For personal use only



Beacon Lighting Group Limited

ANNUAL REPORT 2020

Beacon LIGHTING



personal use only

For personal use only

Contents

Chairman's and Chief Executive Officer's Report	1
Board of Directors	4
Management Team	5
Corporate Governance Statement	6
Directors' Report	12
Auditor's Independence Declaration	29
Index to the Financial Statements	30
Consolidated Statement of Comprehensive Income	31
Consolidated Balance Sheet	32
Consolidated Statement of Changes in Equity	33
Consolidated Statement of Cash Flows	34
Notes to Consolidated Financial Statements	35
Directors' Declaration	84
Independent Auditor's Report to the Members of Beacon Lighting Group Limited	86
Shareholders' Information	92
Corporate Directory	94
Store Locations	96

Important Notice

This financial report is the consolidated financial report of the consolidated entity consisting Beacon Lighting Group Limited, ACN 164 122 785 and its subsidiaries. Beacon Lighting Group Limited is a Company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is 5 Bastow Place Mulgrave Victoria 3170. A description of the nature of the consolidated entity's operations and its principal activities is included in the Directors' Report on page 12, which is not part of the financial report. The financial report was authorised for issue by the Directors on 19 August 2020. The Directors have the power to amend and reissue the financial statements.



For personal use only

For personal use only

Chairman's & Chief Executive Officer's Report

The Beacon Lighting Group is pleased to announce the financial results for FY2020. With the impact of the COVID-19 pandemic it was, without a doubt, an unprecedented year, yet a financially successful one for the Group. During the pandemic period, following the introduction of additional safety measures including social distancing, intensive cleaning and restrictions on the number of customers visiting, Beacon Lighting stores were able to remain open. It is in these circumstances that the Board of Directors would like to thank our associates, customers, business partners and general community for their support and contribution to Beacon Lighting's success in FY2020.

FY2020 HIGHLIGHTS

The key highlights which contributed to the statutory result in FY2020 include:

- Record sales result of $252.2 million.
- Record Net Profit After Tax result of $22.2 million.
- Company store comparative sales increase of 7.2%.
- Record online sales of $16.2 million in Australia representing growth of 50.2%
- The successful sale and leaseback of the Parkinson Distribution Centre (QLD).
- The purchase of the designer lighting business Custom Lighting (VIC) and the franchised Beacon Lighting store at Myaree (WA).
- Managed the closure of Beacon Energy Solutions.

GROUP OVERVIEW

The Beacon Lighting Group finished FY2020 with 108 company stores and 3 franchised stores operating in all states and territories in Australia. During FY2020, the Beacon Lighting Group purchased the franchised store at Myaree (WA) and converted it into a company store. The company stores at Mandurah (WA) and Sunshine (VIC) were closed during FY2020.

Beacon Lighting Commercial continues to operate sales offices in Brisbane (QLD), Sydney (NSW), Melbourne (VIC), Adelaide (SA) and Perth (WA). Beacon Lighting also operates two distribution centres at Derrimut (VIC) and Parkinson (QLD).

As a part of the Emerging Businesses, Beacon International has sales offices in Hong Kong, Germany and the United States of America with a support office in China. Light Source Solutions Globes has sales teams in both Australia and New Zealand while Light Source Solutions Roadway services customers across Australia. Masson For Light has an architectural lighting showroom in Richmond (VIC) and Custom Lighting has a designer showroom in Malvern (VIC). During FY2020, the Beacon Lighting Group managed the closure of Beacon Energy Solutions.

During March and April 2020, there was significant uncertainty regarding the impact that the COVID-19 pandemic would have on the Beacon Lighting Group. It was during this time that Beacon Lighting made changes to its business operations and current investment plans to respond to the uncertain trading outlook. Fortunately, Beacon Lighting stores were able to remain open throughout FY2020. During April, May and June 2020, Beacon Lighting stores experienced significant growth in sales as its customers were spending more time working, educating and completing projects at home.

FINANCIAL RESULT

The Beacon Lighting Group statutory sales and profit result in FY2020 was a tale of two halves. During H1 FY2020, sales declined by 3.7% and the Net Profit After Tax result increased by 8.7% which was supported by the profits on the sale and leaseback of the Parkinson (QLD) Distribution Centre. The result also included Net Profit After Tax losses of $3.6 million incurred on the closure of Beacon Energy Solutions. During H2 FY2020, sales increased by 9.5% and the Net Profit After Tax result increased by 117.4%. Overall, in FY2020, the Beacon Lighting Group achieved a sales increase of 2.6% and a Net Profit After Tax increase of 38.5%.

In FY2020, the Beacon Lighting Group achieved a record sales result of $252.2 million. This included a company store comparative sales increase of 7.2% based on a 52 week comparable basis. Pleasingly, all states and territories had positive comparative sales increases with the best performing states being Western Australia, Tasmania, Queensland and New South Wales. The comparative store sales were also in part supported by record online sales which increased by 50.6% to $16.2 million in sales.

Exchange rate volatility continued to challenge the setting of selling prices. The gross profit margins in H1 FY2020 declined compared to H1 FY2019. Strong sales in H2 FY2020 provided Beacon Lighting with the opportunity to reduce discounting previously used to drive sales. Consequently, the Beacon Lighting Group achieved a gross profit margin of 63.9% in FY2020 compared to the gross profit margin of 64.0% in FY2019.

The Beacon Lighting Group achieved an other revenue and income result of $8.8 million which mainly comprised of the $7.8 million profit relating to the sale and leaseback of the Parkinson (QLD) Distribution Centre.

The Beacon Lighting Group has always had a strong cost control focus which was even more important during the COVID-19 pandemic. Many additional cost control measures were put in place in H2 FY2020 including delaying non-essential projects, reduced advertising expenditure and a 4-day week for the teams across the stores and Store Support Centre. It was fantastic to see the strength of our team and support from our customers during those challenging times. For FY2020, Operating Expenses (which included the impact of AASB 16 Lease Accounting for the first time) were 42.6% of sales compared with 52.6% of sales in FY2019.

The Beacon Lighting Group achieved a statutory Net Profit After Tax result of $22.2 million in FY2020 compared to $16.0 million in FY2019.

KEY GROWTH STRATEGIES

Beacon Lighting Group's key growth strategies in FY2021 are as follows:

- Continue to enhance the brand and the customer experience in stores and online in order to increase differentiation and drive incremental sales.
- Offer an extensive range of the latest, on trend, energy efficient and technically advanced lighting and ceiling fan products to our customers.
- Target the opening of five new company operated stores in Australia.
- Target the growth of sales and profit through the optimisation of the existing store network.
- Target growth of sales and profits of the Emerging Businesses in roadway, globes, architectural and designer lighting and international markets.
- Investigate and pursue local and international business opportunities that complement the core activities of the Group.

DIVIDENDS

The Beacon Lighting Group Directors have declared a fully franked dividend of 2.40 cents per share for H2 FY2020 (compared to 2.00 cents per share for H2 FY2019). Along with the H1 FY2020 fully franked dividend of 2.60 cents per share (compared to 2.55 cents per share for H1 FY2019), this brings the annual Beacon Lighting Group dividend for FY2020 to 5.00 cents per share (compared to 4.55 cents per share in FY2019). The Directors will continue to target a dividend payout ratio of between 50% and 60% of the annual Net Profit After Tax result.

OUTLOOK

The Beacon Lighting Group will continue to target growth in Australia and around the world by remaining committed to being at the forefront of the changes that are occurring in the lighting industry. Beacon Lighting will remain focused on new technologies, fashion and energy efficient lighting solutions supported by market leading customer service. Beacon Lighting will continue to build on its strong market position as Australia's leading lighting retailer and look to grow its lighting presence in international markets.

The Beacon Lighting Group is planning for further growth in FY2021 and are already committed to the following activities:

- The establishment of a Trade Strategy Committee to continue to enhance our trade customer experience and rewards.
- The re-platforming and enhancement of the beaconlighting.com.au website and other online sales channels.
- The re-platforming of other Group websites.
- The opening of new stores at Virginia (QLD), Belmont (WA), Camperdown (NSW) and Tweed Heads (NSW).
- The opening of a new concept designer showroom for Custom Lighting in Malvern (VIC).
- The relocation of the Beacon Lighting store at Underwood (QLD).
- The growth of Beacon International with new product ranges into new markets.
- The introduction of exciting new product ranges for Beacon Lighting Stores, Commercial, Beacon International, Light Source Solutions Globes, Light Source Solutions Roadway, Masson for Light and Custom Lighting.

Going into FY2021, the Beacon Lighting Group remains encouraged by the continued support from our associates, customers, business partners and the general community. However, there remains a high level of uncertainty in Australia and the rest of the world given the impact of the COVID-19 pandemic.



Ian Robinson
Executive Chairman



Glen Robinson
Chief Executive Officer

For personal use only



For personal use only

Board of Directors

For personal use only

Ian Robinson
Executive Chairman



46 years of service

Ian Robinson purchased the first Beacon Lighting store in 1975. Over the subsequent 45 years, his role has grown from store management, to CEO and in July 2013 to his current role as Executive Chairman. Ian remains actively involved in the operations of the Group. Ian is a Director of Lighting Council of Australia, Carbonetix Pty Ltd and the Large Format Retailers Association.

Glen Robinson
Chief Executive Officer



26 years of service

Glen Robinson assumed his current role of Chief Executive Officer in July 2013 after joining the Group in 1994. Glen has a strong understanding of the business having started with the Group on the sales floor, progressing to trainee buyer, merchandising manager and then taking responsibility for Beacon Lighting's product range from development to in-store presentation. Glen holds a BBus (Management).

(James) Eric Barr
Deputy Chairman
Non-Executive Director



Eric Barr is Deputy Chairman and Chairman of the Remuneration and Nomination Committee of the Group. Eric retired in 2000 as a Partner with PricewaterhouseCoopers after 20 years of service. Since then Eric has been a Director of public companies in the United States of Amercia and Australia, including 10 years as lead director of Reading International Inc. Eric is a Non-Executive Director of Generation Life Limited (formerly known as Austock Group Limited) where he holds the positions of Chairman of the Audit Committee, Chairman of Risk Committee and Chairman of the Remuneration Committee. Eric was previously a Non-Executive Director of the Sydney Stock Exchange Limited, holding the positions of Chairman of Directors and Chairman of the Audit Committee. Eric is a Chartered Accountant.

Neil Osborne
Non-Executive Director



Neil Osborne is a Non-Executive Director and is also Chairman of the Group's Audit Committee. Neil has over 35 years experience in the retail industry. Neil was formerly an Accenture Partner, leading large strategic projects in Australia and Asia. Neil also spent 18 years with Coles Myer Ltd in senior positions including finance (including CFO Myer), operations and strategic planning. Neil is a Non-Executive Director of Vita Group (ASX Listed) and Chairman of their Audit and Risk Committee. Neil is also Chairman of Australian United Retailers (trading as Foodworks). Neil holds a BComm, is a CPA and a FAICD.

Management Team

For personal use only

Ian Bunnett
Managing Director
- Sales

Joined Beacon Lighting in 2004 having had extensive retail experience including the GM of Store Operations with Payless Shoes.



Prue Robinson
Marketing Director

Joined Beacon Lighting in 2006 following a variety of roles in Sydney and London and four years in marketing with Spotlight. Prue holds a BBus (Management and Marketing).



David Speirs
Chief Financial Officer

Joined Beacon Lighting in 2003 after six years of business consulting and a career working with various Coles Myer businesses. David holds a BBus (Accounting), MBus (Accounting), Post Grad Dip (Finance) and is a FCPA.



Lenore Harris
Group Human
Resources Manager

Joined Beacon Lighting in 2017 having had extensive retail management, human resources and communications experience predominantly at Myer and Monash University's Australian Centre for Retail Studies. Lenore holds a BA (Psych /Sociology) and a Diploma in Investor Relations.



Barry Martens
Chief Operating Officer

Joined Beacon Lighting in 1996 following a retail advertising career with Clemenger Harvey and retail marketing experience with Klein's Jewellery.



Tracey Hutchinson
Financial Controller &
Company Secretary

Joined Beacon Lighting in 2011 having had senior financial management roles with various ASX businesses, including Eyecare Partners. Tracey holds a BBus (Accounting), a MBus (Administration), a Graduate Diploma of Corporate Governance and is a CPA.



Michael (Mick) Tan
Chief Information Officer

Joined Beacon Lighting in 2000 and has had more than 30 years information technology experience including a career with Fujitsu Systems. Mick holds a Dip (Management).



Rodney Brown
General Manager –
Supply Chain

Joined Beacon Lighting in 2012 with extensive supply chain experience including management roles with Cadbury Schweppes and Fosters Brewing.



Corporate Governance Statement

The Board of Directors of Beacon Lighting Group Limited is responsible for the corporate governance of the Group. This statement outlines the corporate governance policies and practices formally approved by the Board of Beacon Lighting. This statement is current as at 19 August 2020. These policies and practices are in accordance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th Edition) unless otherwise stated. The Board considers that the Group's corporate governance practices and procedures substantially reflect the principles. The full content of the Group's Corporate Governance policies and charters can be found on the Group's website (www.beaconlightinggroup.com.au).

PRINCIPLE 1

Lay Solid Foundations for Management and Oversight

The Board's responsibilities are defined in the Board Charter and there is a clear delineation between the matters expressly reserved to the Board and those delegated to the Chief Executive Officer and senior management.

The Board Charter outlines:

- The guidelines for Board composition, including the processes around Director appointments and resignations.
- The operation of the Board and the Board Committees.
- The roles of the Board, the Chairperson, CEO and senior management.
- Specifically includes risk management responsibilities (rather than these being delegated to a separate Risk Committee).

A copy of the Board Charter is available on the Group's website.

The Board and Committee Charters sets out the processes for the annual review of the performance of the Board as a whole, each Director and the Board Committees.

The Board has established a Remuneration and Nomination Committee which is responsible for reviewing executive remuneration and incentive policies and practices.

The Group has a written agreement with each Director and senior executive setting out the terms of their appointment.

The Group has adopted a Diversity Policy. The Group does not propose to establish measurable objectives for achieving gender diversity in the foreseeable future as recommended by Recommendation 1.5 of the ASX Corporate Governance Principles and Recommendations. The Group is strongly committed to making all selection decisions on the basis of merit and the setting of specific targets for the proportion of men and women at any level would potentially influence decision making to the detriment of the business.

The Diversity Policy affirms the commitment of the Group to embrace diversity and sets out the principles and work practices to ensure that all associates have the opportunity to achieve their full potential. The policy is periodically reviewed to check it is operating effectively.

The Group undertakes appropriate background checks before appointing a Director or senior executive including checks as to the person's character, experience, education, criminal record and bankruptcy history.

PRINCIPLE 2

Structure the Board to be Effective and Add Value

The experience and expertise relevant to the position of Director held by each Director in office at the date of the annual report is included in the Directors' Report.

The term in office held by each Director in office at the date of this report is as follows:

NAME	TERM IN OFFICE
Ian Robinson	7 years
Eric Barr	6 years
Glen Robinson	6 years
Neil Osborne	6 years

Note: These terms of office relate to the listed entity Beacon Lighting Group Limited only and do not relate to the subsidiary or operating entities.

Ian Robinson is a substantial shareholder. He has been Executive Chairman since July 2013 having previously held the position of Executive Chairman and Chief Executive Officer.

Eric Barr and Neil Osborne are shareholders of Beacon Lighting Group Limited. They are Non-Executive Directors and bring objective judgment to bear on Board decisions commensurate with their commercial knowledge, experience and expertise.

Glen Robinson is a senior executive of Beacon Lighting and has been Chief Executive Officer since July 2013.

Recommendation 2.1 of the ASX Corporate Governance Principles and Recommendations recommends that the Board establishes a nomination committee and that the committee have at least three members, a majority of whom are independent and be chaired by an independent Director.

For personal use only

For personal use only

The Remuneration and Nominations Committee has four members. Three are independent: Eric Barr and Neil Osborne, as independent Directors and Andrew Hanson as an external consultant. Ian Robinson, Executive Chairman, is the other member.

The Committee is chaired by Eric Barr.

A copy of the Remuneration and Nomination Committee Charter is available on the Group's website.

In relation to nominations, the Remuneration and Nomination Committee is responsible for:

- Assessing current and future Director skills and experiences and identifying suitable candidates for succession.
- Annually enquiring of the Executive Chairman and the Chief Executive Officer their processes for evaluating their direct reports.

An internal process of evaluation is undertaken annually on the performance, skills and knowledge of the Board and its committees, utilising a board skills matrix and by reference to the Board & Committee Evaluation Policy. The review provides comfort to the Board that its structure and performance is effective and appropriate to Beacon Lighting and that the Board has the range of skills, knowledge and experience to direct the Group.

The Board skills matrix sets out the requisite skills, expertise, experience and other desirable attributes for the Board. The following attributes have been identified which Beacon seeks to achieve across its Board membership: other Board experience, retail industry experience, financial management experience and governance experience.

The Directors have been selected for their relevant expertise and experience. They bring to the Board a variety of skills and experience, including industry and business knowledge, financial management, accounting, operational and corporate governance experience. The annual report includes details of the Directors, including their specific experience, expertise and term of office.

To enable performance of their duties, all Directors:

- Are provided with appropriate information in a timely manner and can request additional information at any time.
- Have access to the Company Secretary.
- Have access to appropriate continuing professional development opportunities.
- Are able to seek independent professional advice at the Group's expense in certain circumstances.

Recommendations 2.4 and 2.5 of the ASX Corporate Governance Principles and Recommendations recommends that the Board comprise a majority of Directors who are independent, and that the Chairperson should be an independent Director. The Board, as currently composed, does not comply with these recommendations. The Board considers that the composition of the Board is appropriate given the Group's present circumstances.

PRINCIPLE 3

Instill a Culture of Acting Lawfully, Ethically and Responsibly

The Group has adopted a written Code of Conduct in accordance with Recommendation 3.2 which applies to the Directors and all associates employed by the Group, including senior management. The objective of this Code is to ensure that high standards of corporate and individual behavior are observed by all associates in the context of their employment. The Code of Conduct includes the Group's statement of values that defines the behavioural expectations of all Directors, Officers, senior management and associates.

In summary, the Code requires associates to always act:

- In a professional, fair and ethical manner, in accordance with the Group values.
- In accordance with applicable legislation and regulations, and internal policies and procedures.
- In a manner that protects the Group interests, reputation, property and resources.

The Code also reminds associates of their responsibility to raise any concerns in relation to suspected or actual breaches of the Code. All Directors and associates employed by the Group receive appropriate training on their obligations under the Code.

Beacon Lighting has a whistleblower policy in accordance with Recommendation 3.3 and ensures that the Board is informed of any material incidents reported under that policy. The policy details the types of concerns that may be reported under the policy, how whistleblowers will be protected and the process for follow up and investigation.

Beacon Lighting has an anti-bribery and corruption policy in accordance with Recommendation 3.4 and ensures that the Board is informed of any breaches of that policy. The policy prohibits the giving or receipt of bribes or other improper payments, includes appropriate controls around donations and offerings of gifts, entertainment or hospitality and provides training to all managers on how to recognise and deal with breaches of the policy.

For personal use only

PRINCIPLE 4

Safeguard the Integrity of Corporate Reporting

Recommendation 4.1 of the ASX Corporate Governance Principals and Recommendations, recommends that the Audit Committee consist only of Non-Executive Directors and consists of a majority of independent Directors. The Audit Committee as currently composed does not comply with these recommendations. Beacon Lighting has an Audit Committee comprising of four members, three of whom are considered independent. The Audit Committee presently comprises Neil Osborne (Chairman), Eric Barr, Glen Robinson (Directors) and Andrew Hanson (external consultant). Two of the four members of the committee are Non-Executive Directors and have experience in, and knowledge of, the industry in which Beacon Lighting operates. Neil Osborne, Eric Barr and Andrew Hanson each have accounting qualifications.

The details of the number of Audit Committee meetings held and attended are included in the Directors' Report. Minutes are taken at each Audit Committee meeting, with the minutes tabled in the following full Board meeting.

The Audit Committee has adopted a formal charter which outlines its role in assisting the Board in the Group's governance and exercising of due care, diligence and skill in relation to:

- Reporting of financial information.
- The application of accounting policies.
- Financial risk management.
- The Group's internal control system.
- Its relationship with the external auditor.

In accordance with Recommendation 4.2 the Board, before it approves the Group's statements for a financial period, ensures that it receives from its Chief Executive Officer and Chief Financial Officer a declaration that, in their opinion, the financial records of the Group have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

In accordance with Recommendation 4.3, the Group shall disclose the process used to verify the integrity of periodic reports released to the market that are not audited or reviewed by the Group's external auditor to ensure that the report is materially accurate, balanced and provides investors with appropriate information to make informed investment decisions. The Group's external auditor attends each annual general meeting and is available to answer shareholders questions about an audit.

PRINCIPLE 5

Make Timely and Balanced Disclosure

Recommendation 5.1 of the ASX Corporate Governance Principles and Recommendations recommends that companies should establish a written policy designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance and disclose that policy or a summary of it. The Group has adopted a Continuous Disclosure Policy. This Policy sets out the standards, protocols and the detailed requirements expected of all Directors, Officers, senior management and associates of the Group for ensuring the Group immediately discloses all price-sensitive information in compliance with the Listing Rules and Corporations Act relating to continuous disclosure.

The Board receives copies of all material market announcements promptly after they have been made to ensure that the Board has timely visibility of the nature and quality of the information being disclosed to the market.

Where appropriate the Group will release copies of new and substantive investor presentation materials on the ASX Market Announcements Platform prior to their presentation.

PRINCIPLE 6

Respect the Rights of Security Holders

The Group has adopted a Communications Policy governing its approach to communicating with its shareholders, market participants, customers, associates and other stakeholders.

This policy specifically includes:

- The approach to briefing institutional investors, brokers and analysts.
- The approach to communications with investors whether by meetings, via the Group's websites, electronically or by any other means.

Beacon Lighting provides a printed copy of its annual report to all requesting shareholders. The annual report contains relevant information about the Group's operations during the year, changes in the state of affairs and, other disclosures required by the Corporations Act and Accounting Standards. The half year report contains summarised financial information and a review of Beacon Lighting operations during the period.

The Beacon Lighting Corporate website (www.beaconlightinggroup.com.au) provides all shareholders and the public access to our announcements to the ASX, and general information about Beacon Lighting and its business. It also includes a section specifically dedicated to governance, which includes links to the Group's Constitution, Code of Conduct and its various corporate governance charters and policies.

For personal use only

The format of general meetings aims to encourage shareholders to actively participate in the meeting through being invited to comment, or raise questions of Directors on any matter relevant to the performance and operation of the Group. The Group will consider the use of technology to facilitate the remote participation of shareholders in general meetings.

Any substantive resolutions at a general meeting will be decided by a poll rather than by a show of hands in accordance with Recommendation 6.4 raise questions of Directors on any matter relevant to the performance and operation of the Group.

PRINCIPLE 7

Recognise and Manage Risk

Recommendation 7.1 of the ASX Corporate Governance Principles and Recommendations recommends that a listed company either have a committee to oversee risk or otherwise disclose the processes it employs to for overseeing the Group's risk management framework.

The Board does not currently have a committee to oversee risk. Instead, the Board Charter specifically includes risk management responsibilities (rather than these being delegated to a separate Risk Committee).

The Board evaluates all risks to the Group on an annual basis. The risk matrix is then reviewed at regular intervals throughout the year to ensure that the Group is not being exposed to any new risks and that all existing risks are being monitored and managed effectively.

The Board retains oversight responsibility for assessing the effectiveness of the Group's systems for the management of material business risks. The Board reviews the Group's risk management on an annual basis to ensure it continues to be sound.

The Board does not consider a separate internal audit function is necessary at this stage. One of the Audit Committee responsibilities is to evaluate compliance with the Group's risk management and internal control processes. The Audit Committee periodically reviews whether there is a need for a separate internal audit function.

The Board has received written assurances from management as to the effectiveness of the Group's management of its material business risks.

The Chief Executive Officer and Chief Financial Officer provide a written assurance in the form of a declaration in respect of each relevant financial period that, in their opinion, the declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Recommendation 7.4 of the ASX Corporate Governance Principles and Recommendations requires the Group to disclose details about whether it has any material exposure to economic, environmental and social sustainability risks (if any). The Group has considered the following risks and has risk mitigation strategies in place.

Economic Risks include impacts to consumers' willingness to spend on discretionary retail and lighting products in particular. The Group mitigates the risk through the constant monitoring of the macro-economic environment and adjusting capital expenditure, new projects and operating expenses accordingly. During the first part of FY2020, consumer sentiment was low and housing activity was subdued which impacted upon consumers willingness to spend with Beacon Lighting. With the introduction of the COVID-19 pandemic, Beacon Lighting experienced significant growth in sales as consumers were spending more time working, educating and completing projects at home. It should however be noted, that with the COVID-19 pandemic impacts, it is uncertain as to whether the higher levels of sales will continue in the future.

Exchange Rate Volatility can impact upon the Group's ability to grow margins. The Group can also lock in a forward position for this foreign exchange exposure for a period of up to 12 months. The Board believes this mitigates the Group's exchange rate volatility risk to an acceptable level.

Environmental Risks include impacts on the Group's supply chain from suppliers through to stores. These risks can be reputational, regulatory and financial. The Boards assesses its primary exposure to be in the production of its products. The Group continues to operate responsibly with the community and to work with supply chain stakeholders in order to reduce the Group's impact upon the environment.

Social Risks include workplace health and safety as well as personnel management and corporate conduct. The Group has an extensive workplace health and safety policy incorporating the early identification and correction of potential risks, both in store, at the distribution centers and at the support offices. The Board is informed of all incidents and material potential risks at each Board meeting and the appropriate action taken. During the COVID-19 pandemic, the safety and well being of our associates, customers, business partners and the community have been the priority of the Group. The Group has implemented social distancing standards, invested in additional intensive cleaning, introduced hand sanitisers and restricted the number of customers visiting our stores.

Corporate Conduct Risks could impact regulatory, reputational and financial performance. It includes stock loss and theft. The Group has a dedicated store operations team to regularly monitor and assess store related risks. The Group undertakes regular inventory counts and analysis of store performance to reduce the risk of material loss.

For personal use only

PRINCIPLE 8

Remunerate Fairly and Responsibly

Recommendation 8.1 of the Corporate Governance Principles and Recommendations, recommends that the remuneration committee should comprise a majority of independent Directors. The Remuneration and Nomination Committee as currently composed does not comply with this recommendation. The Remuneration and Nomination Committee has four members. Three are independent: Eric Barr and Neil Osborne, as independent Directors, and Andrew Hanson as an external consultant. Ian Robinson, Executive Chairman, is the other member. The Committee is chaired by Eric Barr.

In relation to remuneration, the Remuneration and Nomination Committee is responsible for:

- Ensuring the Group has remuneration policies and practices appropriate to attracting and retaining key talent.
- Reviewing and making recommendations in relation to the remuneration of Directors and senior management.
- Reviewing and recommending the design of any executive incentive plans and approving the proposed awards to each executive under those plans.

In accordance with its Charter, the Remuneration and Nomination Committee clearly distinguishes the structure of Non-Executive Directors' remuneration from that of Executive Directors and senior executives.

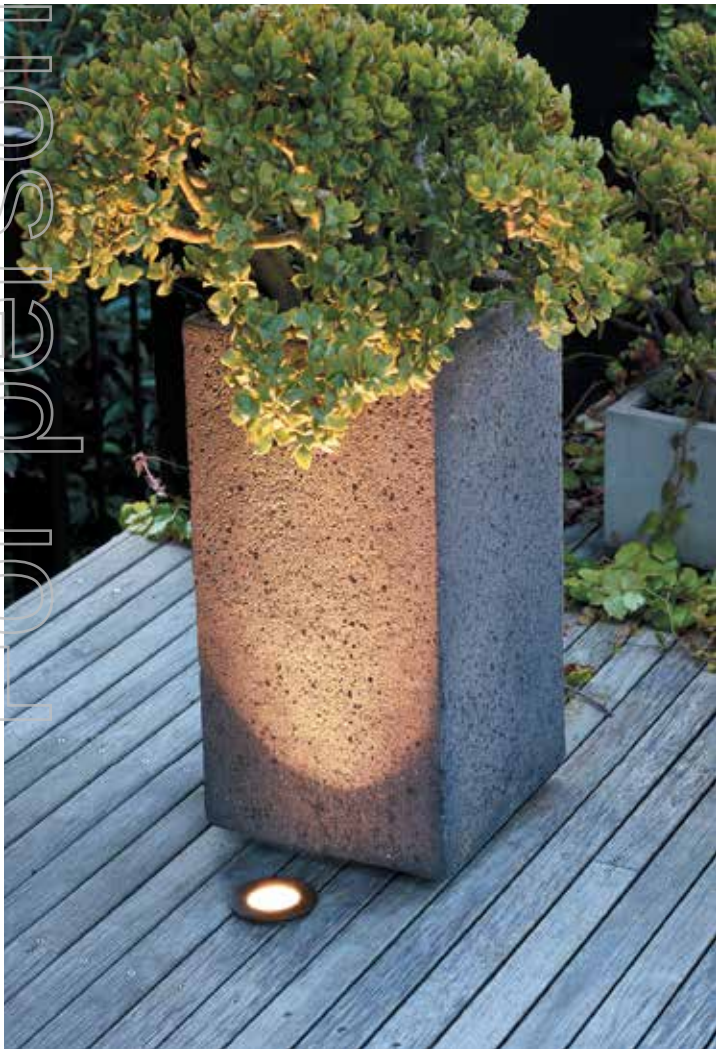
Details of Directors' and executives' remuneration, including the principles used to determine the nature and amount of remuneration, are disclosed in the remuneration report section of the annual report.

The Group's Securities Trading Policy expressly prohibits relevant participants from entering into arrangements that limit the economic risk of participating in the Group's incentive schemes prior to the relevant securities becoming fully vested.











For personal use only

Directors' Report

The Directors of Beacon Lighting Group Limited (the 'Group') present their report together with the Consolidated Financial Statements of the Group and its controlled entities (the 'Consolidated Entity') for the 52 weeks ended 28 June 2020.

1. DIRECTORS

The Directors of the Group during the whole financial period and up to the date of the report were:

Ian Robinson
Executive Chairman
Chairman of the Board, Member of the Remuneration and Nomination Committee.

Glen Robinson
Chief Executive Officer
Member of the Audit Committee.

Eric Barr
Non-Executive Director
Deputy Chairman of the Board, Chairman of the Remuneration and Nomination Committee and Member of the Audit Committee.

Neil Osborne
Non-Executive Director
Chairman of the Audit Committee and Member of the Remuneration and Nomination Committee.

Details of the expertise and experience of the Directors are outlined on page 4 of this annual report.

2. PRINCIPAL ACTIVITIES

During the financial period the principal continuing activities of the Group consisted of the selling of light fittings, globes, ceiling fans and energy efficient products in the Australian market.

3. RESULTS

The consolidated profit for the year attributable to the members of Beacon Lighting Group Limited was:

CONSOLIDATED ENTITY	Actual FY2020 $'000	Actual FY2019 $'000
Profit before Income Tax	31,887	23,118
Income Tax Expense	9,662	7,074
Net profit after tax attributable to the members of Beacon Lighting Group Limited	22,225	16,044

4. OPERATING AND FINANCIAL REVIEW

4.1. Overview of Operations

Beacon Lighting is Australia's leading lighting retailer and an emerging wholesale supplier of lighting and energy-efficient products to the commercial industry throughout Australia and the world. At the end of FY2020, the Beacon Lighting Group operated the following trading businesses:

- 108 Beacon Lighting company stores.
- 3 Beacon Lighting franchised stores.
- 5 Beacon Lighting Commercial sales offices.
- Beacon International operating in Hong Kong, Germany, United States of Amercia and China.
- Light Source Solutions Globes operating in Australia and New Zealand.
- Light Source Solutions Roadway.
- Masson For Light.
- Custom Lighting.
- Beacon Lighting Wholesale.

During FY2020, Beacon Lighting continued to innovate to support growth for the Group. These innovations included:

- The Myaree (WA) franchised store was purchased and converted to a company store.
- The purchased of Custom Lighting, a lighting designer business in Malvern (VIC).
- The sale and leaseback of the Parkinson Distribution Centre (QLD).
- Designed and developed 453 new products for our customers.
- Closed the Mandurah (WA) and Sunshine (VIC) stores.
- Managed the closure of Beacon Energy Solutions.

As a vertically integrated business, Beacon Lighting designs, develops, sources, imports, distributes, merchandises, promotes and sells its own product range to meet the demands of its retail and commercial customers. More than 95% of the lighting and fan products sold by the Beacon Lighting Group are supplied through the Beacon Lighting supply chain with approximately 85% of the products being exclusively branded.

For personal use only

For personal use only

4.2. COVID-19 Impact

Throughout the COVID-19 pandemic, the number one priority of the Beacon Lighting Group has been the safety and wellbeing of our associates, customers, business partners and the community. The Group has implemented social distancing measures, invested in additional intensive cleaning, provided hand sanitisers to all stores and followed government guidelines restrictions on limiting the number of customers visiting our stores at one time. Fortunately, Beacon Lighting stores were able to remain open throughout FY2020.

During March and April 2020, there was significant uncertainty regarding the impact that the COVID-19 pandemic would have on the Beacon Lighting Group. It was during this time, that Beacon Lighting made changes to current business operations (e.g. reduced marketing expenditure and a freeze on recruitment) and delayed future investment plans (e.g. store refurbishments and new projects) to reflect the uncertainties in the world. During April, May and June 2020, Beacon Lighting stores experienced significant growth in sales as its customers were spending more time working, educating and completing projects at home. At no stage, did the Beacon Lighting Group apply for or receive significant government support such as the JobKeeper Allowance.

Given uncertainties around the extent of future COVID-19 cases, changes in customer shopping behaviors and changes to future government policies it is not possible to forecast whether the current high level of sales being experienced will continue. This is especially so considering recent Stage 4 restrictions recently applying to all 28 Melbourne metropolitan stores and Stage 3 restrictions applying to the 4 regional Victorian stores. The Stage 4 restrictions have seen the closure of the Melbourne metropolitan stores except for trade customers (although all retail and trade customers can continue shopping online with home delivery and Click & Collect services from stores). The regional Victoria stores however remain open while following stringent safety measures.



4.3 FINANCIAL SUMMARY

4.3.1 Financial Performance

The Directors' Report includes references to underlying results to exclude the impact of the adjustments detailed below. The Directors believe the presentation of non-IFRS financial measures are useful for the users of this financial report as they provide additional and relevant information that reflect the underlying financial performance of the Group. Non-IFRS financial measures contained within this report are not subject to audit or review.

A summary of the Beacon Lighting Group FY2020 statutory result compared to the FY2019 statutory result is presented in the following table:

Consolidated Entity	Statutory FY2019 $'000	Statutory FY2020 $'000	Change $'000	Change %
Sales	245,750	252,224	6,474	2.6%
Gross Profit	157,158	161,197	4,039	2.6%
Other Revenue & Income	1,655	8,834	7,179	433.8%
Operating Expenses (1)	(129,173)	(107,501)	21,672	(16.8%)
EBITDA	29,640	62,530	32,890	111.0%
EBIT	25,132	38,066	12,934	51.5%
Net Profit After Tax	16,044	22,225	6,181	38.5%

(1) Operating Expenses excludes interest, depreciation and amortisation

It is difficult to compare the FY2020 statutory result to the FY2019 statutory result. The FY2020 result included the sale and leaseback of the Parkinson (QLD) Distribution Centre, the closure of Beacon Energy Solutions and the introduction of AASB 16 Lease Accounting. The FY2019 result had 53 weeks and there were one-off set up costs associated with the operations of the Parkinson (QLD) Distribution Centre (PDC).

A reconciliation of the FY2020 statutory result to the FY2020 underlying result is presented in the following table:

Consolidated Entity	Statutory FY2020[1] $'000	Less BES[2] $'000	Less PDC Sale[3] $'000	Less AASB 16[4] $'000	Underlying FY2020[5] $'000
Sales	252,224	1,358	-	-	250,866
Gross Profit	161,197	(3,208)	-	-	164,405
Other Revenue & Income	8,834	-	7,780	-	1,054
Operating Expenses[6]	(107,501)	(1,915)	-	25,622	(131,208)
EBITDA	62,530	(5,123)	7,780	25,622	34,251
EBIT	38,066	(5,137)	7,780	5,609	29,814
Net Profit After Tax	22,225	(3,567)	5,423	1,241	19,128

(1) Statutory FY2020 result for 52 weeks
(2) Result for Beacon Energy Solutions (BES) in FY2020 which closed
(3) PDC Sale was for the sale and leaseback of the Parkinson Distribution Centre in December 2019
(4) AASB 16 was for the introduction of AASB 16 Lease Accounting in FY2020
(5) FY2020 underlying result to be used as comparison to the FY2019 underlying result
(6) Operating Expenses excludes interest, depreciation and amortisation

For personal use only

For personal use only

A reconciliation of the FY2019 statutory result to the FY2019 underlying result is presented in the following table:

Consolidated Entity	Statutory FY2019[1] $'000	Less 53rd week[2] $'000	Less Parkinson DC[3] $'000	Less BES[4] $'000	Underlying FY2019[5] $'000
Sales	245,750	4,520	-	8,892	232,338
Gross Profit	157,158	2,966	-	2,133	152,059
Other Income	1,655	25	-	-	1,630
Operating Expenses[6]	(129,173)	(2,522)	(605)	(2,375)	(123,671)
EBITDA	29,640	469	(605)	(242)	30,018
EBIT	25,132	375	(605)	(256)	25,618
Net Profit After Tax	16,044	241	(424)	(156)	16,383

(1) Statutory FY2019 result was for a 53 week year based on the retail accounting calendar
(2) Eliminating 53rd week in FY2019 based on the alignment to the retail marketing program
(3) Eliminating one off non recurring costs associated with the establishment of the new Parkinson (QLD) Distribution Centre
(4) Result for Beacon Energy Solutions (BES) in FY2019
(5) FY2019 52 Week underlying result to be used as comparison to the FY2020 underlying result
(6) Operating Expenses excludes interest, depreciation and amortisation

A comparison of the FY2020 underlying result with the FY2019 underlying result is presented in the following table:

Consolidated Entity	Underlying FY2019 $'000	Underlying FY2020 $'000	Change $'000	Change %
Sales	232,338	250,866	18,528	8.0%
Gross Profit	152,059	164,405	12,346	8.1%
Other Income	1,630	1,054	(576)	(35.3%)
Operating Expenses (1)	(123,671)	(131,208)	(7,537)	6.1%
EBITDA	30,018	34,251	4,233	14.1%
EBIT	25,618	29,814	4,196	16.4%
Net Profit After Tax	16,383	19,128	2,745	16.8%

(1) Operating Expenses excludes interest, depreciation and amortisation

The Group's financial result commentary below will compare the FY2020 underlying result to the FY2019 underlying result.

4.3.2 Sales

Beacon Lighting achieved a record sales result with growth of 8.0% to $250.9 million in FY2020. Company store comparative sales increased by 7.2% with the best performing states being Western Australia, Tasmania, Queensland and New South Wales. Online sales increased by 50.6% and Beacon International sales increased by 22.9%.

4.3.3 Gross Profit Margin

The gross profit margin was 65.5% for FY2020 compared to the gross profit margin of 65.4% for FY2019. After a gross profit margin decline in H1 FY2020, the gross profit margin improved in H2 FY2020 as a result of less discounting, new product ranges and price management.

4.3.4 Other Income & Other Revenue

Other income decreased by 35.3% to $1.1 million. Other income received from franchised stores continued to decline as franchised stores continue to be purchased and converted to company operated stores.

4.3.5 Operating Expenses

Operating Expenses increased by 6.1% to $131.2 million in FY2020. Operating Expenses declined by 0.9% of sales to 52.3% in FY2020. Expense productivity gains were achieved across all expense categories being Marketing Expenses, Selling and Distribution Expenses and General and Administration Expenses.

4.3.6 Earnings

Beacon Lighting Group's Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) increased by 14.3% to $34.3 million in FY2020. As a percentage of sales, the EBITDA margin of 13.7% in FY2020 increased from the EBITDA margin of 12.9% in FY2019. The Net Profit After Tax (NPAT) result increased by 16.8% to $19.1 million or 7.6% of sales from a NPAT result of $16.4 million or 7.1% of sales in FY2019.

4.3.7 Dividends

The Directors of Beacon Lighting have declared an annual fully franked dividend of 5.00 cents per share for FY2020 (compared to 4.55 cents per share for FY2019). For H1 FY2020, the Directors had already declared a fully franked dividend of 2.60 cents per share and for H2 FY2020, the Directors have declared a fully franked dividend of 2.40 cents per share. Going forward, it is expected that the Beacon Lighting Group will continue to have an annual NPAT dividend payout ratio of between 50% and 60%.

4.3.8 Financial Position

In December 2019, the Beacon Lighting Group sold the Parkinson (QLD) Distribution Centre for $28.0 million. This provided the Group with the opportunity to retire some debt and have a very strong cash position going into the COVID-19 pandemic. Given the strong sales result in H2 FY2020 and the reduction in inventories to $63.1 million, Beacon Lighting finished FY2020 with a cash balance of $44.9 million. With borrowings of $30.4 million, the Beacon Lighting Group has a strong net cash position of $14.5 million at the end of FY2020.

The Receivables balance has declined to $8.6 million as a result of the closure of Beacon Energy Solutions. The Property, Plant and Equipment balance has declined to $32.8 million as a result of the sale of the Parkinson (QLD) Distribution Centre and the conservative attitude to new investments throughout H2 FY2020. Throughout FY2020, Beacon Lighting has continued to operate comfortably within all of its bank covenants.

4.4 Business Strategies

Beacon Lighting intends to drive sales and profit growth through a number of different business strategies.

4.4.1 Brand and Customer

Beacon Lighting will continue to enhance the brand and the customer experience in order to increase differentiation and drive incremental sales. Beacon Lighting continues to design, develop and release uniquely branded products with a core range of more than 3,000 products. With 285 Accredited Lighting Design Consultants across the store network and 26 Premium Lighting Design Studios, Beacon Lighting can offer a unique customer service experience. Beacon Lighting continues to provide inspiration to our customers through the association with top rating home improvement programs such as The Block and House Rules. With the alignment of 111 stores with the online sales channel, Beacon Lighting continues to provide its customers with convenience and choice.

4.4.2 Store Optimisation

Beacon Lighting will target the growth of sales and profits through the optimisation of the existing store network. There are new sales opportunities for all Beacon Lighting stores as customers are now spending more time working from home. The long maturity cycle of stores with trade customers also provides for further sales growth opportunities. In FY2020, two company stores in Sunshine (VIC) and Mandurah (WA) were closed with a significant proportion of sales retained by nearby stores. The Group also implemented the Time2Work Workforce Management System to better support its associates in serving our customers.

4.4.3 New Store Rollout

Beacon Lighting plans to open around five new company stores in Australia each year. In FY2019, Beacon Lighting opened five new company stores and closed one store. In FY2020, no new stores were opened due to a lack of compelling sites and comparative sales experienced in the last 12 months. In FY2021, Beacon Lighting is already committed to opening new company stores at Virginia (QLD), Belmont (WA), Camperdown (NSW) and Tweed Heads (NSW). Market research support a future network plan of 170 stores in Australia.

4.4.4 New Product Ranges

Beacon Lighting will offer an extensive range of the latest, on trend, technologically advanced and energy-efficient products to its customers. With the introduction of 453 new products in FY2020, Beacon Lighting aims to refresh its core product range in all stores each year. Beacon Lighting launched LED strip lighting custom built for Beacon Lighting stores, increased the range of smart lighting products, launched the GECKO outdoor DIY smart lighting collection and introduced the largest ever release of bathroom lighting with 65 new products.

For personal use only

For personal use only

4.4.5 Online and Social Media Presence

Beacon Lighting will continue to enhance its online and social media presence in order to drive incremental sales. With the introduction of a new Web-Agency and the re-platforming of the Group websites, Beacon Lighting will be launching new websites in FY2021. In FY2020, the Group improved our service to online customers through improved website order fulfillment by splitting online orders to multiple stores based on inventory availability. Beacon Lighting has enhanced its social following now reaching more than 100,000 followers on Instagram.

4.4.6 Emerging Businesses

Beacon Lighting will continue to target the growth of sales and profits of its Emerging Businesses being Beacon International, Light Source Solutions (Roadway and Globes), Masson for Light and Custom Lighting. These businesses continue to offer significant growth opportunities for the Group, including synergies with the retail business and to strengthen the market opportunities for the Beacon Lighting brand within Australian and around the world.

4.4.7 New Business Opportunities

Beacon Lighting will investigate and pursue local and international business opportunities that complement the core business activities of the Group. During FY2020, the Beacon Lighting Group purchased the Myaree (WA) franchised stores and converted it into a company store. Beacon Lighting also purchased Custom Lighting in Malvern (VIC) which uniquely services the premium lighting design market. Beacon Lighting may consider other suitable business opportunities as they become available.

4.5 BUSINESS RISKS

Beacon Lighting is subject to both specific risks to the Group and risks of a general nature which may threaten both the current and future operating and financial performance of the Group and the outcome of an investment in Beacon Lighting. A number of the Group risks are beyond the control and influence of the Directors and management of Beacon Lighting, but the Group has in place mitigation strategies to manage the impact of the risks should those risks occur. The specific material business risks faced by Beacon Lighting and how they are managed are set out below.

4.5.1 Retail Environment and General Economic Conditions

The Beacon Lighting Group is sensitive to the current state and future changes in the retail environment and general economic conditions. This includes, but is not limited to, interest rates, consumer confidence, business confidence, unemployment rate, property prices, housing churn, dwelling approvals, government policy and natural disasters.

The ongoing COVID-19 pandemic also presents additional risk to the Group. An increase in COVID-19 infections in Australia and overseas may have consequential impacts on demand for sales, supply chains and foreign currency volatility. A COVID-19 outbreak involving associates and in particular senior management may also impact operational activities.

Beacon Lighting plans to manage the Group according to the current environment and maintain a conservative capital structure.

4.5.2 Foreign Currency Rates

The majority of goods purchased and imported by Beacon Lighting into Australia are purchased in USD. As a result, the Group is exposed to fluctuations in the AUD/USD exchange rate. Beacon Lighting mitigates this risk by managing selling prices to our customers, from a cost perspective, carrying all domestic stock in Australia in AUD and by using FX forward contracts to secure future FX positions.

4.5.3 Growth Strategies

Beacon Lighting has several different growth strategies to generate future growth and earnings. There is no guarantee that the planned benefits of these strategies will be realised. Beacon Lighting will continue to invest in and support growth strategies that will increase Group value in the long term. If these opportunities do not have this capability, then resources will be reallocated to other strategies.

4.5.4 Competition

Beacon Lighting operates in a competitive retail market which is subject to moderate barriers to entry, changing competitor tactics and consumer preferences. Beacon Lighting believes that with its vertically integrated business model and its business strategies, the Group remains well positioned to maintain its leading retail market position and emerging commercial position in Australia and other international markets.

4.5.5 Management Systems

The Beacon Lighting Group has several management systems which are critical to the ongoing operations of the Group. It is important that these management systems are secure and fit for purpose. The Group needs to ensure that there are appropriate security and disaster recovery capabilities in place to safeguard the ongoing operations of our management systems.

4.5.6 Product Sourcing, Quality and Supply

Beacon Lighting has a vertically integrated business which relies upon a few key agents, factory relationships and quality assurance processes to ensure appropriate continuity of product supply. Beacon Lighting will continue to develop a supply chain which is not critically dependent upon any one external third party. Beacon Lighting will consider investment in safety stocks, particularly in critical lines and investigate alternative sources of supply where appropriate.

5. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the financial year The Beacon Lighting Group announced the closure of Beacon Energy Solutions.

In addition to this announcement there were no other significant changes in the state of the affairs of the Group.

6. DIRECTORS' MEETINGS

The numbers of meetings of the Group's Board of Directors held during the financial period ended 28 June 2020, and the numbers of meetings attended by each Director were:

	DIRECTOR'S MEETINGS		COMMITTEE MEETINGS			
			AUDIT		REMUNERATION & NOMINATION	
DIRECTOR	H	A	H	A	H	A
I Robinson	13	13	-	-	3	3
G Robinson	13	13	4	4	-	-
E Barr	13	13	4	4	3	3
N Osborne	13	13	4	4	3	3

H = Number of meetings held during the time the Director held office or was a member of the committee during the period.
A = Number of meetings attended.

7. DIRECTORS' INTERESTS IN SHARES

The relevant interest of each Director in the Company, as notified by the Directors to the ASX in accordance with section 205G(l) of the Corporations Act 2001 (Cth), at the date of the report is as follows:

Director	Ordinary Shares in the Company
I Robinson [1]	122,609,997
G Robinson [1]	122,609,997
E Barr	200,000
N Osborne	300,000

(1) Heystead Nominees and other Robinson Family member interests

8. DIRECTORS' INTERESTS IN CONTRACTS

Directors' interests in contracts are disclosed in Note 32 of the financial statements.

9. DIVIDENDS

Dividends paid to members during the financial period were as follows:

Consolidated Entity	Actual FY2020 $'000	Actual FY2019 $'000
Fully franked dividends provided or paid during the period	10,110	10,986

For personal use only

For personal use only

10. INSURANCE OF OFFICERS

10.1. Indemnification of Directors

The Group has indemnified each Director and external consultant referred to in this Report, the Company Secretary and previous Directors and Officers against all liabilities or loss (other than to the Group or a related body corporate) that may arise from their position as Officers of the Group and its controlled entities, except where the liability arises out of conduct involving a lack of good faith or where indemnification is otherwise not permitted under the Corporations Act. The indemnity stipulates that the Group will meet the full amount of any such liabilities, including costs and expenses, and covers an Officer after ceasing to be an Officer of the Group. The indemnity is contained in a Deed of Access, Insurance and Indemnity, which also gives each officer access to the Group's books and records.

The Group has also indemnified the current and previous Directors of its controlled entities and certain members of the Company's senior management for all liabilities or loss (other than to the Group or a related body corporate) that may arise from their position, except where the liability arises out of conduct involving a lack of good faith or where indemnification is otherwise not permitted under the Corporations Act.

10.2. Insurance Premiums

During the financial period, Beacon Lighting Group Limited paid a premium of $125,593 to insure the Directors and Officers of the Group against any loss which he/she becomes legally obligated to pay on account of any claim first made against him/her during the policy period.

11. INDEMNITY OF AUDITORS

Beacon Lighting Group Limited has agreed to indemnify their auditors, PricewaterhouseCoopers (PwC), to the extent permitted by law, against any claim by a third party arising from Beacon Lighting Group Limited's breach of their agreement. The indemnity stipulates that Beacon Lighting Group Limited will meet the full amount of any such liabilities including a reasonable amount of legal costs.

12. PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Group with leave of the Court under section 237 of the Corporations Act 2001 (Cth).

13. EVENTS SUBSEQUENT TO REPORTING DATE

On 6 August 2020, following trading restriction announced by the Victorian Government, all 28 Beacon Lighting Melbourne metropolitan stores closed temporarily to instore retail customers for a period of six weeks. As an integral supplier to the trade and residential construction industry, all Beacon Lighting Melbourne metropolitan stores (except Springvale) will remain open to provide in-store services to trade customers. All Beacon Lighting retail customers and trade customers can continue shopping online and avail themselves of home delivery and contact-free Click & Collect service. This has no material effect on the financial statements for the 52 weeks ended 28 June 2020.

A fully franked dividend of $5,320,461 was declared on 19 August 2020.

Other than the above, there has been no other matter or circumstance that has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial periods.

14. AUDIT SERVICES

14.1. Auditor's Independence Declaration

The auditor's independence declaration to the Directors of the Consolidated Entity in relation to the auditor's compliance with the independence requirements of the Corporations Act 2001 (Cth) and the professional code of conduct for external auditors, forms part of the Directors' Report.

No person who was an officer of the Consolidated Entity during the financial year was a Director or Partner of the Consolidated Entity's external auditor.

14.2 Audit and Non-Audit Services Provided by the External Auditor

During the 52 weeks ended 28 June 2020, the following fees were paid or were due and payable for services provided by the external auditor, PwC, of the Consolidated Entity:

Consolidated Entity	FY2020 $	FY2019 $
Audit & Assurance Services		
Audit & review of financial statements	248,600	236,900
Other Services		
Tax compliance services	32,000	22,390
Other Services	17,200	10,000
Total Remuneration of PwC	**297,800**	**269,290**

In addition to their statutory audit duties, PwC provided taxation services to the Group.

The Board has a review process in relation to non-audit services provided by the external auditor. The Board considered the non-audit services provided by PwC and, in accordance with written advice provided, and endorsed, by a resolution of the Audit Committee, is satisfied that the provision of these non-audit services by the auditor is compatible with, and does not compromise, the auditor independence requirements of the Corporations Act 2001 (Cth) for the following reasons:

- All non-audit services are subject to the corporate governance procedures adopted by the Group and are reviewed by the Audit Committee to ensure they do not impact the integrity and objectivity of the auditor.
- Non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they do not involve reviewing or auditing the auditor's own work, aiding in a management or decision making capacity for the Group, acting as an advocate for the Company or jointly sharing risks and rewards with the Group.

15. AUDITOR

PricewaterhouseCoopers continues in office in accordance with section 327 of the Corporations Act 2001 (Cth).

16. ROUNDING OF AMOUNTS

The Group has relied on the relief provided by ASIC Corporations Instrument 2016/191, and in accordance with that Instrument, amounts in the financial statements have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

17. REMUNERATION REPORT

17.1. Remuneration Policy and Link to Performance

The Board recognises that the performance of the Group depends on the quality and motivation of our associates, including the senior management and our more than 1,000 associates employed by the Group across Australia and Internationally. The Group remuneration strategy therefore seeks to appropriately attract, reward and retain associates at all levels in the business, but in particular for management and key executives. The Board aims to achieve this by establishing executive remuneration packages that include a mix of fixed remuneration and short term incentives.

The Board has appointed the Remuneration and Nomination Committee whose objective is to assist the Board in relation to the Group remuneration strategy, policies and actions. In performing this responsibility, the Committee must give appropriate consideration to the Group's performance and objectives, employment conditions and external remuneration relativities. The Committee reviews and determines our remuneration policy and structure annually to ensure it remains aligned to business needs and meets the Group's remuneration principles. No specific advice or recommendations were sought from remuneration consultants during the 52 weeks ended 28 June 2020.

The remuneration framework for senior executives comprises a mix of both fixed and variable remuneration components. Variable remuneration may be delivered in the form of cash and performance rights or options, subject to the achievement of short term performance targets. An outline of the remuneration framework is set out on page 21.

For personal use only

Remuneration Framework

Element	Purpose	Performance Metrics	Potential Value	Changes for FY2020	Link to Performance
Fixed Remuneration	Provide competitive market salary including superannuation and non-monetary benefits	Nil	Positioned at competitive market rates	No change	Consolidated Group as well as individual performance are considered during the annual review of fixed remuneration
Short Term Incentive (Cash Bonus)	Reward for in year performance	Budgeted Net Profit Before Tax (NPBT)	200% of the executives on target cash bonus*	No change	NPBT measures as determined by the Board
Short Term Incentive (Performance Rights or Options)	Reward for in year performance	Budgeted Net Profit Before Tax (NPBT)	125% of the executives on target cash bonus*	No change	Grants are subject to achieving budgeted performance and vesting is subject to the executive remaining employed by the Group at the vesting date

* On target cash bonus is the fixed bonus as stipulated in the executives' service agreements

Remuneration Approach

The proportion of fixed and variable remuneration is established for Key Management Personnel (KMP) by the Board following recommendations from the Remuneration and Nomination Committee which are subject to Board approval. For FY2020 these are:

	Fixed Remuneration %	Short Term Incentive (Cash Bonus) %	Short Term Incentive (Performance Rights or Options) %	Total %
Executive Chairman	100.00%	0.00%	0.00%	100%
Chief Executive Officer	69.19%	26.43%	4.38%	100%
Managing Director – Sales	78.23%	18.48%	3.29%	100%
Chief Financial Officer	77.72%	18.95%	3.33%	100%
Chief Operating Officer	74.47%	21.67%	3.86%	100%

The Remuneration and Nomination Committee is responsible for assessing performance against KPIs and determining the STIs to be paid or issued. To assist in this assessment, the Committee receives detailed financial reports from management which are based on independently verifiable financial statements.

In the event of serious misconduct or material misstatement in the Group's financial statements the remuneration committee can cancel performance based remuneration and may also claw back performance based remuneration paid in previous financial years.

For personal use only

17.2 Principles Used to Determine the Nature and Amount of Remuneration

(a) Directors' Fees

The Executive Chairman and the Chief Executive Officer do not receive Directors' fees but are remunerated as executives within the business.

The Deputy Chairman and the Non-Executive Director are entitled to receive annual fees of $110,000 and $100,000 respectively. These fees are inclusive of their relevant responsibilities on the various Group Committees and are also inclusive of superannuation. These fees exclude any additional fees for special services which may be determined from time to time. No additional retirement benefits are payable.

The Non-Executive Director fees are reviewed annually to ensure that the fees reflect market rates. There are no guaranteed annual increases in any Directors' fees. The Executive Chairman and Non-Executive Directors do not participate in the short or long term incentive schemes.

(b) Executive Remuneration

The current executive salary and reward framework has three components:

1. Fixed Remuneration.

2. Short Term Incentive (Cash Bonus).

3. Short Term Incentive (Performance Rights or Options).

The combination of these components comprises the executives' total remuneration.

For the 52 weeks ended 28 June 2020, the Group did not have a long term incentive program in place.

1. Fixed Remuneration

Executive base salaries are structured as a part of the total employment remuneration package which comprises the fixed component of pay and other financial benefits being car allowances. Fixed remuneration includes superannuation which is paid in accordance with legislated amounts.

Fixed remuneration for executives is reviewed annually to provide competitiveness with the market, whilst also taking into account capability, experience, value to the organization and performance of the individual. There are no guaranteed base salary increases included in executive contracts. An executive's remuneration is also reviewed on promotion.

In FY2020 fixed remuneration was increased for the five executives at an average of increase of 0.23%. This was done to align remuneration with comparative roles.

2. Short Term Incentive (Cash Bonus)

Executives including the Chief Executive Officer but not the Executive Chairman are eligible to participate in an annual short term cash incentive which delivers rewards by way of cash bonuses, subject to the achievement of the Group financial performance targets.

The Group's Net Profit Before Tax (NPBT) result has been determined as the appropriate financial performance target to trigger the payment of cash incentives for each period. The amount of any short term cash incentive paid in a year is dependent upon the level of performance achieved against the Group's NPBT budget for the year. The Board considers NPBT to be an appropriate performance measure as it aligns the Group's remuneration philosophy with creating value, and is within the scope of influence of participants.

Structure of Short Term Cash Incentive Plan

Feature	Description
Maximum Opportunity	200% of on target cash bonus value
Performance Metric	Underlying Budgeted NPBT
Delivery of STI	100% of STI award is paid in cash after the financial results have been audited and approved by the Board
Board Discretion	The Board has discretion to adjust remuneration outcomes up or down to prevent any inappropriate reward outcomes, including reducing down to zero if appropriate

3. Short Term Incentive (Performance Rights or Options).

During the 52 weeks ended 28 June 2020 the Group continued with the short term performance rights incentive plan and the short term incentive option plan for selected senior management. The Executive Chairman does not participate in either plan. The Chief Executive Officer (subject to shareholder approval) and one executive are eligible to participate in the annual short term performance rights incentive plan, subject to the achievement of the Group financial performance targets. Other executives are eligible to participate in the annual short term options incentive plan, subject to the achievement of the Group financial performance targets. Performance rights and options provide selected senior executives the opportunity to acquire shares or potentially be cash settled at employee's discretion, subject to meeting the relevant conditions for vesting including remaining an employee of the Group at that time, at no cost to the senior executive. 100% of the grants are assessed by financial measures. The financial measure used is the Group's NPBT result against the Group's NPBT budget. This is tested annually. The Board considers NPBT to be an appropriate performance measure as it aligns the Group's remuneration philosophy with creating value, and is within the scope of influence of participants.

The Board will review the nature of potential issues of performance incentives moving forward to reflect market practice and to reflect the principles underlying the Group's remuneration policy.

For personal use only

Structure of Short Term Performance Rights and Options Incentive Plans

Feature	Description
Maximum Opportunity	125% of on target cash bonus value
Performance Metric	Underlying Budgeted NPBT
Delivery of STI	33.34% of STI performance rights and options award vest after the financial results have been audited and approved by the Board. 33.33% in twelve months and 33.33% in 24 months if the executive remains an employee of the Group at that time
Board Discretion	The Board has discretion to adjust remuneration outcomes up or down to prevent any inappropriate reward outcomes, including reducing down to zero if appropriate, subject to the terms of the plan

17.3 FY2020 Performance and Impact on Remuneration

Beacon Lighting's underlying NPBT financial performance in FY2020 was in line with the underlying FY2020 budget. For the 52 weeks ended 28 June 2020, the Group's underlying financial performance targets were met when compared to budget. Senior management will be awarded with available short term cash incentive and the short term (performance rights or options), subject to board approval.

17.4 Statutory Performance Indicators

Beacon Lighting aims to align executive remuneration to strategic and business objectives and the creation of shareholder wealth. The table below shows measures of the Group's financial performance over the last five years as required by the Corporations Act 2001 (Cth). However these measures are not necessarily consistent with measures used in determining the variable amounts of remuneration awarded to executives. As a consequence there may not always be a direct correlation between the statutory key performance measures and the variable remuneration awarded.

	FY2020	FY2019	FY2018	FY2017	FY2016
Net profit before tax ($'000)	**27,327***	23,118	27,705	23,370	26,160
Basic earnings per share (cents)	**10.11**	7.37	9.09	7.73	8.51
Dividend payments ($'000)	**10,110**	10,986	10,577	10,224	10,111
Share Price (Year End)	**1.08**	1.04	1.54	1.38	1.29
* Underlying NPBT FY2020					

17.5. Details of Remuneration

The following executives along with the Directors are identified as key management personnel with the authority and responsibility for planning, directing and controlling the activities of the Group, directly and indirectly, during the financial year.

Ian Robinson	Executive Chairman
Glen Robinson	Chief Executive Officer
Ian Bunnett	Managing Director - Sales
David Speirs	Chief Financial Officer
Barry Martens	Chief Operating Officer

All of the above executives were employed by Beacon Lighting and were key management personnel for the entire 52 weeks ended 28 June 2020 and the 53 weeks ended 30 June 2019 unless otherwise stated.

For personal use only

The details of the remuneration of the Directors and other key management personnel for the Beacon Lighting Group Limited and the consolidated entity for the current and prior financial periods are set out in the following table:

	Fixed Remuneration				Variable Remuneration		
	Cash Salary & Fees $	Non-Monetary Benefits $	Post Employment Super Contributions $	Annual & Long Service Leave $	Cash Performance Based Payment $	Share Based Payments $	Total
DIRECTORS							
I Robinson (Executive Chairman)							
2020	192,728	-	17,397	(12,947)	-	-	197,178
2019	192,728	-	17,397	(7,586)	-	-	202,539
G Robinson (Chief Executive Officer)							
2020	346,427	-	21,002	(8,243)	137,214	22,737	519,137
2019	356,957	-	20,531	2,444	-	93,939	473,871
E Barr (Non-Executive)							
2020	100,457	-	9,543	-	-	-	110,000
2019	100,457	-	9,543	-	-	-	110,000
N Osborne (Non-Executive)							
2020	91,324	-	8,676	-	-	-	100,000
2019	100,000	-	-	-	-	-	100,000
Total Remuneration Directors							
2020	**730,936**	**-**	**56,618**	**(21,190)**	**137,214**	**22,737**	**926,315**
2019	750,142	-	47,471	(5,142)	-	93,939	886,410
EXECUTIVES							
I Bunnett (Managing Director – Sales)							
2020	277,149	-	21,002	11,320	73,121	13,001	395,593
2019	271,628	-	20,531	25,345	-	48,207	365,711
D Speirs (Chief Financial Officer)							
2020	276,283	-	21,002	6,309	74,008	13,001	390,603
2019	272,225	-	20,531	9,169	-	48,207	350,132
B Martens (Chief Operating Officer)							
2020	240,925	-	21,002	(11,283)	72,931	13,001	336,576
2019	237,371	-	20,531	18,602	-	48,207	324,711
Total Remuneration Executives							
2020	**794,357**	**-**	**63,006**	**6,346**	**220,060**	**39,003**	**1,122,771**
2019	781,224	-	61,593	53,116	-	144,621	1,040,554

For personal use only

For personal use only

17.6. Share Based Compensation

The number of performance rights granted to the Chief Executive are set out below:

	Grant Date	Quantity Granted	Vest Date	Value at Grant Date $	Vested %	Quantity Vested & Exercisable	Quantity Unvested	Quantity Exercised	Value Expensed this Year $
G Robinson	24/06/2016	22,107	28-Aug-17	43,750	100.00%	22,107	-	22,107	-
	18/08/2016	23,603	28-Aug-17	32,100	100.00%	23,603	-	23,603	-
	24/08/2017	39,338	13-Oct-17	53,500	100.00%	39,388	-	26,227	1,254
	16/08/2018	71,333	09-Oct-18	109,140	66.67%	47,558	23,775	23,783	21,483
Total		**156,381**		**238,490**		**132,656**	**23,775**	**95,720**	**22,737**

The fair value of performance rights granted on 24 June 2016 (grant date) was $1.979, with a final vesting date of 28 August 2017.

The fair value of performance rights granted on 18 August 2016 (grant date) was $1.360, with a final vesting date of 25 August 2018. All unvested performance rights will vest on 25 August 2018 provided the executive remains employed by the Group at the vesting date.

The fair value of performance rights granted on 24 August 2017 (grant date) was $1.360, with a final vesting date of 25 August 2020. All unvested performance rights will vest on 25 August 2020 provided the executive remains employed by the Group at the vesting date.

The fair value of performance rights granted on 16 August 2018 (grant date) was $1.530, with a final vesting date of 16 August 2020. All unvested performance rights will vest on 16 August 2020 provided the executive remains employed by the Group at the vesting date.

The performance rights have a zero exercise price. Subject to meeting the relevant vesting conditions. Shares will be issued at no cost to the executive. In the event an executive leaves the Group prior to the vesting date the performance rights will generally lapse.



The number of options over shares in the Group granted to the Key Management Personnel are set out below.

	Grant Date	Quantity Granted	Vest Date	Value at Grant Date $	Vested %	Quantity Vested & Exercisable	Quantity Unvested	Quantity Exercised	Value Expensed this Year $
I Bunnett	24/06/2016	31,582	Refer below	40,740	100.00%	31,582	-	31,582	-
	18/08/2016	11,029	Refer below	15,000	100.00%	11,029	-	7,720	182
	24/08/2017	18,382	Refer below	25,000	70.00%	12,867	5,515	-	2,780
	16/08/2018	33,333	Refer below	51,000	66.66%	22,223	11,110	-	10,039
D Speirs	24/06/2016	31,582	Refer below	40,740	100.00%	31,582	-	31,582	-
	18/08/2016	11,029	Refer below	15,000	100.00%	11,029	-	11,029	182
	24/08/2017	18,382	Refer below	25,000	70.00%	12,867	5,515	12,867	2,780
	16/08/2018	33,333	Refer below	51,000	66.66%	22,223	11,110	22,223	10,039
B Martens	24/06/2016	31,582	Refer below	40,740	100.00%	31,582	-	31,582	-
	18/08/2016	11,029	Refer below	15,000	100.00%	11,029	-	11,029	182
	24/08/2017	18,382	Refer below	25,000	70.00%	12,867	5,515	12,867	2,780
	16/08/2018	33,333	Refer below	51,000	66.66%	22,223	11,110	22,223	10,039
Total		**282,978**		**395,220**		**233,103**	**49,875**	**194,704**	**39,003**

The fair value of options granted on 24 June 2016 (grant date) was $1.290. 40% vested on 26 June 2017, 30% vested on 25 August 2017 and 30% vest on 25 August 2018, in each case provided that the executive remains employed by the Group at the vesting date. The options expire on 24 June 2031.

The fair value of options granted on 18 August 2016 (grant date) was $1.360. 40% vested on 18 August 2017, 30% vest on 18 August 2018 and 30% vest on 18 August 2019, in each case provided that the executive remains employed by the Group at the vesting date. The options expire on 24 June 2031.

The fair value of options granted on 24 August 2017 (grant date) was $1.360. 40% vest on 24 August 2018, 30% vest on 24 August 2019 and 30% vest on 24 August 2020, in each case provided that the executive remains employed by the Group at the vesting date. The options expire on 24 June 2031.

The fair value of options granted on 16 August 2018 (grant date) was $1.530. 33.34% vest on 16 August 2018, 33.33% vest on 16 August 2019 and 33.33% vest on 16 August 2020, in each case provided that the executive remains employed by the Group at the vesting date. The options expire on 24 June 2031.

The options have a zero exercise price. Subject to meeting the relevant vesting conditions, shares will be issued at no cost to the executive. In the event an executive leaves the Group prior to the vesting date the options will generally lapse.

For personal use only

For personal use only

17.7 Share Holdings

The numbers of ordinary voting shares in the Company held during the financial year by each director of Beacon Lighting Group and other key management personnel of Beacon Lighting Group, including their personally related parties, are set out below.

	Balance at Start of Year	Received During Year[1]	Purchase of Shares	DRP Issue[2]	Sales of Shares	Balance at End of Year
DIRECTORS						
I Robinson (Executive Chairman)[3]						
2020	120,928,332	-	-	1,551,454	-	122,479,786
2019	119,584,748	-	-	1,343,584	-	120,928,332
G Robinson (Chief Executive Officer)						
2020	125,756	-	-	4,455	-	130,211
2019	124,264	-	-	1,492	-	125,756
E Barr (Non-Executive)						
2020	200,000	-	-	-	-	200,000
2019	200,000	-	-	-	-	200,000
N Osborne (Non-Executive)						
2020	300,000	-	-	-	-	300,000
2019	300,000	-	-	-	-	300,000
EXECUTIVES						
I Bunnett (Managing Director – Sales)						
2020	63,974	39,302	-	-	-	103,276
2019	63,974	-	-	-	-	63,974
D Speirs (Chief Financial Officer)						
2020	79,581	77,701	-	4,371	-	161,653
2019	76,473	-	-	3,108	-	79,581
B Martens (Chief Operating Officer)						
2020	68,519	77,701	-	-	-	146,220
2019	68,519	-	-	-	-	68,519
Total						
2020	**121,766,162**	**194,704**	**-**	**1,560,280**	**-**	**123,521,146**
2019	120,417,978	-	-	1,348,184	-	121,766,162

(1) Shares received during the year were a result of performance rights being exercised under the STI Plan.
(2) Shares received during the year as a result of participating in the Dividend Reinvestment Plan.
(3) Heystead Nominees Pty Ltd and other Robinson Family member interests, excluding Glen Robinson.

17.8 Service Agreements

All executives are employed on terms consistent with the remuneration framework outlined in this report. Each of the relevant executive agreements is for a continuing term but may be terminated by either party with a required notice period of 12 weeks. These agreements do not provide for any termination payments other than payment in lieu of notice.

17.9 Voting of Shareholders at Last Year's Annual General Meeting

Beacon Lighting Group received more than 90% of yes votes on its remuneration report for FY2019. The Group did not receive any specific feedback at the Annual General Meeting or throughout the year on its remuneration practices.

Signed in accordance with a resolution of Directors



Ian Robinson
Executive Chairman



Glen Robinson
Chief Executive Officer

Melbourne,
19 August 2020

For personal use only

Auditor's Independence Declaration

For personal use only

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Beacon Lighting Group Limited for the 52 week period ended 28 June 2020, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

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

This declaration is in respect of Beacon Lighting Group Limited and the entities it controlled during the period.



Jason Perry
Partner
PricewaterhouseCoopers

Melbourne
19 August 2020

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

Index to the Financial Statements

For personal use only

	Page
Consolidated Statement of Comprehensive Income	**31**
Consolidated Balance Sheet	**32**
Consolidated Statement of Changes in Equity	**33**
Consolidated Statement of Cash Flows	**34**
Notes to the Consolidated Financial Statements	
1. Summary of Significant Accounting Policies	35
2. Changes in Accounting Policies	42
3. Financial Risk Management	44
4. Segment Information	50
5. Revenue from Ordinary Activities and Other Revenue	51
6. Other Income	51
7. Expenses	52
8. Income Tax Expense	53
9. Cash and Cash Equivalents	54
10. Trade and Other Receivables	54
11. Inventories	56
12. Derivative Financial Instruments	57
13. Other Current Assets	59
14. Property, Plant and Equipment	59
15. Deferred Tax Assets	60
16. Intangible Assets	61
17. Trade and Other Payables	62
18. Current Borrowings	63
19. Current Provisions	63
20. Current Tax Liabilities	65
21. Non Current Borrowings	65
22. Non Current Provisions	66
23. Leases	67
24. Contributed Equity	68
25. Reserves and Retained Profits	69
26. Dividends	71
27. Key Management Personnel Disclosures	72
28. Share Based Payments	72
29. Earnings Per Share	74
30. Remuneration of Auditors	74
31. Contingencies	74
32. Commitments	76
33. Related Party Transactions	77
34. Subsidiaries	78
35. Events Occurring After the Reporting Period	78
36. Cash Flow Information	79
37. Critical Accounting Estimates	80
38. Parent Entity Financial Information	80
39. Deed of Cross Guarantee	81

For personal use only

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 52 weeks ended 28 June 2020 and the 53 weeks ended 30 June 2019. Beacon Lighting Group and its controlled entities.

Consolidated Entity	Notes	FY2020 $'000	FY2019 $'000
REVENUE FROM ORDINARY ACTIVITIES			
Sale of goods	5	**252,224**	245,750
Other revenue	5	**800**	1,375
Total revenue from ordinary activities and other revenue	5	**253,024**	247,125
Other income	6	**8,034**	280
EXPENSES	7		
Cost of sales of goods		**(91,027)**	(88,592)
Other expenses from ordinary activities			
Marketing		**(13,535)**	(13,738)
Selling and distribution		**(102,480)**	(104,048)
General and administration		**(15,950)**	(15,895)
Finance costs	7	**(6,179)**	(2,014)
PROFIT BEFORE INCOME TAX		**31,887**	23,118
Income tax expense	8	**(9,662)**	(7,074)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO THE MEMBERS OF THE PARENT ENTITY		**22,225**	16,044
Other comprehensive income			
Items that may be reclassified to profit or loss			
Changes in the fair value of derivatives	25(a)	**(294)**	(1,499)
Exchange differences on translation of foreign operations	25(a)	**231**	239
Income tax relating to these items		**19**	377
Other comprehensive income for the period, net of tax		**(44)**	(883)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO THE MEMBERS OF THE PARENT ENTITY		**22,181**	15,161
EARNINGS PER SHARE		**CENTS**	CENTS
Basic earnings per share	29	**10.11**	7.37
Diluted earnings per share	29	**10.10**	7.37

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

CONSOLIDATED BALANCE SHEET

As at 28 June 2020 and as at 30 June 2019. Beacon Lighting Group and its controlled entities.

Consolidated Entity	Notes	FY2020 $'000	FY2019 $'000
CURRENT ASSETS			
Cash and cash equivalents	9	**44,856**	18,305
Trade and other receivables	10	**8,620**	12,053
Inventories	11	**63,082**	68,698
Other current assets	13	**1,496**	2,277
Total current assets		**118,054**	101,333
NON-CURRENT ASSETS			
Property, plant and equipment	14	**32,847**	46,009
Deferred tax assets	15	**13,403**	5,834
Intangible assets	16	**12,953**	11,646
Right of use assets	23	**88,719**	-
Other non-current assets		**1,238**	-
Total non-current assets		**149,160**	63,489
TOTAL ASSETS		**267,214**	164,822
CURRENT LIABILITIES			
Trade and other payables	17	**22,132**	17,849
Borrowings	18	**17,197**	31,054
Derivative financial instruments	12	**855**	649
Provisions	19	**8,097**	7,667
Current tax liabilities	20	**4,464**	658
Lease liabilities	23	**23,242**	425
Total current liabilities		**75,987**	58,302
NON-CURRENT LIABILITIES			
Borrowings	21	**13,200**	18,944
Lease liabilities	23	**90,076**	515
Provisions	22	**983**	3,881
Total non-current liabilities		**104,259**	23,340
TOTAL LIABILITIES		**180,246**	81,642
NET ASSETS		**86,968**	83,180
EQUITY			
Contributed equity	24	**70,258**	68,229
Other reserves	25(a)	**(43,567)**	(43,331)
Retained earnings	25(b)	**60,277**	58,282
TOTAL EQUITY		**86,968**	83,180

The above consolidated balance sheet should be read in conjunction with the accompanying Notes.

For personal use only

For personal use only

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the 52 weeks ended 28 June 2020 and the 53 weeks ended 30 June 2019. Beacon Lighting Group and its controlled entities.

Consolidated Entity	Notes	Contributed Equity $'000	Reserves $'000	Retained Earnings $'000	Total Equity $'000
Balance as at 30 June 2019		**68,229**	**(43,331)**	**58,282**	**83,180**
Adjustment for change in accounting policy	2	**-**	**-**	**(10,121)**	**(10,121)**
Restated balance at prior year		**68,229**	**(43,331)**	**48,163**	**73,061**
Profit for the year		**-**	**-**	**22,225**	**22,225**
Other comprehensive income	25(a)	**-**	**(44)**	**-**	**(44)**
Total comprehensive income for the period		-	(44)	22,225	22,181
Transactions with owners in their capacity as owners:					
Issue of shares via dividend reinvestment plan	24	**2,029**	**-**	**-**	**2,029**
Employee share scheme	25(a)	**-**	**(476)**	**-**	**(476)**
Treasury share reserve	25(a)	**-**	**281**	**-**	**281**
Dividends provided for or paid	26	**-**	**-**	**(10,109)**	**(10,109)**
Total contributions by and distributions to owners		**2,029**	**(192)**	**(10,109)**	**(8,272)**
Balance as at 28 June 2020		**70,258**	**(43,567)**	**60,277**	**86,968**
Balance as at 24 June 2018		65,690	(42,584)	53,224	76,330
Profit for the year		-	-	16,044	16,044
Other comprehensive income	25(a)	-	(883)	-	(883)
Total comprehensive income for the period		-	(883)	16,044	15,161
Transactions with owners in their capacity as owners:					
Issue of shares via dividend reinvestment plan	24	2,539	-	-	2,539
Employee share scheme	25(a)	-	329	-	329
Treasury share reserve	25(a)	-	(192)	-	(192)
Dividends provided for or paid	26	-	-	(10,986)	(10,986)
Total contributions by and distributions to owners		2,539	136	(10,986)	(8,311)
Total contributions by and distributions to owners		2,820	(83)	(10,577)	(7,840)
Balance as at 30 June 2019		68,229	(43,331)	58,282	83,180

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the 52 weeks ended 28 June 2020 and the 53 weeks ended 30 June 2019. Beacon Lighting Group and its controlled entities.

Consolidated Entity	Notes	FY2020 $'000	FY2019 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of goods and services tax)		**280,953**	269,876
Payments to suppliers and employees (inclusive of goods and services tax)		**(212,381)**	(247,766)
Interest received		**264**	45
Borrowing costs		**(6,179)**	(2,014)
Income taxes paid		**(7,306)**	(7,393)
Net cash inflow from operating activities	36	**55,351**	12,748
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for acquisitions		**(1,314)**	(1,138)
Payments for property, plant and equipment		**(6,328)**	(20,146)
Proceeds from sale of property, plant and equipment		**28,000**	8
Net cash inflow / (outflow) from investing activities		**20,358**	(21,276)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		**81,251**	80,626
(Repayment) of borrowings		**(100,852)**	(56,017)
(Payments) for principal portion of lease liabilities*		**(21,476)**	-
Dividends paid to Company's shareholders	26	**(8,081)**	(8,447)
Net cash (outflow) / inflow from financing activities		**(49,158)**	16,162
Net increase in cash and cash equivalents		**26,551**	7,634
Cash and cash equivalents at the beginning of the financial year		**18,305**	10,671
Cash and cash equivalents at the end of the financial year	9	**44,856**	18,305

* Disclosure only applicable from FY2020 due to adoption of AASB16 - refer Note 1(a)(i). In FY2019 this was included in Cash Flows From Operating Activities within Payments to suppliers

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

For personal use only

For personal use only

1. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of this consolidated financial report is set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The financial report is for the consolidated entity consisting of Beacon Lighting Group Limited and its subsidiaries.

(a) Basis of Preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001 (Cth). Beacon Lighting Group Limited is a for-profit entity for the purpose of preparing the financial report.

Beacon Lighting Group Limited operates within a retail financial period. The current financial period was a 52 week retail period ending on the 28 June 2020 (2019: 53 week period ending 30 June 2019). This treatment is consistent with section 323D of Corporations Act 2001 (Cth).

(i) New, Revised or Amended Accounting Standards and Interpretations Adopted by the Group

New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2019:

- AASB 16 Leases.
- AASB 2018-1 Amendments to Australian Accounting Standards – *Annual Improvements 2015- 2017 Cycle*.
- Interpretation 23 Uncertainty over Income Tax Treatments.

The Group had to change its accounting policies as a result of adopting AASB 16. The Group has adopted AASB 16 retrospectively from 1 July 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019. This is disclosed in Note 2.

The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(ii) Impact of Standards Issued but Not Yet Applied by Group

Certain new accounting standards and interpretations have been published that are not mandatory for 28 June 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(iii) Compliance with IFRS

The consolidated financial report of the Group also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

(iv) Historical Cost Convention

This financial report has been prepared in accordance with the historical cost convention.

(v) 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 Group's accounting policies. Refer to Note 36 Critical Accounting Estimates for detailed explanation of items requiring assumptions and estimates.

(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. In the current period settlement discounts have been mapped to sale of goods. To enhance comparability the prior period sale of goods balance has been restated to include settlement discounts.

(c) Principles of Consolidation

The consolidated financial report incorporates the assets and liabilities of all subsidiaries of Beacon Lighting Group Limited ('Group' or 'parent entity') as at 28 June 2020 and the results of all subsidiaries for the period then ended. Beacon Lighting Group Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all entities over which the Group has control. 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated 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(i)).

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

For personal use only

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 Group Limited.

(d) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker for Beacon Lighting Group Limited and its controlled entities (the Group), is the Chief Executive Officer (CEO). The Group determines operating segments based on information provided to the CEO in assessing performance and determining the allocation of resources within the Group. 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, the methods used to distribute the product and materiality. The Group purchases goods in USD for sales into Australia. The Group's one reportable segment is the selling of light fittings, fans and energy efficient products.

(e) 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 Group Limited'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.

(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 consolidated statement 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.

(iv) Group Companies

The results and financial position of foreign operations (none of which has the currency of a hyper inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet.
- Income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions).
- All resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(f) Revenue Recognition

Revenue

The Group operates a chain of retail stores and sells a range of lighting products direct to customers. Revenue from the sale of goods is recognised when a Group entity sells a product to the customer at which point the control of products is transferred. Payment of the transaction price is due immediately when the customer purchases the lighting products and takes control of the products. It is the Group's policy to sell its products to the

For personal use only

end customer with a right of return within 30 days. The refund liability and a right to the returned goods is not material for the products expected to be returned.

The Group's obligation to repair or replace faulty products under the standard warranty terms is recognised as a provision, see Note 19.

The revenue relating to the sale of solar systems is recognised upon contractual milestones and / or practical completion.

Interest Income

Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

Franchise Royalty Fee Income

Franchise royalty fee income includes advertising contributions and management fee, which is based upon a percentage of sales.

(g) 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 assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances related to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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 Group 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 Group Limited and its wholly-owned Australian controlled entities have not implemented the tax consolidation legislation.

(h) Leases

As explained in Note 1(a)(i) above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in Note 2.

The Group leases various offices, warehouses and retail stores. Rental contracts are typically made for fixed periods of 7 to 14 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. Until the period ended 30 June 2019, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight -line basis over the period of the lease. From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable.
- Variable lease payment that are based on an index or a rate.

For personal use only

- Amounts expected to be payable by the lessee under residual value guarantees.
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the Group:

- Where possible, uses recent third-party financing received as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.
- Uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. Lease payments are allocated between principal 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.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability.
- Any lease payments made at or before the commencement date less any lease incentives received.
- Any initial direct costs, and
- Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture

Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

Until 1 July 2019, leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership were classified as finance leases. Finance leases and hire purchase arrangements were 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, were included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost was 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.

Until 1 July 2019, leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

(i) 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

For personal use only

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.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquire is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

(j) 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 cost of disposal 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.

(k) 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.

(l) Trade Receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement between 30 and 60 days from end of month and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

(m) Inventories

Finished goods are stated at the lower of cost and net realisable value.

Cost comprises direct materials, and an appropriate proportion of variable and fixed overhead expenditure.

Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(n) 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 each reporting date. 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. At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

Fair value is determined with reference to quoted market prices. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. The method of recognising the resulting gain or loss depends on whether the derivative is designated and effective as a hedging instrument, and if so, the nature of the item being hedged.

For personal use only

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 the hedging reserve in equity. The gain or loss relating to the ineffective portion is recognised in the income statement in other income or other expenses. Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance, when the forecast purchase of inventory that is hedged takes place).

The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within finance costs. The gain or loss relating to the effective portion of forward foreign exchange contracts which hedge imported inventory purchases are ultimately recognised in the profit or loss as cost of goods sold.

When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item ('aligned forward element') is recognised within Other Comprehensive Income (OCI) within the cash flow hedge reserve. In some cases, the entity may designate the full change in fair value of the forward contract (including forward points) as the hedging instrument. In such cases, the gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognised in the cash flow hedge reserve within equity.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(o) 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.

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.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

- Furniture, Fittings & Equipment 4 to 20 years.
- Motor vehicles 5 to 8 years.
- Buildings 40 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.

(p) 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 at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. 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 patents, trademarks and other rights over their useful life of 25 years.

(q) Trade and Other Payables

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

Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

For personal use only

(r) 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.

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.

(s) Provisions

Provisions for legal claims and product warranties are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

(t) Employee Benefits

(i) Short-Term Obligations

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(ii) Other Long-Term Employee Benefit Obligations

The liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore 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 the 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 the reporting period of government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows.

Re-measurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

(iii) Share Based Payments

Share based compensation benefits are provided to employees via the Beacon Lighting Short Term Incentive Plan. Information relating to this scheme is set out in the Remuneration Report and Note 27. The fair value of performance rights and options granted under the plan are recognised as an employee benefit expense over the period during which the employees become unconditionally entitled to the rights with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the rights granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions. Non-market vesting conditions are included in assumptions about the number of rights that are expected to vest which are revised at the end of each reporting period. The impact of the revision to original estimates, if any; is recognised in the consolidated statement of comprehensive income, with a corresponding adjustment to equity.

The fair value is measured at grant date and the expense recognised over the life of the plan. The fair value is determined using a Black-Scholes pricing model that takes into account the exercise price, the term of the right, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the rights.

(u) 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.

(v) Store Opening Costs

Non-capital costs associated with the setup of a new store are expensed in the period in which they are incurred.

(w) Dividends

Provision is made for the amount of any dividends declared, determined or publicly recommended by the Directors on or before the end of the financial period but not distributed at balance date.

(x) Contributed Equity

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

(y) Earnings Per Share

(i) Basic Earnings Per Share

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the Group, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the period and excluding treasury shares.

(ii) Diluted Earnings Per Share

Diluted earnings per share adjusts the figure used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares (including performance rights) and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(z) Rounding Amounts

The Group has relied on the relief provided by ASIC Corporations Instrument 2016/191, and in accordance with that Instrument, amounts in the financial statements have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

(aa) Parent Entity Financial Information

The financial information for the parent entity, Beacon Lighting Group Limited, disclosed in Note 37 has been prepared on the same basis as the consolidated financial report, except as set out below.

Investments in Subsidiaries

Investments in subsidiaries are accounted for at cost in the financial report of Beacon Lighting Group Limited.

2. CHANGES IN ACCOUNTING POLICIES

(a) AASB 16 Leases

As indicated in Note 1(a)(i), the Group has adopted AASB 16 Leases retrospectively from 1 July 2019 but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019. The new accounting policies are disclosed in Note 1(h).

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019.

(b) Adjustments recognised on adoption of AASB 16

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 3.631%.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of AASB 16 are only applied after that date. The re-measurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

For personal use only

For personal use only

Consolidated Entity	$'000
Operating lease commitments disclosed as at 30 June 2019	103,192
Discounted using the lessee's incremental borrowing rate of at the date of initial application	93,932
Add: finance lease liabilities recognised as at 30 June 2019	941
Add: adjustments as a result of different assumptions related to option periods	10,380
Lease liability recognised as at 1 July 2019	105,253
Of which are:	
Current lease liabilities	21,679
Non-current lease liabilities	83,574

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The change in accounting policy affected the following items in the balance sheet on 1 July 2019:

Consolidated Entity	$'000
Right-of-use assets increased by	83,774
Current lease receivables increased by	458
Non current lease receivables increased	2,659
Current lease liabilities increased by	21,679
Non current lease liabilities increased by	83,574
Non current provisions decreased by	2,987
Deferred tax assets increased by	5,505
Net impact on retained earnings on 1 July 2019 was a decrease of	10,121

Practical expedients applied

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Reliance on previous assessments on whether leases are onerous.
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying AASB 117 and Interpretation for determining whether an arrangement contains a Lease.

Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

The Group considers factors including historical lease durations and the costs and business disruption required to replace the leased asset. As at 28 June 2020, potential future cash outflows of $113,368,000 (undiscounted) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee. During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was an increase in recognised lease liabilities and right-of-use assets of $12,396,000.

3. FINANCIAL RISK MANAGEMENT

The consolidated entity is exposed to a variety of financial risks comprising:

a) Market risk

b) Credit risk and

c) Liquidity risk

Risk management is carried out under policies approved by the Chief Executive Officer.

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of foreign exchange risks and aging analysis for credit risk.

For personal use only

For personal use only

Consolidated Entity	FY2020 $'000	FY2019 $'000
FINANCIAL ASSETS		
Cash and cash equivalents	**44,856**	18,305
Trade and other receivables	**8,620**	12,053
	53,476	31,493
FINANCIAL LIABILITIES		
Trade and other payables	**22,132**	17,848
Borrowings	**30,397**	50,939
Derivative financial instruments	**855**	649
Lease Liabilities*	**113,318**	-
	166,702	69,436

* Disclosure only applicable from FY2020 due to adoption of AASB16 - refer Note 1(a)(i)

(a) Market Risk

Foreign Exchange Risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD.

Foreign exchange risk arises when future commercial transactions and recognised financial assets and financial liabilities are denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The Group hedges its foreign exchange risk exposure arising from future commercial transactions and recognised assets and liabilities using forward contracts. The Group has a policy of hedging 100% of the Group's inventory has been purchased in USD and sold in AUD. The Group can also lock in a forward position for this foreign exchange exposure for a period of up to 12 months.

At 28 June 2020 the average term of outstanding foreign exchange contracts is two months with an average forward rate for AUD/USD of 0.6683.

The Group holds the following foreign exchange derivatives:

Consolidated Entity	FY2020 $'000	FY2019 $'000
Forward exchange contracts - buy cash flow hedges (notional amount)	**10,736**	8,446

Interest Rate Risk

The Group's main interest rate risk arises from short term borrowings with variable rates, which expose the Group to cash flow interest rate risk. The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps.

Interest rate swaps currently in place cover approximately 61% (2019: 38%) of the variable loan principal outstanding. The fixed interest rate of the swaps used to hedge are 2.28% and 2.47% (2019: 2.28% and 2.47%) and the variable rates of the loans are between 0.14% and 1.90% (2019: 1.17% and 1.90%).

The swap contracts require settlement of net interest receivable or payable every 30 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt.

The Group's exposure to foreign currency and interest rate risk at the end of the reporting period, expressed in AUD is per below:

Consolidated Entity	FY2020 $'000	FY2019 $'000
Interest rate swap contracts - buy cash flow hedges (notional amount)	**18,437**	19,185

Amounts recognised in profit or loss and other comprehensive income

During the year, the following gains / (losses) were recognised in profit or loss and other comprehensive income in relation to forward exchange contracts and interest rate swaps.

Consolidated Entity	FY2020 $'000	FY2019 $'000
(Loss) recognised in other comprehensive income	**(206)**	(1,050)



For personal use only

For personal use only

Group Sensitivity

At 28 June 2020, 60.7% (2019: 55.3%) of Beacon Lighting Group's short term borrowings are hedged using forward exchange contracts and interest rate swaps. The sensitivity of profit or loss to changes in the exchange rates arises mainly from USD denominated financial instruments and the impact on other components of equity arises from foreign forward exchange contracts designated as cash flow hedges.

	Impact on other components of equity	
Consolidated Entity	**FY2020 $'000**	FY2019 $'000
Forward exchange contracts		
USD / AUD exchange rate – increase 10%	**(1,073)**	(844)
USD / AUD exchange rate – decrease 10%	**1,073**	844
Interest rate swap contracts		
Floating interest rate – increase 10%	**7**	48
Floating interest rate – decrease 10%	**(7)**	(48)

Effects of hedge accounting on the financial position and performance

Consolidated Entity	**FY2020 $'000**	FY2019 $'000
Forward exchange contracts		
Carrying amount - asset / (liability)	**(267)**	(43)
Notional amount	**10,736**	8,446
Maturity Date	**September 2020 to December 2020**	July 2019 to August 2019
Hedge Ratio	**1:1**	1:1
Change in intrinsic value of outstanding hedging instruments	**267**	43
Weighted average strike rate for the year	**USD$0.7018 : AUD$1**	USD$0.7021 : AUD$1
Interest rate swap contracts		
Carrying amount - asset / (liability)	**(587)**	(606)
Notional amount	**18,437**	19,188
Maturity Date	**15 September 2020 15 November 2023**	15 September 2020 15 November 2023
Hedge Ratio	**1:1**	1:1
Change in intrinsic value of outstanding hedging instruments	**587**	606
Weighted average strike rate for the year	**2.64%**	2.64%

For personal use only

(b) Credit Risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, favorable derivative financial instruments and deposits with banks as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. Individual credit limits are set based on internal or external ratings in accordance with limits set by the Board. The compliance with credit limits by wholesale and retail customers is regularly monitored by line management. Sales to retail customers are required to be settled in cash or using major credit cards, mitigating credit risk. There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

An analysis of trade receivables is disclosed in Note 10.

(c) Liquidity Risk

Financing Arrangements

The Group had access to the following financing facilities at the end of each reporting period:

Consolidated Entity	FY2020 $'000	FY2019 $'000
FLOATING RATE – TOTAL FACILITIES		
Overdraft	**500**	500
Trade finance facility	**7,250**	37,414
Interchange facility	**25,500**	-
Asset finance facility	**6,598**	7,385
Loan facility – multi currency	**4,157**	3,046
Loan facility – floating rate	**20,000**	27,500
FLOATING RATE – TOTAL UNDRAWN FACILITIES		
Overdraft	**500**	500
Trade finance facility	**7,166**	6,659
Interchange facility	**9,083**	-
Asset finance facility	**6,083**	6,444
Loan facility – multi currency	**4,157**	3,046
Loan facility – floating rate	**5,300**	8,256

Maturities of Financial Liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings as follows:

(a) Based on their contractual maturities:

(i) All non-derivative financial liabilities, and

(ii) Net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

(b) Based on the remaining period to the expected settlement date:

(i) Derivative financial liabilities for which the contractual maturities are not essential for an understanding of the timing of the cash flows.

For personal use only

The amounts disclosed in the table are the contractual undiscounted cash flows.

Contractual maturities of financial liabilities:

Consolidated Entity	Less Than 6 months $'000	6 - 12 Months $'000	Between 1 and 5 Years $'000	Over 5 Years $'000	Total Contractual Cash Flows $'000	Carrying Amount (Assets) Liabilities $'000
At 28 June 2020						
NON-DERIVATIVES						
Trade and other payables	**22,132**	**-**	**-**	**-**	**22,132**	**22,132**
Borrowings	**15,728**	**1,500**	**14,370**	**-**	**31,598**	**30,397**
Lease liabilities	**-**	**23,242**	**67,725**	**22,351**	**113,318**	**113,289**
Total non-derivatives	**37,860**	**24,742**	**82,095**	**22,351**	**167,048**	**165,818**
DERIVATIVES						
Forward exchange contracts	**(268)**	**-**	**-**	**-**	**(268)**	**(268)**
Interest rate swap contract	**(587)**	**-**	**-**	**-**	**(587)**	**(587)**
Net settled (cash flow hedges)	**(855)**	**-**	**-**	**-**	**(855)**	**(855)**
At 30 June 2019						
NON-DERIVATIVES						
Trade and other payables	17,853	-	-	-	17,853	17,853
Borrowings	31,058	-	21,087	-	52,145	49,998
Lease liabilities	-	453	543	-	996	941
Total non-derivatives	48,911	453	21,630	-	70,994	68,792
DERIVATIVES						
Forward exchange contracts	(43)	-	-	-	(43)	(43)
Interest rate swap contract	(606)	-	-	-	(606)	(606)
Net settled (cash flow hedges)	(649)	-	-	-	(649)	(649)

(d) Fair Value Measurements

For information about the methods and assumptions used in determining the fair value of derivatives please refer to Note 12.

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 Group's financial assets and financial liabilities measured and recognised at fair value at 28 June 2020, on a recurring basis.

At 28 June 2020	Level 2 $'000	Total $'000
Derivatives used for hedging - Net Position	**(855)**	**(855)**

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 and the adjustments are all based on valuations provided by third party banking institutions. There has been no change in valuation techniques during the period.

There are no financial assets and liabilities in Level 1 and Level 3, and there are no transfers between the levels.

4. SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker for Beacon Lighting Group Limited and its controlled entities (the Group), is the Chief Executive Officer (CEO). The Group determines operating segments based on information provided to the CEO in assessing performance and determining the allocation of resources within the Group. 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, the methods used to distribute the product and materiality. The Group purchases goods in USD for sales into Australia. The Group's one reportable segment is the selling of light fittings, fans and energy efficient products.

For personal use only

For personal use only

5. REVENUE FROM ORDINARY ACTIVITIES AND OTHER REVENUE

The Group derives revenue from the transfer of goods and services over time and at a point in time as follows:

- Sale of Goods - point in time.
- Interest Income - point in time.
- Franchise Royalty Fee Income - point in time.
- The revenue relating to the sale of solar systems is recognised upon contractual milestones and / or practical completion.

Consolidated Entity	FY2020 $'000	FY2019 $'000
From Ordinary Activities		
Sale of goods	**252,224**	245,750
Other Revenue		
Franchise fees	**761**	1,295
Sundry revenue	**39**	80
	800	1,375
	253,024	247,125

6. OTHER INCOME

Consolidated Entity	FY2020 $'000	FY2019 $'000
Profit on sale of asset	**7,780**	-
Other	**254**	280
	8,034	280

7. EXPENSES

Consolidated Entity	FY2020 $'000	FY2019 $'000
(a) PROFIT BEFORE INCOME TAX INCLUDES THE FOLLOWING SPECIFIC EXPENSES:		
Depreciation		
Plant and equipment	**4,070**	4,133
Depreciation – right of use assets*	**20,012**	-
Motor vehicles	**362**	355
Amortisation		
Patents, trademarks and other rights	**20**	20
Finance costs		
Interest and finance charges paid/payable*	**6,179**	2,014
Net loss on disposal of property, plant and equipment	**-**	234
Rental expense relating to operating leases		
Minimum lease payments*	**-**	25,016
Employee benefits	**60,888**	59,394
Loss on closure of business unit	**5,137**	-
(b) NET FOREIGN EXCHANGE GAINS AND LOSSES		
Net foreign exchange (gains)/losses recognised in profit before income tax for the period (as either other income or expense)	**12**	(257)

* Impacted by the adoption in FY2020 of AASB16 Leases – refer Note 2 and Note 23

For personal use only

For personal use only

8. INCOME TAX EXPENSE

Consolidated Entity	FY2020 $'000	FY2019 $'000
(a) INCOME TAX EXPENSE		
Current tax	**8,072**	7,314
Deferred tax	**1,477**	(448)
Adjustments for current tax of prior periods	**113**	208
	9,662	7,074
Deferred income tax (revenue) included in income tax expense comprises (Note 15):		
(Increase) / decrease in deferred tax assets	**(1,428)**	393
(Decrease) / increase in deferred tax liabilities	**(49)**	55
	(1,477)	448
(b) NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE		
Profit from continuing operations before income tax expense	**31,887**	23,118
Tax at the Australian tax rate of 30.0% (2019: 30.0%)	**9,566**	6,935
Tax effect of amounts which are not deductible in calculating taxable income:		
Previously unrecognised tax losses now recouped	**-**	(285)
Entertainment	**41**	30
Sundry items	**55**	109
Income tax expense	**9,662**	7,074
(c) AGGREGATE AMOUNTS OF DEFERRED TAX ARISING IN THE REPORTING PERIOD NOT RECOGNISED IN NET PROFIT OR OTHER COMPREHENSIVE INCOME BUT DIRECTLY CREDITED TO EQUITY (Note 15)	**5,591**	(3)

9. CASH AND CASH EQUIVALENTS

Consolidated Entity	FY2020 $'000	FY2019 $'000
Cash at bank and in hand	**43,566**	17,034
Deposits at call (a)	**1,290**	1,271
	44,856	18,305

(a) Classification as Cash Equivalents

Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable with 24 hours notice with no loss of interest.

Risk Exposure

The Group's and the parent entity's exposure to interest rate risk is discussed in Note 3.

10. TRADE AND OTHER RECEIVABLES

Consolidated Entity	FY2020 $'000	FY2019 $'000
Trade receivables (a)	**8,872**	12,106
Provision for impairment of receivables (b)	**(615)**	(377)
Net amounts receivable from customers	**8,257**	11,729
Other debtors (c)	**363**	324
	8,620	12,053

(a) Aging of Trade Receivables

Trade receivables ageing analysis at period end is:

Consolidated Entity	FY2020 $'000	FY2019 $'000
Not past due	**6,581**	7,899
Past due 31-60 days	**829**	619
Past due 61-90 days	**432**	518
Past due more than 91 days	**1,030**	3,070
	8,872	12,106

For personal use only

For personal use only

(b) Provision for Impairment of Receivables

Trade receivables are non-interest bearing with terms that vary between 30 and 60 days end of month. The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 28 June 2020 or 30 June 2019 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as at 28 June 2020 and 30 June 2019 (on adoption of AASB 9) was determined as follows for both trade receivables:

28 June 2020	Current	31-60 days past due	61 - 90 days past due	More than 90 days past due	Total
Expected loss rate	0.1%	0.5%	5.11%	56.5%	
Gross carrying amount - trade receivables ($'000)	6,581	829	432	1,030	8,872
Loss allowance ($'000)	7	4	22	582	615

30 June 2019	Current	31-60 days past due	61 - 90 days past due	More than 90 days past due	Total
Expected loss rate	0.1%	0.5%	5.11%	11.06%	
Gross carrying amount - trade receivables ($'000)	7,899	619	518	3,070	12,106
Loss allowance ($'000)	8	3	26	340	377

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due. Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

For personal use only

(c) Other Debtors

These amounts generally arise from transactions outside the usual operating activities of the Group. Interest may be charged at commercial rates where the terms of repayment exceed six months. Collateral is not normally obtained.

Foreign Exchange and Interest Rate Risk

Information about the Group's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in Note 3.

Fair Value and Credit Risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivables mentioned above. Refer to Note 3 for more information on the risk management policy of the Group and the credit quality of the entity's trade receivables.

11. INVENTORIES

Consolidated Entity	FY2020 $'000	FY2019 $'000
Inventory at lower of cost and net realizable value	**59,962**	67,259
Goods in transit - at cost	**3,120**	1,439
	63,082	68,698

Inventory Finance

The Group utilises inventory finance facilities to fund inventory. The term of the facility is two years.

Inventory Expense

Inventories recognised as expense during the 52 week period ended 28 June 2020 and included in cost of sales of goods amounted to $89,186,855 (2019: $86,249,607).

Write-downs of inventories to net realisable value recognised as an expense during the 52 week period ended 28 June 2020 amounted to $1,210,639 (2019: $28,234).

Included in the valuation of inventory is a provision for stock obsolescence of $2,279,952 (2019: $1,033,297).

For personal use only

12. DERIVATIVE FINANCIAL INSTRUMENTS

Consolidated Entity	FY2020 $'000	FY2019 $'000
Current liabilities		
Forward foreign exchange contracts – cash flow hedges	**(268)**	(43)
Interest rate swap contracts – cash flow hedges	**(587)**	(606)
Total current derivative financial instrument liabilities	**(855)**	(649)
Net current derivative financial instrument assets	**(855)**	(649)

The Group's risk exposures are provided in Note 3.

Forward Exchange Contracts and Interest Rate Swaps– Cash Flow Hedges

The Group purchases products in USD. In order to protect against exchange rate movements, the Group has entered into forward exchange contracts to purchase USD and an interest rate swap to hedge against interest rate fluctuations.

These contracts are hedging highly probable forecasted purchases for the ensuing financial year. The contracts are timed to mature when payments for major purchases of inventory are scheduled to be made.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income. When the cash flows occur, the Group adjusts the initial measurement of the component recognised in the balance sheet by removing the related amount from other comprehensive income.

During the 52 weeks ended 28 June 2020 there were no gains or losses (2019: nil) recognised in profit or loss for the ineffective portion of these hedging contracts.

Hedge ineffectiveness

Hedge effectiveness is determined at the inception of the hedge relationship and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. For hedges of foreign currency purchases, the Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The Group therefore performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Group uses the hypothetical derivative method to assess effectiveness. In hedges of foreign currency purchases, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of Australia or the derivative counterparty.

The Group enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. Hedge ineffectiveness for interest rate swaps is assessed using the same principles as for hedges of foreign currency purchases. It may occur due to:

- The credit value/debit value adjustment on the interest rate swaps which is not matched by the loan, and
- Differences in critical terms between the interest rate swaps and loans.

There was no ineffectiveness during 2020 or 2019 in relation to the interest rate swaps.

For personal use only



Hedge reserves

The Group's hedging reserves disclosed in Note 24 relate to the following hedging instruments:

Consolidated Entity	Currency Forwards $'000	Interest Rate Swaps $'000	Total Hedge Reserves $'000
Opening balance 24 June 2018	**454**	**(53)**	**401**
Add Change in fair value of hedging instrument recognised in Other Comprehensive Income	(708)	(791)	(1,499)
Less Deferred Tax	(212)	(237)	(449)
Closing balance 30 June 2019	**(42)**	**(607)**	**(649)**
Add Change in fair value of hedging instrument recognised in Other Comprehensive Income	(323)	29	(294)
Less Deferred Tax	(97)	9	(88)
Closing balance 28 June 2020	**(268)**	**(587)**	**(855)**

For personal use only

13. OTHER CURRENT ASSETS

Consolidated Entity	FY2020 $'000	FY2019 $'000
Prepayments and other current assets	**1,496**	2,277

14. PROPERTY, PLANT AND EQUIPMENT

Consolidated Entity	Furniture, Fittings and Equipment $'000	Vehicles $'000	Land and Buildings $'000	Total $'000
Year ended 30 June 2019				
Opening net book amount	**28,300**	**1,562**	**-**	**29,862**
Additions	7,762	530	12,588	20,880
Disposals	(241)	(4)	-	(245)
Depreciation charge	(4,114)	(355)	(19)	(4,488)
Closing net book amount	**31,707**	**1,733**	**12,569**	**46,009**
At 30 June 2019				
Cost	52,820	3,530	12,588	68,938
Accumulated depreciation	(21,113)	(1,797)	(19)	(22,929)
Net book amount	**31,707**	**1,733**	**12,569**	**46,009**
Year ended 28 June 2020				
Opening net book amount	**31,707**	**1,733**	**12,569**	**46,009**
Additions	3,457	417	2,441	6,315
Disposals	(1,098)	(15)	(13,299)	(14,412)
Adjustment for change in accounting policy*	(497)	(136)	-	(633)
Depreciation charge	(4,009)	(362)	(61)	(4,432)
Closing net book amount	**29,560**	**1,637**	**1,650**	**32,847**
At 28 June 2020				
Cost	54,040	3,576	1,673	59,289
Accumulated depreciation	(24,480)	(1,940)	(22)	(26,442)
Net book amount	**29,560**	**1,636**	**1,651**	**32,847**

* Due to adoption of AASB16 - refer Note 2(b) and Note 23

15. DEFERRED TAX ASSETS

Consolidated Entity	FY2020 $'000	FY2019 $'000
GROSS DEFERRED TAX ASSETS		
The balance comprises temporary differences attributable to:		
Employee benefits	**2,170**	2,092
Inventory	**1,268**	1,065
Franchise agreement termination fees	**808**	961
Debtor provision	**184**	113
Fixed assets	**524**	413
Marketing fund	**450**	326
Lease liabilities*	**33,380**	-
Other provisions/accruals	**1,061**	929
Total deferred tax assets	**39,845**	5,899
GROSS DEFERRED TAX LIABILITIES		
The balance comprises temporary differences attributable to:		
Right of use asset*	**26,426**	-
Other accruals and provisions	**16**	65
Total deferred tax liabilities	**26,442**	65
MOVEMENTS IN NET DEFERRED TAX ASSETS		
Opening balance	**5,834**	5,941
Charged/(credited) to the consolidated statement of comprehensive income (Note 8)	**1,477**	(448)
Charged/(credited) amounts recognised on acquisitions	**501**	341
Charged/(credited) amounts recognised directly in equity*	**5,591**	-
Net deferred tax assets	**13,403**	5,834

* Applicable from FY2020 due to adoption of AASB16 - refer Note 2(b) and Note 23

For personal use only

For personal use only

16. INTANGIBLE ASSETS

Consolidated Entity	Goodwill $'000	Patents, Trademarks and Other Rights $'000	Total $'000
Year ended 30 June 2019			
Opening net book amount	10,650	220	10,870
Additions	796	-	796
Amortisation charge for the year	-	(20)	(20)
Closing net book amount	11,446	200	11,646
At 30 June 2019			
Cost	11,446	500	11,946
Accumulated amortisation	-	(300)	(300)
Net book amount	11,446	200	11,646
Year ended 28 June 2020			
Opening net book amount	**11,446**	**200**	**11,646**
Additions	**1,327**	**-**	**1,327**
Amortisation charge for the year	**-**	**(20)**	**(20)**
Closing net book amount	**12,773**	**180**	**12,953**
At 28 June 2020			
Cost	**12,773**	**500**	**13,273**
Accumulated amortisation	**-**	**(320)**	**(320)**
Net book amount	**12,773**	**180**	**12,953**

The current year acquisitions are not material hence, has not been disclosed separately as a business combination. Also the prior year acquisition accounting has been finalised in the current year and there were no changes to the amounts previously reported.

For personal use only

(a) Impairment Tests for Goodwill

Goodwill is allocated to the Group's one cash generating unit being the selling of light fittings, fans and energy efficient products (refer Note 4).

The recoverable amount is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period.

(b) Key Assumptions Used For Value-In-Use Calculations

Gross Margin		Growth Rate		Discount Rate	
2020	2019	**2020**	2019	**2020**	2019
%	**%**	%	%	%	%
64.0	**64.0**	3.0	3.0	11.0	11.0

Management determined gross margin based on past performance and its expectations for the future. The weighted average growth rates used are consistent with forecasts included in industry reports. Management has considered reasonably possible changes in the key assumptions used in the value-in-use calculations, and has not identified any reasonably possible change that would cause a material impact in the carrying amount of the Group's cash generating unit.

17. TRADE AND OTHER PAYABLES

Consolidated Entity	FY2020 $'000	FY2019 $'000
Trade payables	**9,818**	6,569
Customer deposits	**3,494**	3,300
Sundry creditors	**6,586**	6,168
Marketing fund	**1,500**	1,087
Other payables	**734**	725
	22,132	17,849

(a) Risk Exposure

Information about the Group's exposure to foreign exchange risk is provided in Note 3.

(b) Fair Value

Trade payables are unsecured and are usually paid within 30 days of recognition.

The carrying amounts of trade and other payables are assumed to be the same as their fair values, due to their short-term nature.

For personal use only

18. CURRENT BORROWINGS

Consolidated Entity	FY2020 $'000	FY2019 $'000
Secured		
Inventory finance (a)	**84**	30,754
Loan facility floating rate (b)	**1,500**	300
Interchange facility (c)	**15,613**	-
	17,197	31,054

(a) Inventory Finance

The Group utilises inventory finance facilities to fund inventory. The total available facility is $7,250,000. The interest rate is the base rate plus a margin for the drawing term. The term of the facility is one year.

(b) Loan Facility – Floating Rate

The Group utilises floating rate loan facilities to fund business activities. The total available facility is $20,000,000. The interest rate is BBSY plus a margin. $15,000,000 of this facility has a term of two years while $5,000,000 of this facility has a term of one year.

(c) Interchange Facility

The Group utilises facility to fund inventory and other activities of the Group. The total available facility is $25,500,000. The interest rate is the base rate plus a margin for the drawing term. The term of the facility is two years.

Security and Fair Value Disclosures

Information about the security relating to each of the secured liabilities and the fair value of each of the borrowings is provided in Note 21.

Risk Exposures

Details of the Group's exposure to risks arising from current and non-current borrowings are set out in Note 3.

19. CURRENT PROVISIONS

Consolidated Entity	FY2020 $'000	FY2019 $'000
Employee benefits (a)	**6,270**	6,079
Warranty provision (b)	**1,351**	1,452
Other provisions (c)	**476**	136
	8,097	7,667

For personal use only

(a) Employee Benefits

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 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 expected to be taken or paid within the next 12 months.

Consolidated Entity	FY2020 $'000	FY2019 $'000
Leave obligations not expected to be settled within 12 months	**4,229**	4,325

(b) Warranty Provision

The Group generally offers 12 months warranty on its products. Provision is made for estimated warranty claims in respect of products sold which are still under warranty at the end of the reporting period. These claims are expected to be settled in the next financial year. Management estimates the provision based on historical warranty claim information and any recent trends that may suggest claims could differ from historical amounts.

Factors that could impact the estimated claim information include the success of the Group's product and quality initiatives, as well as parts and labor costs. If claim costs to differ by 10% from management's estimates, the warranty provision would be an estimated $135,000 (2019: $145,000) higher or lower.

Movement in Warranty Provision

Consolidated Entity	FY2020 $'000	FY2019 $'000
Carrying amount at the start of the year	**1,452**	1,468
Charged/(credited) to profit or loss - amount incurred and charged	**(101)**	(16)
Carrying amount at end of period	**1,351**	1,452

(c) Other Provisions

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

Movements in Other Provisions

Consolidated Entity	FY2020 $'000	FY2019 $'000
Carrying amount at the start of the year	**136**	131
Charged to profit or loss - amount incurred and charged	**1,426**	571
Amounts used during the year	**(1,086)**	(566)
Carrying amount at end of period	**476**	136

For personal use only

20. CURRENT TAX LIABILITIES

Consolidated Entity	FY2020 $'000	FY2019 $'000
Provision for income tax*	**4,464**	658

* FY2020 provision for income tax includes 100% of tax payable on the profit on the sale of Parkinson Distribution Center

21. NON CURRENT BORROWINGS

Consolidated Entity	FY2020 $'000	FY2019 $'000
Secured		
Loan facility floating rate (a)	**13,200**	18,944

(a) Loan Facility Floating Rate

The Group utilises floating rate loan facilities to fund business acquisitions. The term of the facility is two years.

Secured Liabilities and Asset Security

The Group's liabilities are secured by general security agreements and deed of cross guarantee and indemnity over certain entities within the Group. Under the letter of offer the security arrangements cover entities that generate a minimum 85% EBITDA and hold a minimum 85% total assets.

Compliance with Covenants

Under the terms of the major borrowing facilities the Group is required to comply with the following financial covenants:

- The interest cover ratio is not less than 3.5:1.
- The debt to EBITDA ratio is not more than 2.25:1.
- The fixed charge cover ratio is not less than 1.5:1.
- The borrowing base is not more than 60%.
- The distribution does not exceed 70% of NPAT.

The Group has complied with the financial covenants of its borrowing facilities during the 52 weeks ended 28 June 2020 and the 53 weeks ended 30 June 2019.

Risk Exposures

Information about the Group's exposure to interest rate and foreign exchange risk is provided in Note 3.

22. NON CURRENT PROVISIONS

Consolidated Entity	FY2020 $'000	FY2019 $'000
Lease liabilities	-	2,987
Employee benefits	**983**	894
	983	3,881



For personal use only

For personal use only

23. LEASES

This note provides information for leases where the Group is a lessee. The Group has adopted AASB 16 retrospectively from 1 July 2019 - refer Note 2(b) and Note 23

Amounts recognized in the balance sheet

The balance sheet shows the following amounts relating to leases:

Consolidated Entity	FY2020 $'000	1 July 2019 $'000
Right of use assets		
Buildings	**88,086**	83,773
Equipment	**497**	-
Vehicles	**136**	-
	88,719	83,773
Lease liabilities		
Current	**23,242**	21,679
Non current	**90,076**	83,574
	113,318	105,253

Amounts recognized in the statement of profit or loss

Consolidated Entity	FY2020 $'000	FY2019 $'000
Depreciation charge right of use assets		
Equipment	**26**	-
Vehicles	**16**	-
Buildings	**20,012**	-
	20,054	-
Lease liabilities		
Interest expense	**4,078**	-
	4,078	-

Total cash outflows for leases for the period ended 28 June 2020 was $25,553,000

Hire Purchase Liability

The Group utilises hire-purchase plans to acquire assets (i.e. fixtures and fittings and motor vehicles).

The terms range from one to four years. Details on the accounting for these hire-purchase plans is disclosed in Note 1(h) of this report.

24. CONTRIBUTED EQUITY

Consolidated Entity	FY2020	FY2019
Number of ordinary shares, fully paid	**221,537,880**	219,214,930

Consolidated Entity	FY2020 $'000	FY2019 $'000
Movements in ordinary share capital		
Balance at the beginning of the year	**68,229**	65,690
Dividend reinvestment plan share issue	**2,029**	2,539
Balance at the end of the year	**70,258**	68,229

Consolidated Entity	FY2020	FY2019
Movements in the number of ordinary shares		
Balance at the beginning of the year	**219,214,930**	217,162,678
Dividend reinvestment plan share issue	**2,322,950**	2,052,252
Balance at the end of the year	**221,537,880**	219,214,930

Ordinary Shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Group in proportion to the number of and amounts paid on the shares held.

All shares carry one vote per share.

Ordinary shares have no par value and the Group does not have a limited amount of authorised capital.

Capital Risk Management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt (borrowings less cash) divided by total equity.

For personal use only

For personal use only

25. RESERVES AND RETAINED PROFITS

Consolidated Entity	FY2020 $'000	FY2019 $'000
(a) Other reserves		
Cash flow hedges reserve	**(855)**	(649)
Share based payment reserve	**(11)**	456
Foreign currency translation reserve	**882**	726
Treasury shares reserve	**89**	(192)
Common control reserve	**(43,672)**	(43,672)
Total Other Reserves	**(43,567)**	(43,331)
Movement in cash flow hedges reserve		
Opening balance	**(649)**	401
Revaluation (net of tax effect)	**(206)**	(1,050)
Closing balance	**(855)**	(649)
Movement in share based payments reserve		
Opening balance	**726**	557
Revaluation (net of tax effect)	**156**	169
Closing balance	**882**	726
Movement in foreign currency translation reserve		
Opening balance	**724**	557
Revaluation (net of tax effect)	**162**	167
Closing balance	**886**	724
Movement in treasury shares reserve		
Opening balance	**(192)**	-
Transactions arising from share based payments	**281**	(192)
Closing balance	**89**	(192)
Movement in common control reserve		
Opening balance	**(43,672)**	(43,672)
Transactions arising from share capital restructure	**-**	-
Closing balance	**(43,672)**	(43,672)

For personal use only

Nature and Purpose of Other Reserves

Cash Flow Hedges Reserve

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised in other comprehensive income, as described in Note 1(n). Amounts are reclassified to profit or loss when the associated hedged transaction affects profit or loss.

Share Based Payments Reserve

The share based payments reserve is used to recognise:

- The grant date fair value of rights issued to employees but not exercised.
- The grant date fair value of shares issued to employees.

Foreign Currency Translation Reserve

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

Treasury Shares Reserve

This reserve is used to record the elimination of shares in Beacon Lighting Group held by the incentive plan trust entity on behalf of the participants of the Groups incentive plan.

Common Control Reserve

This reserve is used to record the differences which may arise as a result of transactions with non-controlling interests that do not result in a loss of control.

Consolidated Entity	FY2020 $'000	FY2019 $'000
(b) Retained earnings		
Movements in retained earnings were as follows:		
Opening balance	**58,282**	53,224
Adjustment due to change in accounting policy*	**(10,121)**	-
Opening balance re-stated	**48,161**	-
Net profit for the period	**22,225**	16,044
Dividends paid	**(10,109)**	(10,986)
	60,277	58,282

* Applicable from FY2020 due to adoption of AASB16 - refer Note 2(b) and Note 23

For personal use only

26. DIVIDENDS

a) Ordinary Shares

Consolidated Entity	FY2020 $'000	FY2019 $'000
Final dividend for period ended 30 June 2019 of 2.00 cents (2018: 2.50 cents) per fully paid share	**4,385**	5,429
Interim dividend for period ended 28 June 2020 of 2.60 cents (2019: 2.55 cents) per fully paid sharee	**5,724**	5,557
Total dividends paid	**10,109**	10,986
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan		
Dividends paid in cash	**8,080**	8,447
Dividends satisfied by the issue of shares under the dividend reinvestment plan	**2,029**	2,539
	10,109	10,986

Dividend Reinvestment Plan

The Group has established a Dividend Reinvestment Plan under which eligible shareholders may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash. Shares are issued under the plan at a 5% discount to the market price.

b) Dividends not recognised at the End of the Reporting Period

Consolidated Entity	FY2020 $'000	FY2019 $'000
In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of 2.40 cents per fully paid ordinary share (2019: 2.00 cents), fully franked based on tax paid at 30%. The proposed dividend is to be paid out of retained earnings at 28 June 2020, but not recognised as at liability at year end.	**5,320**	4,385

For personal use only

c) Franked Dividends

The franked portions of the final dividends recommended after 28 June 2020 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the 52 week period ended 28 June 2020.

Consolidated Entity	FY2020 $'000	FY2019 $'000
Franking credits available for subsequent reporting periods based on a tax rate of 30.0% (2019: 30.0%)	**41,586**	35,043

The above amounts represent the balance of the franking account as at the end of the reporting period, adjusted for:

- Franking credits that will arise from the payment of the amount of the provision for income tax.
- Franking debits that will arise from the payment of dividends recognised as a liability at the reporting date.
- Franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as dividends.

27. KEY MANAGEMENT PERSONNEL DISCLOSURES

Consolidated Entity	FY2020 $	FY2019 $
Key management personnel compensation		
Short-term employee benefits	**1,333,512**	1,330,909
Post-employment benefits	**101,405**	99,521
Long-term benefits – movements in leave provisions	**(14,845)**	47,974
Performance based cash benefits	**357,274**	-
Performance based share benefits	**61,740**	238,560
	1,839,086	1,716,964

Detailed remuneration disclosures are provided in the Remuneration Report on pages 20 to 28.

28. SHARE BASED PAYMENTS

(a) Executive Short Term Incentive Scheme

Subject to meeting the relevant vesting conditions, shares will be issued at no cost to the executive. In the event an executive leaves the Group prior to the vesting date the options will generally lapse. Participation in the plan is at the discretion of the Board and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

The number of rights and options to be granted is determined based on the average share price at 30 June (averaged over + / - 30 days).

	FY2020	FY2019
Number of performance rights granted	-	71,333
Fair value of performance rights at grant date	-	$1.53

	FY2020	FY2019
Number of options granted	-	99,999
Fair value of options at grant date	-	$1.53

(b) Fair Value of Performance Rights Granted

The fair value of the rights at the grant date was estimated using the Black Scholes Model which takes into account the share price at grant date, the impact of dilution (where material), expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate.

The model inputs for the performance rights granted during the 52 weeks ended 28 June 2020 included:

	FY2020	FY2019
Exercise price	-	$0.00
Grant date	-	16 August 2018
Share price at grant date	-	$1.53
Expected dividend yield	-	3.27%

The expected volatility of the Group's shares and the risk free interest rate do not have a material impact on the fair value calculation of the performance rights granted.

(c) Fair Value of Options Granted

The fair value of the options at the grant date was estimated using the Black Scholes Model which takes into account the share price at grant date, the impact of dilution (where material), expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate.

The model inputs for the options granted:

	FY2020	FY2019
Exercise price	-	$0.00
Grant date	-	16 August 2018
Share price at grant date	-	$1.53
Expected dividend yield	-	3.27%

The expected volatility of the Group's shares and the risk free interest rate do not have a material impact on the fair value calculation of the options granted.

For personal use only

For personal use only

(d) Expenses Arising from Share Based Payment Transactions

Total expenses arising from share based payment transactions recognised during the period as part of employee benefits expense were as follows:

	FY2020 $'000	FY2019 $'000
Performance rights and options issued under employee STI plans	**81**	312

29. EARNINGS PER SHARE

Consolidated Entity	FY2020	FY2019
Basic earnings per share - cents	**10.11**	7.37
Diluted earnings per share - cents	**10.10**	7.37
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**219,877,368**	217,720,179
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**220,033,386**	217,773,536

30. REMUNERATION OF AUDITORS

During the period the following fees were paid or payable for services provided by PricewaterhouseCoopers, auditor of the parent entity.

Consolidated Entity	FY2020 $	FY2019 $
Audit and assurance services		
Audit and review of financial statements	**248,600**	236,900
Other services:		
Taxation services	**32,000**	22,390
Other services	**17,200**	10,000
Total remuneration of PwC	**297,800**	269,290

31. CONTINGENCIES

There were no significant or material contingent liabilities including legal claims at 28 June 2020 or 30 June 2019.


For inspo

32. COMMITMENTS

(a) Non-Cancellable Operating Leases: Lessee

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

Consolidated Entity	FY2020 $'000	FY2019 $'000
Within one year	-	24,338
Later than one year but not later than five years	-	63,869
Later than five years	-	14,985
	-	103,192

The Group leases various offices, warehouses and retail stores under non-cancellable operating leases expiring within one to seven years. The leases have varying terms, with rent payable monthly in advance. Various options exist to renew the leases at expiry for an additional term. On renewal, the terms of the leases are renegotiated.

From 1 July 2019, the Group has recognised right-of-use assets for these leases, except for short term and low-value leases, see Note 2 for further information.

(b) Hire Purchase Commitments

Commitments in relation to finance leases are payable as follows:

Consolidated Entity	FY2020 $'000	FY2019 $'000
Within one year	**182**	453
Later than one year but not later than five years	**361**	543
Minimum lease payments	**543**	996
Future finance charges	**(28)**	(55)
Total lease liabilities	**515**	941
Representing lease liabilities:		
Current (Note 23)	**167**	426
Non-current (Note 23)	**348**	515
	515	941

(c) Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is $0.2m (2019: $0.7m).

For personal use only

For personal use only

33. RELATED PARTY TRANSACTIONS

(a) Subsidiaries

Interests in subsidiaries are set out in Note 34.

(b) Key Management Personnel

Disclosures relating to key management personnel are set out in Note 27.

(c) Transactions With Other Related Parties

Consolidated Entity	FY2020 $	FY2019 $
The following transactions occurred with related parties:		
Purchases of goods		
Purchases of goods and supply of services from other related parties	**26,381**	54,169
Other transactions		
Income received from other related parties	**1,462**	14,488
Rent paid to other related parties	**1,584,638**	1,602,456

The Robinson family has a 100% interest as the owner of the Derrimut Distribution Centre leased by Beacon Lighting on arms length commercial terms. The current rent is $1,098,528 per annum increasing by 3% annually. The lease expires in March 2021 with two further rights of renewal for periods of seven years each. As at the date of this report, the property is subject to an exclusive due diligence arrangement for the sale of the property to a third party. If the sale transaction proceeds, Beacon will continue to lease the property under a restructured lease, the initial term of which will expire approximately 8 years after the settlement date, with one further option of seven years.

The Robinson family has a 100% interest as owner of the Heidelberg store leased by Beacon Lighting on arms length terms. The current rent is $183,019 per annum increasing by 3% annually. The lease expires in 2021 with one further right of renewal for a period of seven years.

The Robinson family has a 100% interest as owner of the Fyshwick store leased by Beacon Lighting on arms length terms. The current rent is $245,801 per annum increasing by 3% annually. The lease expires in 2024 with one further right of renewal for a period of seven years.

The Robinson family has a 100% interest as owner of the Bendigo store leased by Beacon Lighting on arms length terms. The current rent is $94,628 per annum increasing by CPI annually. The lease expired on 1 September 2019.

These disclosures are made due to Beacon Lighting having obtained, at the time of listing, a waiver from Listing Rule 10.1 permitting the lease arrangements described above continuing without shareholder approval conditional on disclosure being made in the Annual Report as set out here.

Ian Robinson has a 100% interest in Carbonetix Pty Ltd. Carbonetix Pty Ltd and Beacon Energy Solutions had an arms length working alliance. It is expected that the related transactions will reduce due to the closure of Beacon Energy Solutions.

(d) Outstanding Balances

As at 28 June 2020 Carbonetix Pty Ltd owed the Group $54,511 (2019: $64,916).

No provisions for doubtful debts have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties.

34. SUBSIDIARIES

The consolidated financial report incorporate the assets, liabilities and results of the following principal subsidiaries in accordance with the accounting policy described in Note 1(c):

Name of Entity	Incorporation	Shares	Equity Holding[1]	
			2020 %	2019 %
Beacon Lighting Corporation Pty Ltd	Australia	Ordinary	**100**	100
Beacon Lighting Group Incentive Plan Pty Ltd	Australia	Ordinary	**100**	100
Brightlite Unit Trust	Australia	Ordinary	**100**	100
Beacon Lighting Wholesalers Unit Trust	Australia	Ordinary	**100**	100
Beacon Lighting Franchising Unit Trust	Australia	Ordinary	**100**	100
Tanex Unit Trust	Australia	Ordinary	**100**	100
Enviro Renew Pty Ltd	Australia	Ordinary	**100**	100
Manrob Investments Pty Ltd	Australia	Ordinary	**100**	100
Masson Manufacturing Pty Ltd	Australia	Ordinary	**100**	100
Beacon Property Company Pty Ltd	Australia	Ordinary	**100**	100
Beacon Commercial Property Fund Pty Ltd	Australia	Ordinary	**100**	-
Beacon Commercial Property Subfund Pty Ltd	Australia	Ordinary	**100**	-
Beacon Commercial Property Fund	Australia	Ordinary	**50**	-
Light Source Solutions New Zealand Limited	New Zealand	Ordinary	**100**	100
Beacon Lighting Europe GmbH	Germany	Ordinary	**100**	100
Beacon Lighting Corporation USA Inc.	United States of America	Ordinary	**100**	100
Beacon Lighting America Inc.	United States of America	Ordinary	**100**	100
Beacon Lighting Solutions (Zhongshan) Co. Ltd	China	Ordinary	**100**	100
Light Source Solutions Limited	Hong Kong	Ordinary	**100**	100
Beacon International Limited	Hong Kong	Ordinary	**100**	100
Beacon Lighting International	Hong Kong	Ordinary	**100**	100

(1) The proportion of ownership interest is equal to the proportion of voting power held.

35. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 6 August 2020, following trading restriction announced by the Victorian Government, all 28 Beacon Lighting Melbourne metropolitan stores closed temporarily to instore retail customers for a period of six weeks. As an integral supplier to the trade and residential construction industry, all Beacon Lighting Melbourne metropolitan stores (except Springvale) will remain open to provide in-store services to trade customers. All Beacon Lighting retail customers and trade customers can continue shopping online and avail themselves of home delivery and contact-free Click & Collect service. This has no material effect on the financial statements for the 52 weeks ended 28 June 2020.

A fully franked dividend of $5,320,461 was declared on 19 August 2020.

Other than the above, there has been no other matter or circumstance that has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial periods.

For personal use only

For personal use only

36. CASH FLOW INFORMATION

(a) Reconciliation of Profit After Income Tax to Net Cash Inflow from Operating Activities

Consolidated Entity	FY2020 $'000	FY2019 $'000
Profit for the period	**22,225**	16,044
Depreciation	**24,444**	4,489
Net gain on disposal of non-current assets	**(7,836)**	234
Amortisation	**20**	20
Impairment of fixed assets	**335**	-
Share based payments	**81**	312
Net exchange differences	**12**	(257)
Change in operating assets and liabilities:		
(Increase) decrease in receivables	**3,434**	(1,962)
(Increase) decrease in inventories	**5,615**	(6,252)
(Increase) decrease in deferred tax assets	**(1,824)**	1
(Increase) decrease in other operating assets	**(456)**	46
(Decrease) increase in payables	**4,976**	(354)
(Decrease) increase in provision for income taxes payable	**3,806**	(778)
(Decrease) increase in other provisions	**519**	1,205
Net cash inflow from operating activities	**55,351**	12,748

(b) Reconciliation of Liabilities Arising from Financing Activities

Consolidated Entity	Leases due within 1 year $'000	Leases due after 1 year $'000	Borrowings due within 1 year $'000	Borrowings due after 1 year $'000	Total $'000
Balance as at 24 June 2018	**(276)**	**(265)**	**(19,689)**	**(6,100)**	**(26,330)**
Cash flows	(150)	(250)	(11,366)	(12,844)	(24,610)
Balance as at 30 June 2019	**(426)**	**(515)**	**(31,055)**	**(18,944)**	**(50,940)**
Balance as at 30 June 2019	**(426)**	**(515)**	**(31,055)**	**(18,944)**	**(50,940)**
Adjustment due to change in accounting policy*	(21,679)	(83,574)	-	-	(105,253)
	(22,105)	**(84,089)**	**(31,055)**	**(18,944)**	**(156,193)**
Cash flows	(1,137)	(5,987)	13,857	5,744	12,477
Balance as at 28 June 2020	**(23,242)**	**(90,076)**	**(17,198)**	**(13,200)**	**(143,716)**

* Applicable from FY2020 due to adoption of AASB16 - refer Note 2(b) and Note 23

37. 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 Group's accounting policies.

The areas that involves a higher degree of judgement or complexity, and items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong are detailed in Note 2 and 23. The Group has assessed the calculation of lease liabilities and warranty provision to be a critical accounting estimates.

38. PARENT ENTITY FINANCIAL INFORMATION

(a) Summary Financial Information

The individual financial report for the parent entity show the following aggregate amounts:

BEACON LIGHTING GROUP LIMITED	FY2020 $'000	FY2019 $'000
Balance sheet		
Assets		
Current assets	**32,055**	26,371
Non-current assets	**88,483**	88,464
Total assets	**120,538**	114,835
Liabilities		
Current liabilities	**2,213**	1,797
Non-current liabilities	**-**	-
Total liabilities	**2,213**	1,797
Net assets	**118,325**	113,038
Equity		
Contributed equity	**94,575**	92,546
Reserves	**181**	85
Retained profits	**23,569**	20,407
Total equity	**118,325**	113,038
Profit / (Loss) for the period	**3,271**	2,933
Total comprehensive income	**3,271**	2,933

(b) Contingent Liabilities of the Parent Entity

The parent entity did not have any contingent liabilities as at 28 June 2020 or 30 June 2019.

For personal use only

For personal use only

39. DEED OF CROSS GUARANTEE

Beacon Lighting Group Limited and Beacon Lighting Corporation are parties to a deed of cross guarantee under which each Group guarantees the debts of the others. By entering into the deed, the wholly owned entities have been relieved from the requirement to prepare a financial report and directors' report under ASIC Corporations Instrument 2016/914 issued by the Australian Securities and Investment Commission.

The above companies represent a closed Group for the purposes of the Class Order, and as there are no other parties to the deed of cross guarantee that are controlled by Beacon Lighting Group Limited, they also represent the extended closed Group.

Set out below is a consolidated income statement, a consolidated statement of comprehensive income and a summary of movements in consolidated retained earnings for the 52 weeks ended 28 June 2020 of the closed Group consisting of Beacon Lighting Group Limited and Beacon Lighting Corporation.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE CLOSED GROUP

Beacon Lighting Group Limited and Beacon Lighting Corporation Pty Ltd	FY2020 $'000	FY2019 $'000
Distribution income	**21,187**	24,295
Expenses		
General and administration	**(3,988)**	(3,541)
Profit before income tax	**17,199**	20,754
Income tax expense	**(5,420)**	(6,595)
Profit for the period attributable to the members of the closed Group	**11,778**	14,159
Other comprehensive income		
Items that may be reclassified to profit or loss		
Changes in the fair value of derivatives	**221**	(144)
Income tax relating to these items	**(66)**	43
Other comprehensive income for the period, net of tax	**155**	(101)
Total comprehensive income for the period attributable to the members of the closed Group	**11,934**	14,058

CONSOLIDATED BALANCE SHEET OF THE CLOSED GROUP

Beacon Lighting Group Limited and Beacon Lighting Corporation Pty Ltd	FY2020 $'000	FY2019 $'000
Current assets		
Cash and cash equivalents	**3,071**	451
Trade and other receivables	**2,131**	1,926
Current tax asset	**-**	-
Other current assets	**-**	13
Related party receivables	**51,588**	67,356
Total current assets	**56,790**	69,746
Non-current assets		
Deferred tax assets	**13,168**	5,699
Investment in subsidiaries	**70,634**	70,633
Total non-current assets	**83,802**	76,332
Total assets	**140,592**	146,078
Current liabilities		
Trade and other payables	**1,146**	581
Borrowings	**-**	-
Derivative financial instruments	**-**	155
Provisions	**652**	656
Current tax liabilities	**286**	328
Total current liabilities	**2,084**	1,720
Non-current liabilities		
Provisions	**3,080**	2,578
Non-current liabilities	**3,080**	2,578
Total liabilities	**5,164**	4,298
Net assets	**135,428**	141,780
Equity		
Contributed equity	**70,217**	68,224
Other reserves	**181**	85
Retained earnings	**65,030**	73,471
Total equity	**135,428**	141,780

For personal use only

For personal use only

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF THE CLOSED GROUP

Beacon Lighting Group Ltd and Beacon Lighting Corporation	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
Balance as at 24 June 2018	**65,684**	**74**	**70,298**	**136,056**
Profit for the year	-	-	14,159	14,159
Other comprehensive income	-	(101)	-	(101)
Total comprehensive income for the period	-	(101)	14,159	14,058
Transactions with owners in their capacity as owners:				
Issue of shares via dividend reinvestment plan	2,540	-	-	2,540
Issue of shares to employees	-	-	-	-
Employee share scheme	-	312	-	312
Treasury shares	-	(200)	-	(200)
Dividends provided for or paid	-	-	(10,986)	(10,986)
Total contributions by and distributions to owners	2,540	112	(10,986)	(8,334)
Balance as at 30 June 2019	**68,224**	**85**	**73,471**	**141,780**
Balance as at 30 June 2019	**68,224**	**84**	**73,471**	**141,780**
Adjustment for change in accounting policy	**-**	**-**	**(10,110)**	**(10,110)**
Restated balance at prior year	**68,244**	**84**	**63,361**	**131,670**
Profit for the year	**-**	**-**	**11,778**	**11,778**
Other comprehensive income	**-**	**155**	**-**	**155**
Total comprehensive income for the period	**-**	**155**	**11,778**	**11,933**
Transactions with owners in their capacity as owners:				
Issue of shares via dividend reinvestment plan	**1,993**	**-**	**-**	**1,993**
Issue of shares to employees	**-**	**-**	**-**	**-**
Employee share scheme	**-**	**(339)**	**-**	**(339)**
Treasury shares	**-**	**281**	**-**	**281**
Dividends provided for or paid	**-**	**-**	**(10,109)**	**(10,109)**
Total contributions by and distributions to owners	**1,993**	**(58)**	**(10,109)**	**(8,174)**
Balance as at 28 June 2020	**70,217**	**181**	**65,030**	**135,428**

Directors' Declaration

In the opinion of the Directors:

(a) The Financial Statements, notes and the additional disclosures set out on pages 30 to 83 are in accordance with the Corporations Act 2001 (Cth), 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 28 June 2020 and of its performance for the 52 weeks ended on that date.

(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,

(c) At the date of this declaration, there are reasonable grounds to believe that the members of the extended closed Group identified in Note 38 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 39,

(d) Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board and

(e) The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by the section 295A of the Corporations Act 2001 (Cth).

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



Ian Robinson
Executive Chairman



Glen Robinson
Chief Executive Officer

Melbourne, 19 August 2020

For personal use only



For personal use only

For personal use only



Independent auditor's report

To the members of Beacon Lighting Group Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Beacon Lighting Group Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 28 June 2020 and of its financial performance for the 52 week period (the period) then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 28 June 2020
- the consolidated statement of comprehensive income for the period then ended
- the consolidated statement of changes in equity for the period then ended
- the consolidated statement of cash flows for the period then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

For personal use only

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



Materiality	Audit scope
• For the purpose of our audit we used overall Group materiality of $1.6 million, which represents approximately 5% of the Group's profit before tax. • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. • We chose Group profit before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. • We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.	• Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. • The Group sells lighting products to customers primarily in Australia. The products are predominantly held at the Group's warehouses and stores throughout Australia. The accounting processes are structured around a Group finance function at its corporate head office in Melbourne.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit and Risk Committee.

For personal use only

Key audit matter	*How our audit addressed the key audit matter*
Existence and valuation of inventory *(Refer to note 11)* Inventory management is a key business process for the Group. Inventory represents a significant asset on the consolidated balance sheet at $63.1m. The inventory is held at Group managed and third party distribution centres in Australia and overseas, within stores or in transit to those locations. Inventory is valued at the lower of cost or net realisable value. This valuation is determined net of a provision, which is applied where the Group believes there is risk that the costs incurred in buying and preparing inventory for sale will not be realised through sale. This provision is made by the Group throughout the period based on identified slow moving and obsolete inventory. We considered this a key audit matter due to the: • financial significance of the inventory balance in the consolidated balance sheet. • judgement required by the Group to determine which costs should be included in the value of inventory (i.e. capitalised). • judgement required to estimate future selling prices to determine the net realisable value of inventory on hand.	We developed an understanding of the controls over inventory and assessed whether they were appropriately designed and were operating effectively throughout the period, to the extent relevant to our audit. We performed the following procedures, amongst others: • Traced a sample of inventory items from the Group's inventory listing back to original invoices and shipping documents. • Examined the type of supply chain costs capitalised in the cost of inventory. • For a sample of inventory items, re-performed the system generated calculation of the weighted average cost of the individual inventory item. • Re-performed a sample of inventory counts at selected locations that included attendance at the Group's distribution centres in Melbourne and Brisbane and selected stores. • Obtained confirmations from a sample of third parties regarding the existence of inventory held at third party locations. • Inspected the sales price of a sample of inventory items sold during July 2020 to determine whether items sold below cost were included in the Group's inventory net realisable value provision. • Examined the methodology applied by the Group to calculate the inventory obsolescence provision to assess whether it was consistent with the Group's accounting policy. • Evaluated the inventory obsolescence provision by considering the gross margins recognised by the Group and the inventory turnover ratio and ageing, and compared the provision to the provision recognised in the prior period.
Adoption of new Australian Accounting Standard AASB 16 Leases and accounting for sale and leaseback transaction *(Refer to note 2 and 23)* On 1 July 2019, the Group adopted AASB 16 "Leases" and as a result applied a new lease accounting policy from that date. The new accounting policy and the disclosures relevant to the adoption of AASB 16 are included in notes 2 and 23.	We performed the following procedures, amongst others: • Developed an understanding of the relevant internal controls relating to identifying lease contracts and maintaining lease data • Assessed the discount rate used in calculating lease liabilities by referencing it to the Group's incremental borrowing rate for a similar portfolio of properties.

For personal use only

Key audit matter	*How our audit addressed the key audit matter*
During the period the Group entered into a sale and leaseback transaction for the Group's Brisbane distribution centre. This required the Group to assess the appropriate accounting treatment of the transaction in accordance with AASB 16. We considered this a key audit matter because: • of the financial significance of right of use assets and lease liabilities recognised • there is judgement required by the Group in determining key assumptions including the discount rates, exercise of option clauses and lease terms • this is the first period of application of AASB 16 by the Group • complexity involved in determining the amount of profit to be recognised in the sale and leaseback transaction in accordance with the requirements of AASB 16.	• For a sample of leases, - agreed lease data in the Group's lease management system to the underlying lease agreement and subsequent variations - evaluated judgements and assumptions applied by the Group in the determination of lease terms, including extension and termination options, in the context of the requirements of AASB 16. - recalculated the right of use asset and lease liability • Compared the Group's application of the transitional provisions and practical expedients to the requirements of AASB 16. • Assessed the appropriateness of the accounting treatment of the sale and leaseback transaction per the requirements of AASB 16. • Recomputed the amount of profit recognised from the sale of the distribution centre in accordance with the requirements of a sale and leaseback transaction under AASB 16. • Recomputed the deferred tax impacts of the right of use assets and lease liabilities and compared them to the amounts included in the financial statements. • Evaluated the adequacy of the lease disclosures and the revised accounting policies in light of the requirements of Australian Accounting Standards.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the period ended 28 June 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the 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

For personal use only

financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 20 to 28 of the directors' report for the period ended 28 June 2020.

In our opinion, the remuneration report of Beacon Lighting Group Limited for the period ended 28 June 2020 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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 Australian Auditing Standards.

PricewaterhouseCoopers

Jason Perry
Partner

Melbourne
19 August 2020



For personal use only

Shareholders' Information

In accordance with Section 4.10 of the Australian Stock Exchange Limited Listing Rules, the Directors provide the following information.

SHAREHOLDING ANALYSIS

(a) Distribution of Shareholders

At 31 July 2020, the distribution of shareholdings was as follows:

Size of Shareholding	Number of Shareholders
1 - 1,000	236
1,001 – 5,000	350
5,001 – 10,000	277
10,001 – 100,000	594
Over 100,000	64
Total number of shareholders	**1,521**
Holdings of less than a marketable parcel	-

(b) Substantial Shareholdings

The number of shares held by the substantial shareholders listed in the Company's register of substantial shareholders as at 31 July 2020 were:

Shareholder	Number of Shares	% Held
Heystead Nominees Pty Ltd (including Robinson Family members)	122,609,997	55.34%

For personal use only

For personal use only

(c) Class of Shares and Voting Rights

At 31 July 2020, there were 1,521 holders of ordinary shares of the Company. All of the issued shares in the capital of the parent entity are ordinary shares and each shareholder is entitled to one vote per share

Twenty Largest Shareholders as at 31 July 2020:

Rank	Name	Units	% Units
1	HEYSTEAD NOMINEES PROPRIETARY LIMITED	121,991,597	55.07%
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	32,205,011	14.54%
3	CITICORP NOMINEES PTY LIMITED	11,933,960	5.39%
4	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	9,051,120	4.09%
5	NATIONAL NOMINEES LIMITED	5,523,479	2.49%
6	ANACACIA PTY LTD <WATTLE FUND A/C>	2,328,676	1.05%
7	RELIABLE BUSINESS CO LTD	1,675,479	0.76%
8	KJA HOLDINGS PTY LTD <KJA SUPER FUND A/C>	1,482,739	0.67%
9	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	1,159,337	0.52%
10	BANJO SUPERANNUATION FUND PTY LTD <P D EVANS PSF A/C>	991,815	0.45%
11	BNP PARIBAS NOMS PTY LTD <DRP>	925,076	0.42%
12	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	803,436	0.36%
13	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	691,413	0.31%
14	DR DAVID JOHN RITCHIE + DR GILLIAN JOAN RITCHIE <D J RITCHIE SUPER FUND A/C>	500,000	0.23%
15	NEWECONOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT>	446,280	0.20%
16	RMMK INVESTMENT HOLDINGS NO1 PTY LTD	430,000	0.19%
17	MR ALISTAIR CAMPBELL	367,275	0.17%
18	MR WAYNE FRANCIS WODE	300,000	0.14%
19	ADRIAN HUGH KELLY + PHILIPPA JUNE KELLY <KELLY SUPER FUND>	298,603	0.13%
20	DIMENSION EXPRESS PTY LTD <W R COCHRANE FUND A/C>	284,602	0.13%
	Top 20 holders of ISSUED CAPITAL	**193,389,898**	**87.29%**
	Total Remaining Holders Balance	28,147,982	12.71%
	Total Shareholders	**221,537,880**	**100.00%**

Corporate Directory

For personal use only

DIRECTORS

Ian Robinson	Executive Chairman
Glen Robinson	Chief Executive Officer
(James) Eric Barr	Deputy Chairman
Neil Osborne	Non-Executive Director

COMPANY SECRETARY

Tracey Hutchinson

REGISTERED OFFICE

5 Bastow Place
Mulgrave
Victoria

WEBSITE

Corporate site
www.beaconlightinggroup.com.au

Retail site
www.beaconlighting.com.au

Other business websites
www.beaconlightingtradeclub.com.au
www.beaconenergysolutions.com.au
www.beaconlightingcommercial.com.au
www.beaconinternational.com
www.customlighting.com.au
www.lightsourcesolutions.com.au
www.lightsourcesolutions.co.nz
www.lucciair.com
www.fanaway.com
www.massonforlight.com.au
www.beaconlighting.us
www.beaconlighting.eu

LEGAL ADVISORS

Baker & McKenzie
Level 19
181 William Street
Melbourne
Victoria

AUDITORS

PricewaterhouseCoopers
2 Riverside Quay
Southbank
Victoria

SHARE REGISTRY

Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street
Abbotsford
Victoria

STOCK EXCHANGE LISTING

Beacon Lighting Group Limited (BLX)
shares are listed on the ASX



For personal use only

Store Locations

For personal use only

VIC

Abbotsford
250 Hoddle St

Ballarat
Wendouree
Homemaker Centre
333 Gillies St

Balwyn North
304 Doncaster Rd

Bayswater
216 Canterbury Rd
Bayswater Nth

Bendigo
285 High St
Kangaroo Flat

Burwood
110 Burwood Hwy

Camberwell
347 Camberwell Rd

Chirnside Park
Showroom Centre
286 Maroondah Hwy

Coburg
Lincoln Mills
Homemaker Centre
64-74 Gaffney St

Craigieburn
440 Craigieburn Rd

Cranbourne
Cranbourne Home
Cnr Sth Gippsland Hwy
& Thompsons Rd

Essendon DFO
Homemaker Hub
120 Bulla Rd
Strathmore

Fountain Gate
Casey Lifestyle Centre
430 Princes Hwy

Frankston
22 McMahons Rd

Geelong
354 Melbourne Rd

Heidelberg
2-4 Dora St

Hoppers Crossing
283 Old Geelong Rd

Maribyrnong
Harvey Norman Centre
169 Rosamond Rd

Mentone
27-29 Nepean Hwy

Moorabbin
867 Nepean Hwy

Nunawading
262 Whitehorse Rd

Oakleigh
1402-1404 Dandenong Rd

Pakenham
Lifestyle Centre
825 Princes Hwy

Preston
23 Bell St

Scoresby
1391 Ferntree Gully Rd

South Melbourne
50-56 York St

South Morang
825 Plenty Rd

Springvale
IKEA Homemaker Centre
917 Princes Hwy

St Kilda
366 St Kilda Rd

Thomastown
Homemaker Centre
Cnr Dalton and
Settlement Rds

Warrnambool
14, 1-49 Raglan St

Watergardens
Homemaker Centre
440 Keilor-Melton Hwy
Taylors Lakes

Waurn Ponds
Homemaker Centre
235 Colac Rd
(Princes Hwy)

NSW

Albury Wodonga
Harvey Norman Centre
94 Borella Rd
Albury

Alexandria
Style Homemaker Centre
Cnr O'Riordan
& Doody Sts

Artarmon
Home HQ North Shore
Cnr Reserve Rd
& Frederick St

Bankstown
Home Central
9 - 67 Chapel Rd South

Belrose
Supa Centa Belrose
4-6 Niangala Cl

Brookvale
577-579 Pittwater Rd

Carlton
367 Princes Hwy

Campbelltown
Homebase
24 Blaxland Rd

Castle Hill
Home Hub Hills
Cnr Victoria & Hudson Ave

Crossroads
Homemaker Centre
Parkers Farm Place
Casula

Crows Nest
118 Falcon St

Gladesville
Wharf Sqaure
8 Wharf Rd

Gosford West
Hometown
356 Manns Rd

Hornsby
Cnr Pacific Hwy
& Yardley Ave
Waitara

Killara
694 Pacific Hwy

Kotara
Kotara Home
108 Park Ave

Lake Haven
Home Mega Centre
Cnr Pacific Hwy
& Lake Haven Drv

Marsden Park
Home Hub
Hollinsworth Rd

McGraths Hill
Home Central
264-272 Windsor Rd

Mittagong
Highlands
Homemaker Centre
205 Old Hume Hwy

Moore Park
Supa Centa Moore Park
Cnr Sth Dowling St
& Todman Ave

Parramatta
Cnr Church and
Daking Sts

Penrith
Homemaker Centre
2 Patty's Place

Port Macquarie
180 Lake Rd

Prospect
Homebase
19 Stoddart Rd

Rutherford
Harvey Norman Centre
366 New England Hwy

Shellharbour
146 New Lake
Entrance Rd

Taren Point
105 Parraweena Rd

Warners Bay
Warners Bay Home
240 Hillsborough Rd

ACT

Fyshwick
175 Gladstone St

Gungahlin
14/5 Hibberson St

For personal use only

QLD

Bundall
61 Upton St

Burleigh Stockland Centre
177-207 Reedy
Creek Rd

Cairns
331 Mulgrave Rd

Cannon Hill Homemaker Centre
1881 Creek Rd

Capalaba Freedom Home Centre
67 Redland Bay Rd

Carseldine Homemaker Centre
1925 Gympie Rd
Bald Hills

Fortitude Valley Homemaker City North
111 McLachlan St

Helensvale
Homeworld
502 Hope Island Rd

Hervey Bay
140 Boat Harbour Drv

Ipswich
Ipswich Riverlink
Shopping Centre
Cnr The Terrace
& Downs Sts

Jindalee Homemaker City
182 Sinnamon Rd

Kawana
2 Eden St
Minyama

Macgregor
550 Kessels Rd

Mackay
2/2 Heaths Rd

Maroochydore
Sunshine Homemaker
Centre
72 Maroochydore Rd

Morayfield
Supa Centre
344 Morayfield Rd

Noosa
Noosa Civic
Eenie Creek Rd

Northlakes
Primewest Northlakes
Cnr Northlakes Drv
Mason St
& Stapylton St

Rockhampton
Red Hill
Homemaker Centre
Cnr Yaamba &
Richardson Rds

Southport
Bunnings Complex
542 Olsen Ave

Toowoomba
Harvey Norman Centre
910 Ruthven St

Townsville - Fairfield
Homemaker Centre
1 D'Arcy Dr
Idalia

Townsville - Garbutt
Mega Centre
Cnr Dalrymple Rd
& Duckworth St

Underwood Homemaker HQ
1-21 Kingston Rd

Virginia
1860 Sandgate Road

Windsor Homemaker City
190 Lutwyche Rd

WA

Baldivis
Safety Bay Rd

Belmont
225 Great Eastern Hwy

Bunbury
Homemaker Centre
42 Strickland St

Cannington
21 William St

Clarkson
Ocean Keys
Homemaker Centre
61 Key Largo Drv

Claremont
201-207 Stirling Hwy

Jandakot
South Central
Cockburn
87 Armadale Rd

Joondalup
3 Sundew Rise

Malaga
Home Centre
655 Marshall Rd

Mandurah Home City
430 Pinjarra Rd

Midland
Midland Central
Cnr Clayton & Lloyd Sts

Myaree
Melville Square
Cnr Leach Hwy
& Norma Rd

Osborne Park
Hometown
381 Scarborough Beach Rd

SA

Churchill
Churchill Centre South
252 Churchill Rd
Kilburn

Gepps Cross
Home HQ
750 Main North Rd

Melrose Park
Melrose Plaza
1039 South Rd

Mile End
Mile End Home
121 Railway Tce

Modbury
985 North East Rd

Munno Para
Harvey Norman Centre
600 Main North Rd
Smithfield

Noarlunga
Harvey Norman Centre
2 Seaman Dr

NT

Darwin
Homemaker Village
356-362 Bagot Rd
Millner

TAS

Launceston
40 William St

Moonah
7-9 Derwent Park Rd

For personal use only

For personal use only

For personal use only

Beacon LIGHTING

live brighter

www.beaconlighting.com.au