation expense	<u>2,103</u>	<u>-</u>

Notes to the condensed consolidated interim financial statements

	31-Dec-10 \$000's	31-Dec-09 \$000's
3 REVENUE AND EXPENSES (Cont.)		
(e) Other expenses		
Warehouse and distribution	9,326	-
Occupancy	4,776	-
Advertising and promotion	3,601	-
Professional services	1,090	-
Motor vehicle	2,088	-
Marketing, travel and entertainment	5,399	-
Other	11,440	-
Total other expenses	<u>37,720</u>	<u>-</u>
(f) Finance income		
Bank interest received	420	-
Total finance income	<u>420</u>	<u>-</u>
(g) Finance costs		
Bank loans and overdrafts	4,184	-
Lease and hire purchase	11	-
Foreign currency losses	783	-
Net loss in value of financial assets	456	-
Total finance costs	<u>5,434</u>	<u>-</u>
(h) Amounts recognised in other comprehensive income		
Foreign currency translation differences - foreign operations	(707)	-
Income tax applicable	-	-
	<u>(707)</u>	<u>-</u>
Attributable to:		
Equity holders	(536)	-
Non controlling interest	(171)	-
	<u>(707)</u>	<u>-</u>

4 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:

	31-Dec-10 \$000's	31-Dec-09 \$000's
Net profit from continuing operations attributable to equity holders of the parent	<u>10,036</u>	<u>-</u>
	<i>Thousands</i>	<i>Thousands</i>
Weighted average number of ordinary shares for basic earnings per share	177,000	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	<u>177,000</u>	<u>N/A</u>

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.

Notes to the condensed consolidated interim financial statements

5 DIVIDENDS PAID AND PROPOSED

Ordinary shares

Final 2010 - Ordinary (fully franked) of 2.0 cents per share, paid on 22 October 2010	<u>3,540</u>	<u>-</u>
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Since the end of the half year the Directors have recommended the payment of an interim dividend of 2.7 cents per share.

Interim 2011 - Ordinary (fully franked)	<u>4,779</u>	<u>-</u>
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Date of payment	18-Mar-11	N/A
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The tax rate at which paid dividends have been franked is 30%.

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

31-Dec-10	30-Jun-10
\$000's	\$000's

6 CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, cash and cash equivalents

Cash at bank and in hand	<u>16,083</u>	<u>14,690</u>
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7 SHARE CAPITAL

Notes

31-Dec-10

30-Jun-10

Thousands

Thousands

Opening balance at the beginning of period		177,000	-
Issued in connection with corporate restructure	i	-	87,000
Issued for cash	ii	-	85,000
Conversion of debt to equity	iii	-	5,000
Closing balance at the end of the period		<u>177,000</u>	<u>177,000</u>

\$000's

\$000's

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		<u>-</u>	<u>86,368</u>

(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.

8 OPTIONS OVER ORDINARY SHARES

	Number 000's	Grant date	Vesting date	Exercise price
Outstanding at the beginning of the period	10,000	19-Mar-10	30-Jul-15	\$1.00
Forfeited during the period	-			
Exercised during the period	-			
Granted during the period	-			
Outstanding at the end of the period	<u>10,000</u>			

Notes to the condensed consolidated interim financial statements

9 CONTINGENCIES

Legal claims

There were no material or significant legal claims at 31 December 2010.

Guarantees

The Group issues bank guarantees to satisfy security bonds necessarily required in relation to commercial leases for property it occupies. As at 31 December 2010 the amount of outstanding guarantees is \$4,904,000.

10 BUSINESS COMBINATIONS

Acquisition of subsidiary

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

In the three months to 31 December 2010 Frend Lighting Pty Ltd contributed revenues of \$2,098,000 and profit before tax of \$550,000. If the acquisition had occurred on 1 July 2010, management estimates that the Group's consolidated revenue would have been \$211,041,000 and the Group's consolidated profit before tax would have been \$15,313,000. In determining these amounts management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same as if the acquisition occurred on 1 July 2010.

Consideration	\$000's
Cash	8,000
Contingent consideration	1,000
Total consideration	<u>9,000</u>

The Group incurred acquisition costs of \$47,900 relating to external legal fees and due diligence costs. The costs of the transaction have been included in office costs and other in the Group's consolidated statement of comprehensive income.

The Group has agreed to pay the vendors of Frend Lighting Pty Ltd up to an additional \$1 million if the acquiree's earnings before interest and tax (EBIT) for the year ending 30 June 2011 is between \$1.5 million and \$2 million. The amount payable is determined on a prorata basis for an annualised EBIT above \$1.5 million.

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

Goodwill

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

	\$000's
Total consideration	9,000
Less value of identifiable assets	(1,089)
Goodwill	<u>7,911</u>

Notes to the condensed consolidated interim financial statements

10 BUSINESS COMBINATIONS (Cont.)

Effective 22 October 2010 the Group acquired the business of Future Lighting Systems Pty Limited, a distributor of the Group's Austube product in New Zealand. An intangible asset of \$151,000 has been recognised in relation to the acquisition of the distributorship.

Consideration	\$000's
Cash	151
Contingent consideration	76
Total consideration	<u>227</u>

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

11 EQUITY ACCOUNTED INVESTEEES

Acquisition of non controlling interest

Effective 30 July 2010 the Group acquired a 50% interest in White-Lite Pty Ltd. The carrying amount of White-Lite's net assets in the consolidated financial statements as at 31 December 2010 is \$625,000. The Group acquired its 50% interest for a cash consideration of \$650,000.

12 EVENTS AFTER BALANCE SHEET DATE

Since the end of the financial period and as at the date of this report, the Directors are not aware of any matter or circumstance 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 periods.

13 RELATED PARTY TRANSACTIONS

Arrangements with related parties continue to be in place. For details of these arrangements, refer to the consolidated financial statements as at for the period ended 30 June 2010.

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.

Gerard Lighting Group Limited

Half year ended 31 December 2010

Director's Declaration

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

(a) the condensed consolidated financial statements and accompanying notes are in accordance with the *Corporations Act 2001*, including:

(i) giving true and fair view of the Group's financial position as at 31 December 2010 and of its performance, as represented by the results of its operations and its cash flows, for the half year ended on that date; and

(ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and Corporations Regulations 2001; and

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

Signed in accordance with a resolution of the Directors.



Simon Gerard
Managing Director



Richard Allert
Director

Adelaide, 22 February 2011.



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

Report on the financial report

We have reviewed the accompanying half-year financial report of Gerard Lighting Group Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2010, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes 1 to 13 comprising a summary of significant accounting policies and other explanatory information and the Directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The Directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Gerard Lighting Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Gerard Lighting Group Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

Paul Cenko
Partner

Adelaide

22 February 2011

Corporate Information

Directors

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

Company Secretaries

Gary Savage FCA (<i>Joint</i>)	17 March 2010
Mark Pearson (<i>Joint</i>)	17 March 2010

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