

Beacon Lighting Corporation Pty Ltd

(Formerly known as Sonman Investments Pty Ltd)

ABN 56 083 125 446

Interim financial report

for the 26 week financial period ended 29 December 2013

(prior year 26 week financial period ended 23 December 2012)

Beacon Lighting Corporation Pty Ltd

ABN 56 083 125 446

Interim financial report - 29 December 2013

Contents

	Page
Directors' report	1
Interim financial report	3
Independent auditor's review report to the members	22

Directors' report

Your directors present their report on the consolidated entity consisting of Beacon Lighting Corporation Pty Ltd and the entities it controlled at the end of, or during, the 26 week financial period ended 29 December 2013.

Directors

The following persons were directors of Beacon Lighting Corporation Pty Ltd during the whole of the 26 week financial period and up to the date of this report:

Ian Scott Robinson
Martin John Hanman

Review of operations

Sales grew by 11.5% to \$74.5 million for H1 FY2014 (the half year to 29 December 2013) compared to \$66.8 million for H1 FY2013 (the half year to 23 December 2012). Comparative company store sales grew by 5.1% and Beacon Lighting opened three new company stores and acquired a competitor lighting company store which was fitted out and rebranded as a Beacon Lighting store. An existing company store was also moved to a new location.

The gross profit margin increased to 66.0% of sales for H1 FY2014 compared to 64.0% for H1 FY2013. The gross profit margin improved as a result of the new product range, successful promotion campaigns, changing product mix, new selling prices and attractive cost prices for stock already in the supply chain at the start of H1 FY2014.

Other revenue was 2.8% of sales and has slightly fallen to \$2.1 million. Beacon Lighting also received \$1.1 million in Other Income which substantially relates to a customs import duty refund received during H1 FY2014.

Selling and distribution expenses increased to \$30.2 million or 40.5% of sales for H1 FY2014 compared to \$26.5 million or 39.7% of sales for H1 FY2013. This is as a result of the continued investment in new stores, relocation of an existing store and the continued investment in the emerging businesses (Beacon Solar and Beacon International). Marketing expenses grew to \$4.8 million or 6.5% of sales with a total increase of 6.2% compared to the prior year. General and administration expenses have increased by 19.6% or by \$1.2 million. The most significant contributor to this increase related to a warranty expense provision for \$0.9 million.

Given the improvement in sales and gross profit, the Company was able to achieve a Profit Before Income Tax result of \$9.6 million for H1 FY2014 or an increase of \$2.2 million over H1 FY2013.

The Company continues to maintain a conservative approach to financial management and maintains a strong cash position of \$14.8 million. Inventory has grown to \$34.6 million as a result of the opening of new stores and other supply chain initiatives. The growth in the payable balance continues to fund the increase in stock levels.

The first six weeks of the second half have yielded positive comparable results. The company believes there are further opportunities to grow sales in comparative and new stores and to further leverage the business infrastructure. The Company remains confident in its business and its ability to drive long term profitable growth.

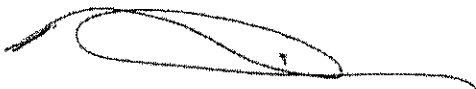
Upcoming IPO offering

This half-year report has been prepared on the basis that the Group is preparing for an initial public offering ("IPO") on the Australian Securities Exchange ("ASX").

Auditor's independence declaration

A copy of the auditor's independence declaration is set out on page 2.

This report is made in accordance with a resolution of directors.



Ian Scott Robinson
Director
Melbourne
21 February 2014



Auditor's Independence Declaration

As lead auditor for the review of Beacon Lighting Corporation Pty Ltd for the 26 week financial period ended 29 December 2013, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Beacon Lighting Corporation Pty Ltd and the entities it controlled during the period.

A handwritten signature in blue ink, appearing to read 'Daniel Rosenberg'.

Daniel Rosenberg
Authorised Representative PricewaterhouseCoopers Securities Ltd

Melbourne
21 February 2014

PricewaterhouseCoopers Securities Ltd, ACN 003 311 617, ABN 54 003 311 617, Holder of Australian Financial Services Licence No 244572

Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

Beacon Lighting Corporation Pty Ltd

ABN 56 083 125 446

Interim financial report - 29 December 2013

Contents

	Page
Interim financial report	
Consolidated statement of comprehensive income	4
Consolidated statement of financial position	5
Consolidated statement of changes in equity	6
Consolidated statement of cash flows	7
Notes to the consolidated financial statements	8
Directors' declaration	21
Independent auditor's review report to the members	22

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the 53 week financial period ended 30 June 2013.

Beacon Lighting Corporation Pty Ltd is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Beacon Lighting Corporation Pty Ltd
5 Bastow Place
Mulgrave VIC 3170

A description of the consolidated entity's operations is included in the directors' report on page 1, of which is not part of these financial statements.

Beacon Lighting Corporation Pty Ltd
Consolidated statement of comprehensive income
For the 26 week financial period ended 29 December 2013

		Consolidated
	29 December 2013 \$	23 December 2012 \$
Notes		
Revenue from ordinary activities		
Sale of goods	74,496,917	66,831,786
Other revenue from ordinary activities	<u>2,065,717</u>	<u>2,191,284</u>
	76,562,634	69,023,070
Other Income	1,136,545	107,073
Expenses		
Cost of sales of goods	(25,351,771)	(24,078,733)
Other expenses from ordinary activities		
Marketing	(4,843,830)	(4,559,989)
Selling and distribution	(30,160,166)	(26,503,923)
General and Administration	(7,262,461)	(6,070,509)
Finance costs	(483,400)	(536,180)
Profit before income tax	<u>9,597,551</u>	<u>7,380,809</u>
Income tax expense	14 (2,880,937)	(2,244,854)
Profit for the half-year	<u>6,716,614</u>	<u>5,135,955</u>
Other comprehensive income for the half-year, net of tax		
Changes in the fair value of cash flow hedges	55,044	(999)
Total comprehensive income for the half-year	<u>6,771,658</u>	<u>5,134,956</u>
Profit is attributable to:		
Owners of Beacon Lighting Corporation Pty Ltd	<u>6,716,614</u>	5,135,955
	<u>6,716,614</u>	<u>5,135,955</u>
Total comprehensive income for the half-year is attributable to:		
Owners of Beacon Lighting Corporation Pty Ltd	<u>6,771,658</u>	5,134,956
	<u>6,771,658</u>	<u>5,134,956</u>
Earnings per share for profit attributable to the ordinary equity holders of the Group:		
Basic earnings per share (cents)	312	239

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Beacon Lighting Corporation Pty Ltd
Consolidated statement of financial position
As at 29 December 2013

		Consolidated	
		29 December	30 June
		2013	2013
Notes		\$	\$
ASSETS			
Current assets			
	Cash and cash equivalents	14,773,886	7,602,098
	Trade and other receivables	14,818,752	14,490,615
	Inventories	34,624,825	29,073,147
4	Derivative financial instruments	148,548	93,280
	Other current assets	126,297	579,832
	Total current assets	64,492,308	51,838,972
Non-current assets			
5	Property, plant and equipment	15,291,482	14,025,017
	Deferred tax assets	2,651,304	2,467,213
6	Intangible assets	3,435,091	3,356,491
	Total non-current assets	21,377,877	19,848,721
	Total assets	85,870,185	71,687,693
LIABILITIES			
Current liabilities			
7	Trade and other payables	36,502,915	22,177,896
	Borrowings	748,112	638,967
	Current tax liabilities	1,344,996	1,156,537
8	Provisions	3,940,736	2,878,932
	Total current liabilities	42,536,759	26,852,332
Non-current liabilities			
9	Borrowings	1,024,482	267,167
10	Provisions	524,919	355,827
	Total non-current liabilities	1,549,401	622,994
	Total liabilities	44,086,160	27,475,326
	Net assets	41,784,025	44,212,367
EQUITY			
11	Contributed equity	2,150,000	2,150,000
	Reserves	(637,346)	(692,390)
	Retained earnings	40,271,371	42,754,757
	Total equity	41,784,025	44,212,367

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

Beacon Lighting Corporation Pty Ltd
Consolidated statement of changes in equity
For the 26 week financial period ended 29 December 2013

Consolidated

	Contributed equity	Reserves	Retained earnings	Total equity
	\$	\$	\$	\$
Balance at 24 June 2012	2,150,000	-	33,081,439	35,231,439
Profit for the half-year	-	-	5,135,955	5,135,955
Other comprehensive income	-	(999)	-	(999)
Total comprehensive income for the half-year	-	(999)	5,135,955	5,134,956
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	-	-	(1,980,000)	(1,980,000)
	-	-	(1,980,000)	(1,980,000)
Balance at 23 December 2012	2,150,000	(999)	36,237,394	38,386,395
Balance at 30 June 2013	2,150,000	(692,390)	42,754,757	44,212,367
Profit for the half-year	-	-	6,716,614	6,716,614
Other comprehensive income	-	55,044	-	55,044
Total comprehensive income for the half-year	-	55,044	6,716,614	6,771,658
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	-	-	(9,200,000)	(9,200,000)
	-	-	(9,200,000)	(9,200,000)
Balance at 29 December 2013	2,150,000	(637,346)	40,271,371	41,784,025

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

Consolidated statement of cash flows
For the 26 week financial period ended 29 December 2013

	Consolidated	
	29 December	23 December
	2013	2012
	\$	\$
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	83,110,036	79,044,243
Payments to suppliers and employees (inclusive of goods and services tax)	(67,838,298)	(70,654,497)
	<u>15,271,738</u>	<u>8,389,746</u>
Interest received	60,911	107,695
Borrowing costs	(284,520)	(271,237)
Income taxes paid	(2,860,490)	(1,605,149)
Net cash inflow from operating activities	<u>12,187,639</u>	<u>6,621,055</u>
Cash flows from investing activities		
Payments for property, plant and equipment	(793,101)	(1,468,821)
Payment for acquisitions	(90,100)	(1,082,978)
Repayment of loans by related parties	642,655	(4,568)
Net cash (outflow) from investing activities	<u>(240,546)</u>	<u>(2,556,367)</u>
Cash flows from financing activities		
Repayment of borrowings	(635,306)	(359,275)
Dividends paid to company's shareholders	(4,140,000)	(1,680,000)
Net cash (outflow) from financing activities	<u>(4,775,306)</u>	<u>(2,039,275)</u>
Net increase in cash and cash equivalents	<u>7,171,787</u>	<u>2,025,413</u>
Cash and cash equivalents at the beginning of the half-year	<u>7,602,098</u>	<u>7,483,319</u>
Cash and cash equivalents at end of the half-year	<u>14,773,885</u>	<u>9,508,732</u>

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

1 Basis of preparation of half-year report

(a) Basis of preparation

This half-year report has been prepared on the basis that the Group is preparing for an initial public offering ("IPO") on the Australian Securities Exchange ("ASX"). This report is required for the purpose of including the results and balances of the 6 month period to 29 December 2013 in the public prospectus that will be lodged with the ASX prior to the IPO. It is a requirement under the ASX Listing Rules, that the financial statements for the 3 years prior to the IPO are lodged with the ASX along with the prospectus.

While this interim report for the half-year ended 29 December 2013 is a non-statutory report, it has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting.

(ii) New and amended standards adopted by the group

The Group has applied the following standards and amendments applicable for the first time for the December 2013 half-year report:

- AASB 10 Consolidated Financial Statements and AASB 11 Joint Arrangements
- Accounting for Employee Benefits - revised AASB 119 Employee Benefits
- AASB 13 Fair Value Measurement

AASB10 Consolidated Financial Statements, AASB11 Joint Arrangements

AASB 10 was issued in August 2011 and replaces the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements. Under the new principles, the Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The Group has reviewed its investments in other entities to assess whether the consolidation in relation to these entities is different under AASB 10 than under AASB 127. No differences were found and therefore no adjustments to any of the carrying amounts in the financial statements are required as a result of the adoption of AASB 10.

Under AASB 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement. There is no change to the Group's accounting as a result of the adoption of AASB 11.

AASB119 Employee Benefits

The adoption of the revised AASB 119 Employee Benefits has changed the accounting for the group's annual leave obligations. As the entity does not expect all annual leave to be taken within 12 months of the respective service being provided, annual leave obligations are now measured on a discounted basis. However, the impact of this change was immaterial since the majority of the leave is still expected to be taken within a short period after the end of the reporting period.

AASB13 Fair Value Measurement

AASB 13 was released in September 2011 and aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Australian Accounting Standards. The standard does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other Australian Accounting Standards. This standard does not affect the Group's accounting policy.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(iii) Historical cost convention

This interim financial report has been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

1 Basis of preparation of half-year report (continued)

(a) Basis of preparation (continued)

(iii) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. There are no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

(iv) The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as set out below:

Warranty Provision

A warranty provision was raised at 29 December 2013 due to the increased magnitude of this cost in line with the increase in business activity compared to the prior period. Provisions for product warranties are recognised when the Company has a legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

(b) Comparative Financial Information

Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year. Comparative information is reclassified where appropriate to enhance comparability and provide more appropriate information to users.

During the period comparatives in respect of sales and cost of sales were reclassified to eliminate certain intra group transactions. As a result of this, Sale of goods and Cost of sales of goods were each reduced by \$3.6m in the Consolidated statement of comprehensive income for the half ended 23 December 2012.

(c) Principles of consolidation

(i) Subsidiaries

The consolidated financial report incorporates the assets and liabilities of all subsidiaries of Beacon Lighting Corporation Pty Ltd ('company' or 'parent entity') as at 29 December 2013 and the results of all subsidiaries for the period then ended. Beacon Lighting Corporation Pty Ltd and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 1(h)).

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the consolidated income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of identifiable net assets of the subsidiary.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated balance sheet respectively.

Where control of an entity is obtained during a financial period, its results are included in the consolidated statement of comprehensive income from the date on which control commences. Where control of an entity ceases during a financial period its results are included for that part of the period during which control existed.

Investments in subsidiaries are accounted for at cost in accounting records of Beacon Lighting Corporation Pty Ltd.

(i) Business combinations under common control

Business combinations under common control are accounted for in the consolidated accounts prospectively from the date the group obtains the ownership interest. Assets and liabilities are recognised upon consolidation at their carrying amount in the consolidated financial statements of the ultimate parent entity, Beacon Lighting Corporation Pty Ltd. Any difference between the fair value of the consideration paid and the amounts at which the assets and liabilities are recorded is recognised directly in equity under "reserves".

1 Basis of preparation of half-year report (continued)

(d) Foreign currency translation

(i) *Functional and presentation currency*

Items included in the financial report of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial report is presented in Australian dollars, which is Beacon Lighting Corporation Pty Ltd's functional and presentation currency.

(ii) *Transactions and balances*

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 year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

(iii) *Specific commitments*

Hedging is undertaken in order to avoid or minimise possible adverse financial effects of movements in exchange rates. Gains or costs arising upon entry into a hedging transaction intended to hedge the purchase or sale of goods and services, together with subsequent exchange gains or losses resulting from those transactions are deferred in the statements of comprehensive income from the inception of the hedging transaction up to the date of the purchase or sale and included in the measurement of the purchase or sale. Any gains or losses arising on the hedging transaction after the recognition of the hedge purchase or sale are included in the consolidated statement of comprehensive income.

In the case of hedges of monetary items, exchange gains or losses are brought to account in the financial period in which the exchange rates change. Gains or costs arising at the time of entering into such hedging transactions are brought to account in the consolidated statement of comprehensive income over the lives of the hedges.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

(i) *Sale of goods*

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer. Revenue recognised equals the fair value of the consideration received or receivable.

(ii) *Trust distribution income*

Trust distribution revenue is recognised when the right to receive a distribution has been established.

(iii) *Interest income*

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

(f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Beacon Lighting Corporation Pty Ltd and its wholly-owned Australian controlled entities have not implemented the tax consolidation legislation.

1 Basis of preparation of half-year report (continued)

(g) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases (note 9). Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term.

(h) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition-date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

(i) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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 inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(j) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated balance sheet.

1 Basis of preparation of half-year report (continued)

(k) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 30-60 days from the date of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the consolidated statement of comprehensive income.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(l) Inventories

Inventories are measured at the lower of cost and net realisable value.

(m) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expenses.

(n) Property, plant and equipment

All plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Plant and equipment	3 to 10 years
Leased plant and equipment	5 to 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is Group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

1 Basis of preparation of half-year report (continued)

(o) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(ii) Patents, Trademarks and Other Rights

Patents, Trademarks and Other Rights have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of the brand names over their useful life of 25 years.

(p) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(q) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(r) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(s) Employee benefits

(i) Short-term obligations

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

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of each reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of each reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(t) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

2 Segment information

The chief operating decision makers for Beacon Lighting Corporation Pty Ltd and its controlled entities (the Company), are the Chief Executive Officer (CEO) and the Board of Directors. The Company determines operating segments based on information provided to the CEO and Board of Directors in assessing performance and determining the allocation of resources with the Company. Consideration is given to the manner in which products are sold, nature of the products supplied, the organisational structure and the nature of customers.

Reportable segments are based on the aggregated operating segments determined by the manner in which products are sold, similarity of products, nature of the products supplied, the nature of customers and the methods used to distribute the product. The company purchases goods from Asia (in USD) for sales into Australia. Therefore the Company's one reportable segment is the selling of lighting, fans and energy efficient products in the Australian market.

The total of the reportable segments' revenue, profit, assets and liabilities, is the same as that of the Company as a whole and as disclosed in the consolidated statement of comprehensive income and consolidated statement of financial position

3 Profit for the half-year

	Dec 2013	Dec 2012
	\$	\$
Profit for the half-year includes the following items that are significant because of their nature, size or incidence:		
Gains		
Other Income- Customs import duty refund	1,075,634	-
Expenses		
Expense incurred in collection of import duty refund	272,814	-
Warranty provision expense	861,300	-

4 Fair value measurement of financial instruments

Fair value hierarchy

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and
- c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the groups' financial assets and financial liabilities measured and recognised at fair value at 29 December 2013, on a recurring basis.

At 29 December 2013	Level 2	Total
	\$	\$
Assets		
Derivatives used for hedging	<u>2,342,672</u>	<u>2,342,672</u>
Liabilities		
Derivatives used for hedging	<u>2,194,124</u>	<u>2,194,124</u>
Net Position	<u>148,548</u>	<u>148,548</u>

At 30 June 2013	Level 2	Total
	\$	\$
Assets		
Derivatives used for hedging	<u>2,107,548</u>	<u>2,107,548</u>
Liabilities		
Derivatives used for hedging	<u>2,014,268</u>	<u>2,014,268</u>
Net Position	<u>93,280</u>	<u>93,280</u>

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

All of the resulting fair value adjustments are included in level 2.

5 Non-current assets: Property, plant and equipment

	Plant and equipment \$
At 30 June 2013	
Cost	24,912,428
Accumulated depreciation	(10,887,411)
Net book amount	<u>14,025,017</u>
Half-year ended 29 December 2013	
Opening net book amount	14,025,017
Additions	2,308,099
Disposals	(110,744)
Depreciation charge	(930,890)
Closing net book amount	<u>15,291,482</u>
At 29 December 2013	
Cost	27,109,783
Accumulated depreciation	(11,818,301)
Net book amount	<u>15,291,482</u>

6 Non-current assets : Intangible assets

	Goodwill	Patents, trademarks and other rights	Other	Total
	\$	\$	\$	\$
At 30 June 2013				
Cost	3,034,991	500,000	1,500	3,536,491
Accumulated amortisation and impairment	-	(180,000)	-	(180,000)
Net book amount	<u>3,034,991</u>	<u>320,000</u>	<u>1,500</u>	<u>3,356,491</u>
Half-year ended 29 December 2013				
Opening net book amount	3,034,991	320,000	1,500	3,356,491
Additions	90,100	-	-	90,100
Amortisation charge	-	(10,000)	-	(10,000)
Impairment charge	-	-	(1,500)	(1,500)
Closing net book amount	<u>3,125,091</u>	<u>310,000</u>	<u>-</u>	<u>3,435,091</u>
At 29 December 2013				
Cost	3,125,091	500,000	-	3,625,091
Accumulated amortisation and impairment	-	(190,000)	-	(190,000)
Net book amount	<u>3,125,091</u>	<u>310,000</u>	<u>-</u>	<u>3,435,091</u>

7 Current Liabilities: Trade and other payables

	Consolidated	
	29 December 2013	30 June 2013
	\$	\$
Creditors under trade finance facilities	13,676,216	9,412,642
Dividends payable to shareholders	5,060,000	-
Other trade payables	17,766,699	12,765,254
	<u>36,502,915</u>	<u>22,177,896</u>

8 Current liabilities: Provisions

	Consolidated	
	29 December 2013	30 June 2013
	\$	\$
Employee benefits (a)	3,009,642	2,814,504
Product warranty (b)	861,300	-
Other provisions (c)	69,794	64,428
	<u>3,940,736</u>	<u>2,878,932</u>

(a) Amounts not expected to be settled within 12 months

The current provision for employee benefits includes accrued annual leave and long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the annual leave provision is presented as current, since the Group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The following amounts reflect leave that is not to be expected to be taken or paid within the next 12 months.

	Consolidated	
	29 December 2013	30 June 2013
	\$	\$
Leave obligations expected to be settled after 12 months	902,892	836,680

(b) Refer to note 1(a)(iv)

(c) Other provisions

Provision is made for the fringe benefit tax payable at the end of the reporting period.

9 Non-current liabilities: Borrowings

	Consolidated	
	29 December	30 June
	2013	2013
	\$	\$
Unsecured		
Hire purchase plan	<u>1,024,482</u>	<u>267,167</u>

Hire purchase plan

The Group utilises hire-purchase plans to acquire assets (ie: furniture and fittings and motor vehicles), with one to four year terms.

10 Non-current liabilities: Provisions

	Consolidated	
	29 December	30 June
	2013	2013
	\$	\$
Employee benefits	<u>524,919</u>	<u>372,384</u>

11 Contributed equity

	29 December 2013 Shares	30 June 2013 Shares	29 December 2013 \$	30 June 2013 \$
Share capital				
Ordinary shares				
Fully paid	<u>2,150,000</u>	<u>2,150,000</u>	<u>2,150,000</u>	<u>2,150,000</u>

12 Contractual maturities of financial liabilities

Consolidated Entity	Less than 6 Months	6-12 months	Between 1 and 5 years	Over 5 years	Total Contractual cash flows	Carrying amount (assets) / liabilities
	\$	\$	\$	\$	\$	\$
Non Derivatives						
Trade & Other payables	31,442,915	-	-	-	31,442,915	31,442,915
Finance Lease liabilities	-	748,112	1,024,482	-	1,772,594	1,772,594
Total non-derivatives	31,442,915	748,112	1,024,482	-	33,215,509	33,215,509
Derivatives						
Gross settled (forward foreign exchange contracts - cash flow hedges)						
- (inflow)	(2,342,672)	-	-	-	(2,342,672)	(2,342,672)
- outflow	2,194,124	-	-	-	2,194,124	2,194,124
	(148,548)	-	-	-	(148,548)	(148,548)

13 Dividends

Ordinary shares

Dividends provided for or paid during the half-year

Consolidated	
29 December 2013	23 December 2012
\$	\$
<u>4,140,000</u>	<u>1,980,000</u>

14 Income Tax

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year to 29 December 2013 is 30%, compared to 30% for the six months ended 23 December 2012.

15 Contingencies

Claims

There were no significant or material claims at 29 December 2013.

16 Commitments

There has been no significant change to the substance or value of commitments to those disclosed in the 30 June 2013 Financial report.

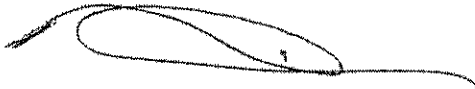
17 Events occurring after the reporting period

No matter or circumstance, other than previously disclosed in the financial statements has occurred subsequent to period end that has significantly effected, or may significantly effect, the operation of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial periods.

In the directors' opinion:

- (a) the interim financial report and notes set out on pages 3 to 20 are in accordance with the *Corporations Act 2001*, including:
- (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 29 December 2013 and of its performance for the half-year on that date, and
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of directors.



Ian Scott Robinson
Director

Melbourne
21 February 2014

Independent auditor's review report to the members of Beacon Lighting Corporation Pty Ltd

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report, of Beacon Lighting Corporation Pty Ltd, (the company) which comprises the statement of financial position as at 29 December 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Beacon Lighting Corporation Pty Ltd (the consolidated entity). The consolidated entity comprises the company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with the accounting policies as described in Note 1 to the financial statements and have determined that the accounting policies in Note 1, which form part of the financial report, are appropriate to meet the needs of the members. The directors' are also responsible 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; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Assurance practitioner'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 Australian Auditing Standard on Review Engagements ASRE 2400 *Review of a Financial Report Performed by an Assurance Practitioner Who is not the Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the financial report is not presented fairly, in all material respects, in accordance with the accounting policies as described in Note 1 to the financial report. ASRE 2400 requires us to comply with the requirements of the applicable code of professional conduct of a professional accounting body.

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.

Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of Beacon Lighting Corporation Pty Ltd does not present fairly, in all material respects, the consolidated entity's financial position as at 29 December 2013 and its performance for the half-year ended on that date.



Basis of Accounting and Restriction on Distribution and Use

Without modifying our conclusion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The half-year financial report has been prepared to assist Beacon Lighting Corporation Pty Ltd to meet the requirements of preparing for an initial public offering ("IPO") on the Australian Securities Exchange ("ASX"). As a result, the half-year financial report may not be suitable for another purpose. Our report is intended solely for the members of Beacon Lighting Corporation Pty Ltd.

A handwritten signature in blue ink, appearing to read "D Rosenberg".

Daniel Rosenberg
Authorised Representative
PricewaterhouseCoopers Securities Ltd

21 February 2014

For personal use only