Beacon Lighting Group Limited

ANNUAL REPORT 2018

ACN 164 122 785

Contents

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 14, which is not part of the financial report. The financial report was authorized for issue by the Directors on 15 August 2018. The Directors have the power to amend and re-issue the financial statements.

Chairman's and Chief Executive Officer's Report

The Beacon Lighting Group is pleased to be able to announce a record sales and profit result in FY2018. The Board of Directors would like to thank our Customers, Associates, Suppliers and Shareholders for their support and contribution to our success in FY2018.

FY18 Highlights

The key highlights which contributed to the record results in FY2018 included:

Record sales result of $236.0 million, an increase of 9.7%.
Record gross profit margin at 65.7%, driving the overall Group profit improvement.
Record EBITDA result of $33.2 million, an increase of 20.1%.
Record NPAT result of $19.6 million, an increase of 17.7%.
The opening of six new company stores and the purchase of one franchised store.
Record sales results for Beacon Lighting Stores, Beacon Lighting Commercial, Beacon International, Light Source Solutions Globes, Light Source Solutions Roadway and Masson for Light.

Group Overview

The Beacon Lighting Group finished FY2018 with 103 company stores and 6 franchised stores. During the year the Group opened new company stores at Carlton (NSW), Bayswater (VIC), Crows Nest (NSW), Gladesville (NSW), Mentone (VIC) and South Morang (VIC). Of these, Carlton (NSW), Bayswater (VIC) and Crows Nest (NSW) were all independant lighting stores which were converted to Beacon Lighting company stores. The Group also purchased the Nunawading (VIC) franchised store converting it to a company store.

The Beacon Lighting Commercial team now have 5 sales offices in QLD, NSW, VIC, SA and WA. Beacon International now has offices in Hong Kong, Germany and the USA. Light Source Solutions Globes has sales teams in Australia and New Zealand while the Light Source Solutions Roadway team services customers across Australia. Beacon Solar services Australia from one central office in Melbourne (VIC) while Masson for Light has one store in Richmond (VIC).

Financial Result

The Beacon Lighting Group achieved a record sales result in FY2018. The Group's sales increased by $21.0 million from $215.0 million in FY2017 to $236.0 million in FY2018. Company store comparative sales increased by 0.9%, however the 69 comparative company stores which were not impacted by new store openings achieved a comparative sales increase of 3.8%. The better performing states were VIC and SA, whilst sales in WA continued to be a challenge.

The Beacon Lighting Group achieved a very strong gross profit margin result in FY2018. The gross profit dollars increased by $18.8 million or 13.8% ahead of FY2017. As a percentage of sales, the gross profit percentage was 65.7% in FY2018, compared to 63.4% in FY2017.

Significant investments continue to be made in opening new stores and in the emerging businesses. The Group operating expenses increased by $12.6 million or 11.3% ahead of FY2017. As a percentage of sales, operating expenses (operating expenses exclude finance charges, depreciation and amortization) were 52.4% in FY2018 compared to 51.7% in FY2017.

The Beacon Lighting Group achieved a record EBITDA result in FY2018, increasing by $5.6 million from $27.6 million in FY2017 to $33.2 million in FY2018. The Beacon Lighting Group also achieved a record NPAT result in FY2018, increasing by $3.0 million from $16.6 million in FY2017 to $19.6 million in FY2018.

Key Growth Strategies

The key growth strategies in FY2019 will be:

- Continue to enhance the brand and the customer experience in order to increase differentiation and drive incremental sales
- Target the growth of sales and profit through the optimisation of the existing store network
- Target the opening of 6 new company operated stores in Australia each year
- Continue to be the leader in offering an extensive range of the latest fashion, on trend, energy efficient and home automation lighting and fan products at great prices to our customers
- Continue to enhance our online presence in order to drive incremental sales
- Target the growth of sales and profits in the emerging businesses
- Investigate and pursue local and international business opportunities that complement the core activities of the Group
- Target efficiency gains and manage the growth of expenses

Dividends

The Beacon Lighting Group Directors have declared a fully franked dividend of 2.50 cents per share for H2 FY2018 (compared to 2.40 cents per share for H2 FY2017). Along with the H1 FY2018 full franked dividend of 2.50 cents per share (compared to 2.35 cents per share for H1 FY2017), this brings the annual Beacon Lighting Group dividend for FY2018 to 5.00 cents per share (compared to 4.75 cents per share in FY2017). 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 have planned for further growth in FY2019 and beyond. Beacon Lighting has already committed to the following activities in FY2019:

- The Underwood (QLD) franchised store will be converted into a company store in August 2018
- Three new company stores in Warrnambool (VIC), MacKay (QLD) and Craigieburn (VIC) are expected to open in FY2019
- The introduction of an exciting new range of internet enabled voice and phone activated lighting products
- Focus on improving the financial return on the investments that have been made in recent years.

The Lighting industry continues to go through a period of exciting change throughout Australia and across the world. The Beacon Lighting Group remains committed to being at the forefront of this change by continuing to focus on new technologies, fashion and energy efficient lighting solutions supported by market leading customer service. Given the Beacon Lighting Group maintains the strong market position as Australia's leading lighting retailer with a number of emerging businesses, including internationally, the Group remains very well positioned to take advantage of the industry wide changes that are occurring.

The Beacon Lighting team is looking forward to delivering record sales and profit in FY2019.

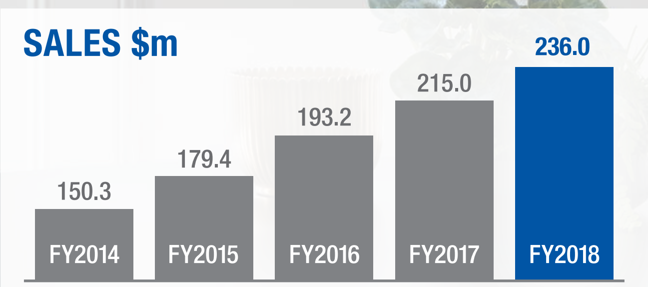

Ian Robinson
Executive Chairman

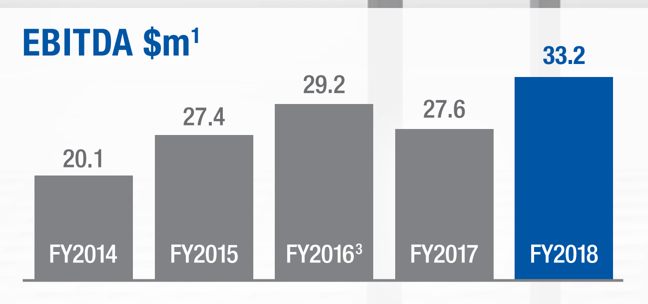

Glen Robinson
Chief Executive Officer

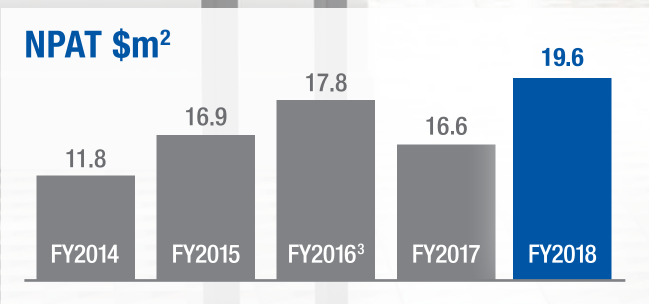
Key Results of FY2018

RECORD SALES $236.0m

RECORD PROFIT $19.6m





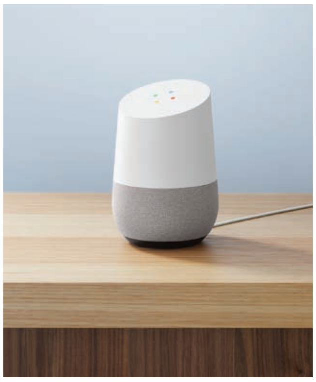


1 Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)
2 Net Profit After Tax (NPAT)
3 Underlying profit for FY2016









Board of Directors

Ian Robinson
Executive Chairman

44 years of service

Ian Robinson purchased the first Beacon Lighting store in 1975. Over the subsequent 43 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

23 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 Bachelor of Business (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 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 30 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 was previously a Non-Executive Director of Lovisa Holdings. Neil holds a Bachelor of Commerce and is a CPA and a FAICD.

Management Team

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 late 2017 having had retail management, human resources and communications experience. Lenore holds a BA (Psych/Sociology), a Cert IV in Assessment and Workplace training and a Dip (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. Barry holds a Certificate in Business Studies (Advertising).

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 30 years information technology experience including a career with Fujitsu Systems. Mick holds a Dip (Management), an ICL Certificate (Systems Analysts & Design) and an ICL Certificate (Base Computer Concepts & Programming).

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. Rodney holds a Certificate III in Purchasing and Warehouse Management.

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 15 August 2018. These policies and practices are in accordance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd 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 Group's 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 as:

- 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.

Principle 2

Structure the Board to 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	5 years
Eric Barr	4 years
Glen Robinson	4 years
Neil Osborne	4 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.

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. 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; and

• 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

Act Ethically and Responsibly

The Group has adopted a written Code of Conduct 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.

In summary, the Code requires associates to always act:

- In a professional, fair and ethical manner, in accordance with 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.

Beacon Lighting has in place a policy concerning trading in Beacon Lighting Group securities. The Securities Trading policy includes detailed requirements for Directors, Officers and senior management regarding when they can trade Beacon Lighting securities.

Principle 4

Safeguard Integrity in Corporate Reporting

Principle 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; and
- 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 Principle 4.3, the Group's external auditor attends each annual general meeting and is available to answer shareholder questions about the audit.

Principle 5

Make Timely and Balanced Disclosure

Principle 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.

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. The half year report contains summarised financial information and a review of Beacon Lighting operations during the period.

The Beacon Lighting Corporate website 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 Company's Constitution, Code of Conduct and its various corporate governance charters and policies.

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.

Principle 7

Recognise and Manage Risk

Principle 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 Company'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 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.

Principle 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. Whilst consumer sentiment was lower in 2018 which affected general retail demand, housing activity remained positive which in part offset the impact of lower consumer sentiment towards discretionary expenditure for the Group.

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 Sustainability 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 through its supply chain operates responsibly within the community and expects the same from its suppliers.

Social Sustainability 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 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.

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.




Principle 8

Remunerate Fairly and Responsibly

Principle 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.

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 24 June 2018.

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 6 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 FY2018 $'000	Actual FY2017 $'000
Profit before Income Tax	27,705	23,370
Income Tax Expense	8,115	6,726
Operating profit after tax attributable to the members of Beacon Lighting Group Limited	19,590	16,644

4. Operating and Financial Review

4.1. Overview of Operations

Beacon Lighting is Australia's leading lighting retailer and also an emerging supplier of lighting and energy efficient products to the commercial industry in Australia and around the world. As a vertically integrated business, Beacon Lighting develops, designs, 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 and approximately 85% of the products are exclusively branded.

At the end of FY2018, Beacon Lighting operated the following trading businesses:

- 103 Beacon Lighting company stores
- 6 Beacon Lighting franchised stores
- 5 Commercial sales offices
- 14 Beacon Lighting related websites
- Beacon International trading in Hong Kong, Germany and the USA
- Light Source Solutions Globes business trading in Australia and New Zealand
- Light Source Solutions Roadway
- Masson for Lights
- Wholesaling to Beacon Lighting franchised stores

During FY2018, Beacon Lighting continued to invest in growth of the Group. These investments included:

- Opening of six new company stores at Carlton (NSW), Bayswater (VIC), Crows Nest (NSW), Gladesville (NSW), Mentone (VIC) and South Morang (VIC).
- Stores at Carlton (NSW), Crows Nest (NSW) and Bayswater (VIC) were converted from competitor lighting stores to Beacon Lighting company stores.
- The Beacon Lighting Nunawading (VIC) franchised store was purchased and converted to a company store.
- Continued to invest in new product ranges for the Beacon International businesses in Germany and USA and the Light Source Solutions Globes business in Australia and New Zealand.
- Implemented ZipPay into stores and online.
- Launched Beacon Lighting products onto the amazon.com.au marketplace.
- Expanded the supply chain network to include a second 3PL consolidation warehouse in China.
- Designed and developed 529 new products for Beacon Lighting stores.

4.2. Financial Summary

4.2.1. Financial Performance

A summary of the Beacon Lighting Group FY2018 profit result compared to the FY2017 profit result is presented in the following table:

Consolidated Entity	FY2018 $'000	FY2017 $'000	Change $'000	Change %
Sales[1]	235,964	215,019	20,945	9.7%
Gross Profit	155,065	136,255	18,810	13.8%
Other Income & Other Revenue	1,819	2,489	(670)	(26.9%)
Operating Expenses[2]	(123,712)	(111,128)	(12,584)	11.3%
EBITDA	33,172	27,616	5,556	20.1%
EBIT	29,308	24,624	4,684	19.0%
Net Profit After Tax (NPAT)	19,590	16,644	2,946	17.7%

[1] Sales include Intellectual Property Royalty Revenue
[2] Operating Expenses excludes interest, depreciation and amortisation

4.2.2. Sales

Beacon Lighting achieved a sales result with growth of 9.7% to $236.0 million in FY2018. A record sales result was achieved for Beacon Lighting Company Stores, Beacon Lighting Commercial, Beacon International, Light Source Solutions Globes, Light Source Solutions Roadway and Masson for Light. Company store comparative sales increased by 0.9% compared to FY2017, while comparative sales for 69 stores not impacted by new store openings increased by 3.8% compared to FY2017

4.2.3. Gross Profit Margin

The gross profit dollars generated by Beacon Lighting increased by 13.8% to $155.1 million. The gross profit margin for FY2018 was 65.7% compared to the gross profit margin of 63.4% in FY2017. The return to the regular marketing program, new product ranges and a stronger AUD all contributed to the improved gross profit result.

4.2.4. Other Income & Other Revenue

Other income and other revenue decreased by 26.9% to $1.8 million. Other income received from franchised stores continues to decline as franchise stores continue to be purchased and converted to company operated stores.

4.2.5. Operating Expenses

Operating Expenses increased by 11.3% to $123.7 million in FY2018. As a percentage of sales, Operating Expenses increased from 51.7% in FY2017 to 52.4% in FY2018. With the continued investment in new stores, recent store openings and the emerging businesses, the Selling and Distribution Expenses increased from 38.8% to 39.8% of sales in FY2018. Expense productivity improvements were able to be achieved for Marketing Expenses and General and Administration Expenses.

4.2.6. Earnings

The Beacon Lighting Group achieved an Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) increase of 20.1% to $33.2 million in FY2018. As a percentage of sales, the EBITDA margin of 14.1% increased from the EBITDA margin of 12.8% in FY2017. The Net Profit After Tax (NPAT) result increased to $19.6 million or 8.3% of sales from a NPAT result of $16.6 million or 7.7% of sales in FY2017.

4.2.7. Dividends

The Directors of Beacon Lighting have declared an annual fully franked divided of 5.00 cents per share for FY2018. For H1 FY2018, the Directors have already declared a fully franked dividend of 2.5 cents per share and for H2 FY2018, the Directors have declared a fully franked dividend of 2.5 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%.

4.2.8. Financial Position

In FY2018, the Beacon Lighting Group has invested $7.2 million more in inventory to improve the in stock availability for our retail customers and further invested to support the new stores and emerging businesses. An increase of $1.3 million in debtors has been necessary to support the emerging businesses which has only in part been offset by the decrease in franchised stores numbers. Capital expenditure of $5.1 million has been a little more modest compared to the capital expenditure of previous years.

The additional investments made in FY2018 were funded by retained earnings supported by the Beacon Lighting Group dividend reinvestment program. The Group borrowings have reduced throughout the year and the Group has additional funding available to support ongoing operations. The Beacon Lighting Group continues to operate comfortably within all of its bank covenants.

4.3. Business Strategies

Beacon Lighting continues to strengthen its position as Australia's leading specialist retailer of light fittings, ceiling fans and light globes. The Group also has an emerging presence in the wholesale / commercial lighting industry with growth in the Beacon International, Light Source Solutions, Beacon Solar and the Masson for Light businesses. Beacon Lighting intends to drive sales and profit growth through a number of different business strategies.

4.3.1. 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 continually designs and develops uniquely branded products with a core range of more than 3,000 products. With over 300 Accredited Lighting Design Consultants across the store network and 20 Premium Lighting Design Studios, Beacon Lighting are able to offer a unique customer service experience. Our VIP and Trade Club customers also enjoy additional offers and benefits. The 109 retail stores and online sales channel alignment make it easy for customers to shop at Beacon Lighting at all times.

4.3.2. Store Optimisation

Beacon Lighting will target the growth of sales and profits through the optimisation of the existing store network. Beacon Lighting has 103 company stores all at different levels of maturity. Having opened 16 new company stores in the last 25 months, all these stores can expect accelerated sales growth in the coming years. Ongoing operational refinements including the marketing plans, roster management, merchandise changes and refurbishments all provide the store network with further optimisation opportunities.

4.3.3. New Store Rollout

Beacon Lighting will target the opening of approximately six new company operated stores in Australia each year. Currently with 109 Beacon Lighting stores and with the Store Network Plan from May 2016 identifying 146 store opportunities, Beacon Lighting still has the opportunity for the planned store roll out for a number of years to come.

4.3.4 New Product Ranges

Beacon Lighting will offer an extensive range of the latest fashion, on trend, technologically advanced and energy efficient products to our customers. Beacon Lighting aims to refresh the core product range in stores each year, complemented by the online range expansion. The continuing need for greater energy efficiency, along with the introduction of internet enabled smart lighting will continue to represent additional opportunities for the Beacon Lighting Group.

4.3.5. Online and Social Media Presence

Beacon Lighting will continue to enhance our online and social media presence in order to drive incremental sales. A variety of online and social media channels continue to offer significant growth opportunities for the Group which are closely aligned to the 109 Beacon Lighting stores. Beacon Lighting continues to nurture strong relationships with social influencers who engage and endorse Beacon Lighting.

4.3.6. Emerging Businesses

Beacon Lighting will continue to target the growth of sales and profits of the emerging businesses. Beacon International, Light Source Solutions, Beacon Solar and Masson for Lights continue to offer significant growth opportunities for the Group, including synergies with the retail businesses and to strengthen the market opportunities for the Beacon Lighting brand within Australian and the rest of the world.

4.3.7. New Business Opportunities

Beacon Lighting will investigate and pursue local and international business opportunities that complement the core business activities of the Group. This may include other lighting stores, franchised stores, wholesaling and other opportunities.

4.3.8. Efficiency Gains

Beacon Lighting will continue to target expense efficiency gains and manage the growth of expenses. However, the recently opened new stores and emerging businesses continue to require investment ahead of the sales. The Beacon Lighting Group has installed solar systems on 48 Beacon Lighting stores and continue with a cost conscious approach to operating expenses.

4.4. Business Risks

Beacon Lighting is subject to both specific risks to the Group and risks of a general nature which may threaten both the 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.

4.4.1. Retail Environment and General Economic Conditions

The 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, property prices, housing churn, dwelling approvals, government policy and natural disasters. Beacon Lighting plans to manage the Group according to the current environment and maintain a capital structure capable of supporting the Group in any anticipated operating environment.

4.4.2. Foreign Currency Rates

The majority of goods purchased and imported by Beacon Lighting are purchased in US dollars. 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 and from a cost perspective, carrying all domestic stock in Australia in AUD and by using FX forward contracts to secure future FX positions.

4.4.3. Growth Strategies

Beacon Lighting has a number of 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 can continue to increase Group value in the long term. If these opportunities do not have this capability, then resources will be reallocated to other strategies.

4.4.4. Operating Expenses

As the Beacon Lighting Group continues to grow, the Group's operating expenses continue to increase. The Group's ability to maintain and improve profitability is based on the economies of scale of the operation, reasonable stock turns and maintaining a suitable cost structure.

4.4.5. 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 marketing position and emerging commercial position in the Australia market.

4.4.6. Management Systems

The Beacon Lighting Group has a number of management systems which are critical to the ongoing operations of the Group. It is critical 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 ensure the ongoing operations of our management systems.

4.5. Trading Outlook

The Beacon Lighting Group has made an encouraging start to FY2019. Some of the specific activities that are already in place for FY2019 are:

- Grow and optimise the investments the Group has made in new stores and emerging businesses in FY2017 and FY2018.
- The Underwood franchised store will be converted into a company store in August 2018.
- New company stores in Warrnambool (VIC), Mackay (QLD) and Craigieburn (VIC) are all expected to open in FY2019.
- Major refurbishment of the Mile End (SA) store.
- The introduction of a new range of internet enabled voice and phone activated lighting products.

Going forward, Beacon Lighting still has a range of exciting retail and commercial growth opportunities both in Australia and around the world. The Beacon Lighting Group is looking forward to record sales and profits in FY2019.

5. Significant Changes in the State of Affairs

During the financial year there were no 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 24 June 2018, 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	10	10	-	-	4	4
G Robinson	10	10	4	4	-	-
E Barr	10	10	4	4	4	4
N Osborne	10	10	4	4	4	4

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]	119,709,012
G Robinson[1]	119,709,012
E Barr	200,000
N Osborne	300,000

[1]Heystead Nominees Pty Ltd and other Robinson Family member interests.

8. Directors' Interests in Contracts

Directors' interests in contracts are disclosed in Note 31 of the financial statements.

9. Dividends

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

Consolidated Entity	Actual FY2018 $'000	Actual FY2017 $'000
Fully franked dividends provided or paid during the period	10,577	10,224

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 a period of seven years 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 $50,450 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

The Underwood (QLD) franchised store will be converted into a company store in August 2018. A fully franked dividend of $5,424,666 was declared on 15 August, 2018.

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 24 June 2018, the following fees were paid or were due and payable for services provided by the external auditor, PwC, of the Consolidated Entity:

Consolidated Entity	FY2018 $	FY2017 $
Audit & Assurance Services		
Audit & review of financial statements	222,100	229,100
Other assurance services	69,580	-
Other services		
Tax services	28,235	19,200
Other Services	49,489	10,529
Total Remuneration of PwC	**369,404**	**258,829**

In addition to their statutory audit duties, PwC provided taxation and other assurance related 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 24 June 2018.

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 below:

Remuneration Framework

Element	Purpose	Performance Metrics	Potential Value	Changes for FY2018	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 Earnings before Interest & Tax (EBIT)	200% of the executives on target cash bonus	No change	EBIT measures as determined by the Board
Short Term Incentive (Performance Rights or Options)	Reward for in year performance	Budgeted Earnings before Interest & Tax (EBIT)	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

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 FY2018 these are:

	Fixed Remuneration	Short Term Incentive (Cash Bonus) %	Short Term Incentive (Performance Rights or Options) %	Total %
Executive Chairman	100.0	-	-	100.0
Chief Executive Officer	70.0	21.0	9.0	100.0
Managing Director – Sales	78.8	14.4	6.8	100.0
Chief Financial Officer	79.2	14.1	6.7	100.0
Chief Operating Officer	76.1	16.2	7.7	100.0

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.

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 24 June 2018, the Group did not a have 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 FY2018 fixed remuneration was increased for the five executives at an average of increase of 6.8%. 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 Earnings before Interest and Tax (EBIT) 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 EBIT budget for the year. The Board considers EBIT 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	Budgeted EBIT
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 24 June 2018 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, 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 EBIT result against the Group's EBIT budget. This is tested annually. The Board considers EBIT 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.

Structure of Short Term Performance Rights and Options Incentive Plans

Feature	Description
Maximum Opportunity	125% of on target cash bonus value
Performance Metric	Budgeted EBIT
Delivery of STI	100% of STI performance rights and options award vests after the financial results have been audited and approved by the Board 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. FY2018 Performance and Impact on Remuneration

Beacon Lighting's financial performance in FY2018 was above that of the previous year and in line with the FY2018 budget. For the 52 weeks ended 24 June 2018, the Group's financial performance targets were met and the annual short term cash incentive is expected to be in the 102% range of the on target cash bonus value and the short term incentive (performance rights or options) is expected to be issued in the range of 102% of the on target bonus value.

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 two 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.

Statutory Key Performance Indicators of the Group

	FY2018	FY2017
Profit for the year attributable to owners of Beacon Lighting Group Limited ($'000)	19,590	16,644
Basic earnings per share (cents)	9.09	7.73
Dividend payments ($'000)	10,577	10,224
Share Price (Year End)	1.54	1.38

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 24 June 2018 and the 52 weeks ended 25 June 2017 unless otherwise stated.

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)							
2018	192,728	-	17,397	(28,166)	-	-	181,959
2017	192,728	-	17,397	(16,398)	-	-	193,727
G Robinson (Chief Executive Officer)							
2018	352,278	-	20,048	(8,522)	109,140	46,557	519,501
2017	321,111	-	19,616	871	57,165	82,123	480,886
E Barr (Non-Executive)							
2018	100,457	-	9,543	-	-	-	110,000
2017	100,457	-	9,543	-	-	-	110,000
N Osborne (Non-Executive)							
2018	100,000	-	-	-	-	-	100,000
2017	100,000	-	-	-	-	-	100,000
Total Remuneration Directors							
2018	**745,463**	**-**	**46,988**	**(36,688)**	**109,140**	**46,557**	**911,460**
2017	714,296	-	46,556	(15,527)	57,165	82,123	884,613
EXECUTIVES							
I Bunnett (Managing Director – Sales)							
2018	262,006	-	20,049	(3,556)	51,000	24,068	353,567
2017	246,324	-	19,616	17,812	26,713	39,685	350,150
D Speirs (Chief Financial Officer)							
2018	262,356	-	20,049	3,015	51,000	24,068	360,488
2017	236,824	-	19,616	20,643	26,713	39,685	343,481
B Martens (Chief Operating Officer)							
2018	228,174	-	20,049	(9,069)	51,000	24,068	314,222
2017	221,287	-	19,616	7,847	26,713	39,685	315,148
Total Remuneration Executives							
2018	**752,536**	**-**	**60,147**	**(9,610)**	**153,000**	**72,204**	**1,028,277**
2017	704,435	-	58,848	46,302	80,139	119,055	1,008,779

17.6. Share Based Compensation

The number of performance rights over shares in the Group granted to the Chief Executive Officer and other key management personnel during the current financial period, together with prior period grants which vested during the period is set out below:

	Grant Date	Quantity Granted	Vest Date	Value at Grant Date $	Vest %	Quantity Vested	Quantity Unvested	Value Expensed this Year $
G Robinson	24/06/16	22,107	28-Aug-17	43,750	100%	7,369	0	974
G Robinson	18/08/16	23,603	28-Aug-17	32,100	66%	15,736	7,867	6,506
G Robinson	24/08/17	39,338	13-Oct-17	53,500	33%	13,116	26,222	39,077
Total		**85,048**		**129,350**				**46,557**

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 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 during the current financial period, together with prior period grants which vested during the period is set out below.

	Grant Date	Quantity Granted	Vest Date	Value at Grant Date $	Vest %	Quantity Vested & Exercisable	Quantity Unvested	Value Expensed this Year $
I Bunnett	24/06/2016	31,582	Refer below	40,740	70.0%	22,107	9,474	6,945
	18/08/2016	11,029	Refer below	15,000	40.0%	4,411	6,618	4,303
	24/08/2017	18,382	Refer below	25,000	0.0%	0	18,382	12,820
D Speirs	24/06/2016	31,582	Refer below	40,740	70.0%	22,107	9,474	6,945
	18/08/2016	11,029	Refer below	15,000	40.0%	4,411	6,618	4,303
	24/08/2017	18,382	Refer below	25,000	0.0%	0	18,382	12,820
B Martens	24/06/2016	31,582	Refer below	40,740	70.0%	22,107	9,474	6,945
	18/08/2016	11,029	Refer below	15,000	40.0%	4,411	6,618	4,303
	24/08/2017	18,382	Refer below	25,000	0.0%	0	18,382	12,820
Total		**182,979**		**242,220**				**72,204**

The fair value of options granted on 24 June 2016 (grant date) was $1.29. 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 $1.36. 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 $1.36. 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 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.

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 the Year[1]	Purchase of Shares	DRP Issue[2]	Sales of Shares	Balance at End of the Year
DIRECTORS						
I Robinson (Executive Chairman)[3]						
2018	118,659,353	10,779	41,500	873,116	-	119,584,748
2017	118,624,921	14,432	20,000		-	118,659,353
G Robinson (Chief Executive Officer)						
2018	93,386	28,352	-	2,526	-	124,264
2017	60,520	32,866	-		-	93,386
E Barr (Non-Executive)						
2018	150,000	-	50,000	-	-	200,000
2017	150,000	-	-	-	-	150,000
N Osborne (Non-Executive)						
2018	300,000	-	-	-	-	300,000
2017	300,000	-	-	-	-	300,000
EXECUTIVES						
I Bunnett (Managing Director – Sales)						
2018	63,974	-	-	-	-	63,974
2017	49,316	14,658	-	-	-	63,974
D Speirs (Chief Financial Officer)						
2018	73,974	-	-	2,499	-	76,473
2017	59,316	14,658	-	-	-	73,974
B Martens (Chief Operating Officer)						
2018	68,519	-	-	-	-	68,519
2017	53,861	14,658	-	-	-	68,519
Total						
2018	**119,409,206**	**39,131**	**91,500**	**878,141**	**-**	**120,417,978**
2017	119,297,934	91,272	20,000	-	-	119,409,206

[1] Shares received during the year were a result of performance rights vesting under the STI plan.
[2] Shares received during the year as a result of participating in the Dividend re-investment plan.
[3] Heystead Nominees Pty Ltd and other Robinson Family member interests, excluding Glen Robinson.

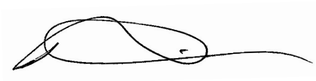
17.8. Service Agreements

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.

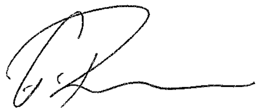
17.9. Voting of Shareholders at Last Year's Annual General Meeting

Beacon Lighting Group received more than 90% of yes votes on its remuneration report for the 2017 financial year. The Company did not receive any specific feedback at the AGM 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,
15 August 2018

Auditor's Independence Declaration

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Beacon Lighting Group Limited for the 52 week period ended 24 June 2018, 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
15 August 2018

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 52 weeks ended 24 June 2018 and the 52 weeks ended 25 June 2017
Beacon Lighting Group and its controlled entities

Consolidated Entity	Notes	FY2018 $'000	FY2017 $'000
Revenue from ordinary activities			
Sale of goods	4	**235,964**	215,019
Other revenue	4	**1,716**	2,353
Total revenue from ordinary activities and other revenue	4	**237,680**	217,372
Other income	5	**103**	136
Expenses	6		
Cost of sales of goods		**(80,899)**	(78,764)
Other expenses from ordinary activities			
Marketing		**(13,722)**	(12,839)
Selling and distribution		**(97,243)**	(85,989)
General and administration		**(16,611)**	(15,292)
Finance costs	6	**(1,603)**	(1,254)
Profit before income tax		**27,705**	23,370
Income tax expense	7	**(8,115)**	(6,726)
Profit for the period attributable to the members of the parent entity		**19,590**	16,644
Other comprehensive income			
Items that may be reclassified to profit or loss			
Changes in the fair value of derivatives	23(a)	**483**	92
Exchange differences on translation of foreign operations	23(a)	**176**	(27)
Income tax relating to these items		**(198)**	(20)
Other comprehensive income for the period, net of tax		**461**	45
Total comprehensive income for the period attributable to the members of the parent entity		**20,051**	16,689
Earnings per share		Cents	Cents
Basic earnings per share	27	**9.09**	7.73
Diluted earnings per share	27	**9.09**	7.73

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

CONSOLIDATED BALANCE SHEET

As at 24 June 2018 and as at 25 June 2017
Beacon Lighting Group and its controlled entities

Consolidated Entity	Notes	FY2018 $'000	FY2017 $'000
Current assets			
Cash and cash equivalents	8	**10,671**	12,925
Trade and other receivables	9	**10,945**	9,613
Inventories	10	**62,446**	55,267
Derivative financial instruments	11	**401**	63
Current tax receivable	19	**-**	108
Other current assets	12	**1,470**	1,004
Total current assets		**85,933**	78,980
Non-current assets			
Property, plant and equipment	13	**29,862**	28,865
Deferred tax assets	14	**5,941**	5,890
Intangible assets	15	**10,870**	10,342
Total non-current assets		**46,673**	45,097
Total assets		**132,606**	124,077
Current liabilities			
Trade and other payables	16	**18,166**	20,282
Borrowings	17	**19,965**	23,928
Provisions	18	**6,978**	6,428
Current tax liabilities	19	**1,436**	-
Total current liabilities		**46,545**	50,638
Non-current liabilities			
Borrowings	20	**6,365**	6,340
Provisions	21	**3,367**	2,981
Total non-current liabilities		**9,732**	9,321
Total liabilities		**56,277**	59,959
Net assets		**76,329**	64,118
Equity			
Contributed equity	22	**65,690**	62,870
Other reserves	23(a)	**(42,587)**	(42,965)
Retained earnings	23(b)	**53,226**	44,213
Total equity		**76,329**	64,118

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the 52 weeks ended 24 June 2018 and the 52 weeks ended 25 June 2017
Beacon Lighting Group and its controlled entities

Consolidated Entity	Notes	Contributed Equity $'000	Reserves $'000	Retained Earnings $'000	Total Equity $'000
Balance as at 25 June 2017		**62,870**	**(42,965)**	**44,213**	**64,118**
Profit for the year		**–**	**–**	**19,590**	**19,590**
Other comprehensive income	23(a)	**–**	**461**	**–**	**461**
Total comprehensive income for the period			**461**	**19,590**	**20,051**
Transactions with owners in their capacity as owners:					
Issue of shares to employees	22	**251**	**–**	**–**	**251**
Issue of shares via dividend re-investment plan	22	**2,569**	**–**	**–**	**2,569**
Employee share scheme	23(a)	**–**	**(83)**	**–**	**(83)**
Dividends provided for or paid	24	**–**	**–**	**(10,577)**	**(10,577)**
Total contributions by and distributions to owners		**2,820**	**(83)**	**(10,577)**	**(7,840)**
Balance as at 24 June 2018		**65,690**	**(42,587)**	**53,226**	**76,329**
Balance as at 26 June 2016		62,735	(43,105)	37,793	57,423
Profit for the year		–	–	16,644	16,644
Other comprehensive income	23(a)	–	44	–	44
Total comprehensive income for the period			44	16,644	16,688
Transactions with owners in their capacity as owners:					
Issue of shares to employees	22	135	–	–	135
Employee share scheme	23(a)	–	96	–	96
Dividends provided for or paid	24	–	–	(10,224)	(10,224)
Total contributions by and distributions to owners		135	96	(10,224)	(9,995)
Balance as at 25 June 2017		62,870	(42,965)	44,213	64,118

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 24 June 2018 and the 52 weeks ended 25 June 2017
Beacon Lighting Group and its controlled entities

Consolidated Entity	Notes	FY2018 $'000	FY2017 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**259,833**	238,846
Payments to suppliers and employees (inclusive of goods and services tax)		**(236,360)**	(209,926)
Interest received		**43**	43
Borrowing costs		**(1,603)**	(1,254)
Income taxes paid		**(6,370)**	(6,774)
Net cash inflow from operating activities	34	**15,543**	20,935
Cash flows from investing activities			
Payments for acquisitions		**(782)**	(6,025)
Payments for property, plant and equipment		**(5,075)**	(9,225)
Proceeds from sale of property, plant and equipment		**6**	100
Net cash (outflow) from investing activities		**(5,851)**	(15,150)
Cash flows from financing activities			
(Repayment)/Proceeds from borrowings (net)		**(3,938)**	8,109
Dividends paid to Company's shareholders	24	**(8,008)**	(10,224)
Net cash (outflow) from financing activities		**(11,946)**	(2,115)
Net increase (decrease) in cash and cash equivalents		**(2,254)**	3,670
Cash and cash equivalents at the beginning of the financial year		**12,925**	9,255
Cash and cash equivalents at the end of the financial year	8	**10,671**	12,925

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

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 24 June 2018 and the 52 weeks ended 25 June 2017
Beacon Lighting Group and its controlled entities

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 24 June 2018 (2017: 52 week period ending 25 June 2017). This treatment is consistent with section 323D of Corporations Act 2001 (Cth).

(i) New and Amended Standards Adopted by the Group

A number of new or amended standards became applicable for the current reporting period, however, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

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

AASB 9 Financial Instruments

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The standard does not need to be applied until 1 July 2018 but is available for early adoption.

Impact

The Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting. Based on the Group's assessment the current hedge relationships would qualify as continuing hedges upon the adoption of AASB 9. Accordingly, the Group does not expect a significant impact on the accounting for its hedging relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under AASB 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Management has assessed the effects of applying the new standard on the group's financial statements and has identified that it will not have a material impact on the group.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

AASB 15 Revenue from Contracts with Customers

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers revenue arising from the sale of goods and the rendering of services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Impact

Management have undertaken a review of all revenue streams across the business and applied the requirements of the 5 step model across each revenue stream to identify the impact of the new revenue standard. Management has assessed the effects of applying the new standard on the group's financial statements and has identified that it will not have a material impact on the group.

Date of adoption by the group

Mandatory for financial years commencing on or after 1 January 2018. The group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 July 2019 and that comparatives will not be restated.

AASB 16 Leases

AASB 16 Leases was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change. The standard will affect primarily the accounting for the Group's operating leases. The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 July 2019. At this stage, the Group does not intend to adopt the standard before its effective date. As at the reporting date, the Group has non-cancellable operating lease commitments of $103,335,000.

The Group continues to analyse the impact of the new standard by assessing the terms of the leases in light of the requirements of AASB 16. Further lease reviews as required and the computation of the likely lease liability and right of use assets to be recognized on transition will be completed throughout FY2019. This will be followed by consideration of the broader business impacts. The Group is still in the process of assessing the appropriate adoption date of AASB 16. At this time the cumulative catch up transition method will be adopted.

(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 35 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.

(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 24 June 2018 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.

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 in the Australian market.

(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 and qualifying net investment 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. Gains or costs arising at the time of entering into such hedging transactions are brought to account in the consolidated statement of comprehensive income over the lives of the hedges.

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

(i) Sale of Goods

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

(ii) Trust Distribution Income

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

(iii) Interest Income

Interest income is recognised using the effective interest method.

(iv) Franchise Royalty Fee Income

Franchise royalty fee income includes advertising contributions and management fee, which is generally earned based upon a percentage of sales, is recognised on an accrual basis.

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.

(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

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as non current assets (Note 13). Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (Note 30). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

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

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

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

(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 re-measured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

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

Cash Flow Hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or general and administration 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 forward foreign exchange contracts which hedge imported inventory purchases are ultimately recognised in the profit or loss as cost of goods sold.

(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. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

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

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/associate 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.

(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 managements 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 26. 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.

(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 36 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. 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.

The Group holds the following financial instruments:

Consolidated Entity	FY2018 $'000	FY2017 $'000
Financial Assets		
Cash and cash equivalents	**10,671**	12,925
Trade and other receivables	**10,945**	9,613
Derivative financial instruments	**401**	63
	22,017	22,601
Financial Liabilities		
Trade and other payables	**18,166**	20,282
Borrowings	**26,330**	30,268
Derivative financial instruments	**-**	-
	44,496	50,550

(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 US dollar.

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 which is 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.

The Group holds the following foreign exchange derivatives:

Consolidated Entity	FY2018 $'000	FY2017 $'000
Forward exchange contracts - buy cash flow hedges (notional amount)	**13,894**	20,261

Instruments used by the group

The Group's risk management policy is to hedge 100% of forecasted foreign currency cash flows for inventory purchases in US dollars. At 24 June 2018 the average term of outstanding foreign exchange contracts is two months with an average forward rate for AUD/USD of 0.74.

Interest Rate Risk

The Group's main interest rate risk arises from short terms 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.

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

Consolidated Entity	FY2018 $'000	FY2017 $'000
Interest rate swap contract buy cash flow hedges (notional amount)	**451**	22

Instruments used by the group

Interest rate swap currently in place cover approximately 39% (2017 – 28%) of the variable loan principal outstanding. The fixed interest rate of the swap used to hedge is 2.28% (2017- 3.13%) and the variable rates of the loans are between 2.47% and 2.62%.

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.

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	FY2018 $'000	FY2017 $'000
Gain recognised in other comprehensive income	**338**	64

Group Sensitivity

At 24 June 2018 100% 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 US-dollar denominated financial instruments and the impact on other components of equity arises from foreign forward exchange contracts designated as cash flow hedges.

Consolidated Entity	FY2018 $'000	FY2017 $'000
Forward exchange contracts		
USD / AUD exchange rate – increase 10%	**(1,389)**	(635)
USD / AUD exchange rate – decrease 10%	**1,389**	635
Interest rate swap contract		
Floating interest rate – increase 10%	**51**	4
Floating interest rate – decrease 10%	**(51)**	(4)

(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 9.

(c) Liquidity Risk

Financing Arrangements

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

Consolidated Entity	FY2018 $'000	FY2017 $'000
Floating rate – Total facilities		
Overdraft	**500**	500
Inventory finance facility	**37,202**	30,797
Asset finance facility	**7,385**	7,385
Loan facility – multi currency	**2,924**	**2,801**
Loan facility – floating rate	**15,000**	**6,000**
Floating rate – Total undrawn facilities		
Overdraft	**500**	500
Inventory finance facility	**17,512**	8,294
Asset finance facility	**6,845**	6,164
Loan facility – multi currency	**2,924**	**2,057**
Loan facility – floating rate	**8,900**	**200**

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.

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 24 June 2018						
Non-derivatives						
Trade and other payables	**18,166**	**-**	**-**	**-**	**18,166**	**18,166**
Borrowings	**19,944**	**-**	**6,483**	**-**	**26,427**	**25,790**
Finance lease liabilities	**-**	**296**	**271**	**-**	**567**	**540**
Total non-derivatives	**38,110**	**296**	**6,754**	**-**	**45,160**	**44,496**
Derivatives						
Forward exchange contracts	**454**	**-**	**-**	**-**	**454**	**454**
Interest rate swap contract	**(53)**	**-**	**-**	**-**	**(53)**	**(53)**
Net settled (cash flow hedges)	**(401)**	**-**	**-**	**-**	**(401)**	**(401)**
At 25 June 2017						
Non-derivatives						
Trade and other payables	20,282	-	-	-	20,282	20,282
Borrowings	23,506	-	6,146	-	29,652	29,047
Finance lease liabilities	-	720	567	-	1,287	1,221
Total non-derivatives	43,788	720	6,713	-	51,221	50,550
Derivatives						
Forward exchange contracts	(82)	-	-	-	(82)	(82)
Interest rate swap contract	19	-	-	-	19	19
Net settled (cash flow hedges)	(63)	-	-	-	(63)	(63)

(d) Fair Value Measurements

For information about the methods and assumptions used in determining the fair value of derivatives please refer to Note 11.

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 24 June 2018, on a recurring basis.

At 24 June 2018	Level 2 $'000	Total $'000
Derivatives used for hedging - Net Position	**(401)**	**(401)**

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.

3. 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 in the Australian market.

4. Revenue from Ordinary Activities and Other Revenue

Consolidated Entity	FY2018 $'000	FY2017 $'000
(a) From ordinary activities		
Sale of goods	**235,964**	215,019
(b) Other revenue		
Franchise fees	**1,627**	2,226
Sundry revenue	**89**	127
	1,716	2,353
	237,680	217,372

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5. Other Income

Consolidated Entity	FY2018 $'000	FY2017 $'000
Interest	**43**	43
Other	**60**	93
	103	136

6. Expenses

Consolidated Entity	FY2018 $'000	FY2017 $'000
(a) Profit before income tax includes the following specific expenses:		
Depreciation		
Plant and equipment	**3,518**	2,676
Motor vehicles	**326**	296
Amortisation		
Patents, trademarks and other rights	**20**	20
Finance costs		
Interest and finance charges paid/payable	**1,603**	1,254
Net loss on disposal of property, plant and equipment	**36**	29
Rental expense relating to operating leases		
Minimum lease payments	**22,703**	19,736
Employee benefits	**56,010**	50,778
(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)	**(222)**	106

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7. Income Tax Expense

Consolidated Entity	FY2018 $'000	FY2017 $'000
(a) Income tax expense		
Current tax	**8,257**	6,508
Deferred tax	**(181)**	237
Adjustments for current tax of prior periods	**39**	(19)
	8,115	6,726
Deferred income tax (revenue) included in income tax expense comprises (Note14):		
Decrease (increase) in deferred tax assets	**(191)**	231
(Decrease) increase in deferred tax liabilities	**10**	6
	(181)	237
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	**27,705**	23,370
Tax at the Australian tax rate of 30.0% (2017 – 30.0%)	**8,312**	7,011
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Previously unrecognised tax losses now recouped	**(285)**	(335)
Entertainment	**27**	21
Sundry items	**61**	29
Income tax expense	**8,115**	6,726
(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 14)	**(3)**	7

8. Cash and Cash Equivalents

Consolidated Entity	FY2018 $'000	FY2017 $'000
Cash at bank and in hand	**9,391**	11,671
Deposits at call (a)	**1,280**	1,254
	10,671	12,925

(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 2.

9. Trade and Other Receivables

Consolidated Entity	FY2018 $'000	FY2017 $'000
Trade receivables (a)	**9,906**	8,677
Provision for impairment of receivables (b)	**(312)**	(233)
Net amounts receivable from customers	**9,594**	8,444
Other debtors (c)	**1,351**	1,169
	10,945	9,613

(a) Ageing of Trade Receivables

Trade receivables ageing analysis at period end is:

Consolidated Entity	FY2018 $'000	FY2017 $'000
Not past due	**6,892**	6,781
Past due 31-60 days	**1,203**	1,151
Past due 61-90 days	**512**	128
Past due more than 91 days	**1,299**	617
	9,906	8,677

(b) Provision for Impairment of Receivables

Trade receivables are non-interest bearing with terms that vary between 30 and 60 days end of month terms. An impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. A provision against impairment for the amount of $312,000 (2017: $233,000) has been raised against the balance of trade receivables for 2018. The impairment losses have been included within expenses in the consolidated statement of comprehensive income. Trade receivables that are not impaired are largely expected to be received within trading terms or shortly thereafter.

Movements in the provision for impairment of receivables are as follows:

Consolidated Entity	FY2018 $'000	FY2017 $'000
Opening balance	**233**	288
Provision for impairment recognised during the year / (reversal of provision)	**103**	(9)
Receivables written off during the year as uncollectable	**(24)**	(46)
Closing balance	**312**	233

(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 2.

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 2 for more information on the risk management policy of the Group and the credit quality of the entity's trade receivables.

10. Inventories

Consolidated Entity	FY2018 $'000	FY2017 $'000
Inventory at lower of cost and net realizable value	**60,814**	52,536
Goods in transit - at cost	**1,632**	2,731
	62,446	55,267

Inventory Expense

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 24 June 2018 and included in cost of sales of goods amounted to $79,402,493 (2017: $77,236,031).

Write-downs of inventories to net realisable value recognised as an expense during the 52 week period ended 24 June 2018 amounted to $94,537 (2017: $115,004).

Included in the valuation of inventory is a provision for stock obsolescence of $1,291,000 (2017: $1,019,000).

11. Derivative Financial Instruments

Consolidated Entity	FY2018 $'000	FY2017 $'000
Current assets		
Forward foreign exchange contracts – cash flow hedges	454	82
Total current derivative financial instrument assets	454	82
Current liabilities		
Interest rate swap contracts – cash flow hedges	(53)	(19)
Total current derivative financial instrument liabilities	(53)	(19)
Net current derivative financial instrument assets	401	63

The Group's risk exposures are provided in Note 2.

Forward Exchange Contracts and Interest Rate Swaps– Cash Flow Hedges

The Group purchases products in US currency. In order to protect against exchange rate movements, the Group has entered into forward exchange contracts to purchase US dollars 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 24 June 2018 there were no gains or losses (2017: nil) recognised in profit or loss for the ineffective portion of these hedging contracts.

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12. Other Current Assets

Consolidated Entity	FY2018 $'000	FY2017 $'000
Prepayments and other current assets	**1,470**	1,004

13. Property, Plant and Equipment

Consolidated Entity	Furniture, Fittings and Equipment $'000	Vehicles $'000	Total $'000
Year ended 25 June 2017			
Opening net book amount	20,650	1,426	22,076
Additions	9,277	614	9,891
Disposals	(22)	(108)	(130)
Depreciation charge	(2,676)	(296)	(2,972)
Closing net book amount	**27,229**	**1,636**	**28,865**
At 25 June 2017			
Cost	41,394	3,005	44,399
Accumulated depreciation	(14,165)	(1,369)	(15,534)
Net book amount	**27,229**	**1,636**	**28,865**
Year ended 24 June 2018			
Opening net book amount	27,229	1,636	28,865
Additions	4,820	255	5,075
Disposals	(231)	(3)	(234)
Depreciation charge	(3,518)	(326)	(3,844)
Closing net book amount	**28,300**	**1,562**	**29,862**
At 24 June 2018			
Cost	45,504	3,175	48,679
Accumulated depreciation	(17,204)	(1,613)	(18,817)
Net book amount	**28,300**	**1,562**	**29,862**

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14. Deferred Tax Assets

Consolidated Entity	FY2018 $'000	FY2017 $'000
Gross deferred tax assets		
The balance comprises temporary differences attributable to:		
Employee benefits	**1,987**	1,914
Inventory	**1,075**	753
Franchise agreement termination fees	**1,145**	1,391
Debtor provision	**94**	70
Fixed assets	**314**	362
IPO capitalised expenses	**-**	105
Marketing fund	**563**	624
Other provisions/accruals	**773**	691
Total deferred tax assets	**5,951**	5,910
Gross deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Other accruals and provisions	**10**	20
Total deferred tax liabilities	**10**	20
Movements in net deferred tax assets		
Opening balance	**5,890**	4,965
Charged/(credited) to the consolidated statement of comprehensive income (Note 7)	**(181)**	(237)
Charged/(credited) amounts recognised on acquisitions	**235**	1,155
Charged/(credited) amounts recognised directly in equity	**(3)**	7
Net deferred tax assets	**5,941**	5,890

15. Intangible Assets

Consolidated Entity	Goodwill $'000	Patents, Trademarks and Other Rights $'000	Total $'000
Year ended 25 June 2017			
Opening net book amount	5,803	260	6,063
Additions	4,300	-	4,300
Amortisation charge for the year	-	(20)	(20)
Closing net book amount	10,102	240	10,342
At 25 June 2017			
Cost	10,102	500	10,602
Accumulated amortisation	-	(260)	(260)
Net book amount	10,102	240	10,342
Year ended 24 June 2018			
Opening net book amount	**10,102**	**240**	**10,342**
Additions	**548**	**-**	**548**
Amortisation charge for the year	**-**	**(20)**	**(20)**
Closing net book amount	**10,650**	**220**	**10,870**
At 24 June 2018			
Cost	**10,650**	**500**	**11,150**
Accumulated amortisation	**-**	**(280)**	**(280)**
Net book amount	**10,650**	**220**	**10,870**

The current year acquisition is 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.

(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 in the Australian market (refer Note 3).

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	
2018	2017	**2018**	2017	**2018**	2017
%	%	**%**	%	**%**	%
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.

16. Trade and Other Payables

Consolidated Entity	FY2018 $'000	FY2017 $'000
Trade payables	**6,007**	9,011
Customer deposits	**2,767**	2,865
Sundry creditors	**6,699**	5,611
Marketing fund	**2,058**	2,079
Other payables	**635**	716
	18,166	20,282

(a) Risk Exposure

Information about the Group's exposure to foreign exchange risk is provided in Note 2.

(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.

17. Current Borrowings

Consolidated Entity	FY2018 $'000	FY2017 $'000
Secured		
Inventory finance (a)	**19,689**	22,503
Multi currency finance (b)	**-**	744
Hire purchase liability (c)	**276**	681
	19,965	23,928

(a) Inventory Finance

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

(b) Multi Currency Finance

The Group utilises multi currency finance facilities to fund inventory purchases for international operations. The term of the facility is two years.

(c) 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.

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 20.

Risk Exposures

Details of the Group's exposure to risks arising from current and non-current borrowings are set out in Note 2.

18. Current Provisions

Consolidated Entity	FY2018 $'000	FY2017 $'000
Employee benefits (a)	**5,379**	4,993
Warranty provision (b)	**1,468**	1,300
Other provisions (c)	**131**	135
	6,978	6,428

(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	FY2018 $'000	FY2017 $'000
Leave obligations not expected to be settled within 12 months	**3,813**	3,647

(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 $147,000 (2017: $130,000) higher or lower.

Movement in Warranty Provision

Consolidated Entity	FY2018 $'000	FY2017 $'000
Carrying amount at the start of the year	**1,300**	1,138
Charged/(credited) to profit or loss - amount incurred and charged	**168**	163
Carrying amount at end of period	**1,468**	1,300

(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	FY2018 $'000	FY2017 $'000
Carrying amount at the start of the year	**135**	110
Charged/(credited) to profit or loss - amount incurred and charged	**689**	535
Amounts used during the year	**(693)**	(510)
Carrying amount at end of period	**131**	135

19. Current Tax Liabilities

Consolidated Entity	FY2018 $'000	FY2017 $'000
Provision for income tax	**1,436**	(108)

20. Non Current Borrowings

Consolidated Entity	FY2018 $'000	FY2017 $'000
Secured		
Loan facility floating rate (a)	**6,100**	5,800
Hire purchase plan (b)	**265**	540
	6,365	6,340

(a) Loan Facility Floating Rate

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

(b) Hire Purchase Plan

The Group utilises hire purchase plans to acquire assets (i.e. furniture and fittings and motor vehicles), with one to four year terms. Details on the accounting for these hire-purchase plans is disclosed in Note 1(h) of this report.

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 and
- the borrowing base is not more than 60% and
- 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 24 June 2018 and the 52 weeks ended 25 June 2017.

Risk Exposures

Information about the Group's exposure to interest rate and foreign exchange risk is provided in Note 2.

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21. Non Current Provisions

Consolidated Entity	FY2018 $'000	FY2017 $'000
Lease liabilities	**2,389**	2,068
Employee benefits	**978**	913
	3,367	2,981

22. Contributed Equity

Consolidated Entity	FY2018	FY2017
Number of ordinary shares, fully paid	**217,162,678**	215,262,753

Consolidated Entity	FY2018 $'000	FY2017 $'000
Movements in ordinary share capital		
Balance at the beginning of the year	**62,870**	62,735
Performance rights vesting into shares	**251**	135
Dividend reinvestment plan share issue	**62,870**	-
Balance at the end of the year	65,690	62,870

Consolidated Entity	FY2018	FY2017
Movements in the number of ordinary shares		
Balance at the beginning of the year	**215,262,753**	215,157,117
Performance rights vesting into shares	**144,680**	105,636
Dividend reinvestment plan share issue	**1,755,245**	-
Balance at the end of the year	**217,162,678**	215,262,753

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.

Consistently 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.

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23. Reserves and Retained Profits

Consolidated Entity	FY2018 $'000	FY2017 $'000
(a) Other reserves		
Cash flow hedges reserve	**401**	63
Share based payment reserve	**127**	210
Foreign currency translation reserve	**557**	434
Common control reserve	**(43,672)**	(43,672)
	(42,587)	(42,965)
Movement in cash flow hedges		
Opening balance	**63**	(1)
Revaluation (net of tax effect)	**338**	64
Closing balance	**401**	63
Movement in share based payments reserve		
Opening balance	**210**	115
Transactions arising from share based payments	**(83)**	96
Closing balance	**127**	210
Movement in foreign currency translation reserve		
Opening balance	**434**	454
Revaluation (net of tax effect)	**123**	(20)
Closing balance	**557**	434
Movement in common control reserve		
Opening balance	**(43,672)**	(43,672)
Transactions arising from share capital restructure	**-**	-
Closing balance	**(43,672)**	(43,672)

Nature and Purpose of Other Reserves

Cash Flow Hedges

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.

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	FY2018 $'000	FY2017 $'000
(b) Retained earnings		
Movements in retained earnings were as follows:		
Opening balance	**44,213**	37,793
Net profit for the period	**19,590**	16,644
Dividends paid	**(10,577)**	(10,224)
	53,226	44,213

24. Dividends

(a) Ordinary Shares

Consolidated Entity	FY2018 $'000	FY2017 $'000
Final dividend for period ended 25 June 2017 of 2.4 cents (2016 - 2.4 cents) per fully paid share	**5,169**	5,166
Interim dividend for period ended 24 June 2018 of 2.50 cents (2017 – 2.35 cents) per full paid share	**5,408**	5,058
Total dividends paid	**10,577**	10,224
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan		
Dividends paid in cash	**8,008**	10,224
Dividends satisfied by the issue of shares under the dividend reinvestment plan	**2,569**	-
	10,577	10,224

Common Control Reserve

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 Recognized At The End Of The Reporting Period

Consolidated Entity	FY2018 $'000	FY2017 $'000
In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of 2.5 cents per fully paid ordinary share (2017 - 2.4 cents), fully franked based on tax paid at 30%. The proposed dividend is to be paid out of retained earnings at 24 June 2018, but not recognised as at liability at year end.	**5,425**	5,169

(c) Franked Dividends

The franked portions of the final dividends recommended after 24 June 2018 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 24 June 2018.

Consolidated Entity	FY2018 $'000	FY2017 $'000
Franking credits available for subsequent reporting periods based on a tax rate of 30.0% (2017 - 30.0%)	**33,362**	30,080

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, and
- 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.

25. Key Management Personnel Disclosures

Consolidated Entity	FY2018 $	FY2017 $
Key management personnel compensation		
Short-term employee benefits	**1,297,542**	1,218,274
Post-employment benefits	**97,592**	95,860
Long-term benefits – movements in leave provisions	**(46,298)**	30,775
Performance based cash benefits	**262,140**	137,304
Performance based share benefits	**118,761**	201,178
	1,729,737	1,683,391

Detailed remuneration disclosures are provided in the remuneration report on pages 19 to 25.

26. Share Based Payments

(a) Executive Short Term Incentive Scheme

Under the Group's short-term incentive (STI) plan, executives received 68% of the annual STI in cash and 32% in the form of performance rights and options to ordinary shares of Beacon Lighting Group Limited during the 52 weeks ended 24 June 2018.

Performance rights were granted on 24 August 2017, which in part vested immediately, one year after the grant date and two years after the grant date. Under the plan, participants are granted performance rights which only vest if certain requirements are met.

	Grant Date	Quantity Granted	Vest Date	Value at Grant Date $	Vested %	Quantity Vested	Quantity Unvested	Value Expensed this Year $
G Robinson	24/06/16	22,107	28-Aug-17	43,750	100%	7,369	0	974
G Robinson	18/08/16	23,603	28-Aug-17	32,100	66%	15,736	7,867	6,506
G Robinson	24/08/17	39,338	13-Oct-17	53,500	33%	13,116	26,222	39,077
Total		**85,048**		**129,350**				**46,557**

Options were granted on 24 June 2016. 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 options have a zero exercise price.

Options were granted on 18 August 2016. 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 options have a zero exercise price.

Options were granted on 24 August 2017. 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 options have a zero exercise price.

	Grant Date	Quantity Granted	Vest Date	Value at Grant Date $	Vest %	Quantity Vested & Exercisable	Quantity Unvested	Value Expensed this Year $
I Bunnett	24/06/2016	31,582	Refer below	40,740	70.0%	22,107	9,474	6,945
	18/08/2016	11,029	Refer below	15,000	40.0%	4,411	6,618	4,303
	24/08/2017	18,382	Refer below	25,000	0.0%	0	18,382	12,820
D Speirs	24/06/2016	31,582	Refer below	40,740	70.0%	22,107	9,474	6,945
	18/08/2016	11,029	Refer below	15,000	40.0%	4,411	6,618	4,303
	24/08/2017	18,382	Refer below	25,000	0.0%	0	18,382	12,820
B Martens	24/06/2016	31,582	Refer below	40,740	70.0%	22,107	9,474	6,945
	18/08/2016	11,029	Refer below	15,000	40.0%	4,411	6,618	4,303
	24/08/2017	18,382	Refer below	25,000	0.0%	0	18,382	12,820
Total		**182,979**		**242,220**				**72,204**

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).

	FY2018	FY2017
Number of performance rights granted	**39,338**	23,603
Fair Value of performance rights at grant date	**$1.36**	$1.36

	FY2018	FY2017
Number of options granted	**55,146**	33,087
Fair Value of options at grant date	**$1.36**	$1.36

(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 24 June 2018 included:

	FY2018	FY2017
Exercise price	**$0.00**	$0.00
Grant date	**24 August 2017**	18 August 2016
Share Price at grant date	**$1.35**	$1.62
Expected dividend yield	**3.52%**	3.45%

The expected volatility of the Company'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:

	FY2018	FY2017
Exercise price	**$0.00**	$0.00
Grant date	**24 August 2017**	18 August 2016
Share Price at grant date	**$1.35**	$1.62
Expected dividend yield	**3.52%**	3.45%

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

(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:

	FY2018 $'000	FY2017 $'000
Performance rights and options issued under employee STI plans	**156**	223

27. Earnings Per Share

Consolidated Entity	FY2018	FY2017
Basic earnings per share - cents	**9.09**	7.73
Diluted earnings per share - cents	**9.09**	7.73
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**215,436,971**	215,224,437
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**215,617,458**	215,283,871

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28. 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	FY2018 $	FY2017 $
Audit and assurance services		
Audit and review of financial statements	**222,100**	229,100
Other assurance services	**69,580**	-
Other services:		
Taxation services	**28,235**	19,200
Other services	**49,489**	10,529
Total remuneration of PwC	**369,404**	258,829

29. Contingencies

There were no significant or material contingent liabilities including legal claims at 24 June 2018 or 25 June 2017.

30. 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	FY2018 $'000	FY2017 $'000
Within one year	**22,768**	20,975
Later than one year but not later than five years	**64,391**	59,886
Later than five years	**16,176**	18,899
	103,335	99,760

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.

(b) Hire Purchase Commitments

Commitments in relation to finance leases are payable as follows:

Consolidated Entity	FY2018 $'000	FY2017 $'000
Within one year	**296**	720
Later than one year but not later than five years	**271**	567
Minimum lease payments	**567**	1,287
Future finance charges	**(27)**	(66)
Total lease liabilities	**540**	1,221
Representing lease liabilities:		
Current (Note 17)	**275**	681
Non-current (Note 20)	**265**	540
	540	1,221

(c) Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is $0.5m (2017: $1.2m).

31. Related Party Transactions

(a) Subsidiaries
Interests in subsidiaries are set out in Note 32.

(b) Key Management Personnel
Disclosures relating to key management personnel are set out in Note 25.

(c) Transactions with Other Related Parties

Consolidated Entity	FY2018 $	FY2017 $
The following transactions occurred with related parties:		
Purchases of goods		
Purchases of goods and supply of services from other related parties	**28,307**	58,196
Other transactions		
Income received from other related parties	**50,515**	61,707
Rent paid to other related parties	**1,676,951**	1,553,818

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 $1,006,339 per annum increasing by 3% annually. The lease expires in March 2021 with two further rights of renewal for periods of seven years each.

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 $172,513 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 $231,692 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 $90,200 per annum increasing by CPI annually. The lease expires in 2019 with one further right of renewal for a period of seven years.

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 Solar have an arms length working alliance whereby business opportunities are jointly explored. Beacon Lighting subleases office space to Carbonetix Pty Ltd at an arms length fee of $24,000 per annum. This lease expired in June 2018.

(d) Outstanding Balances
As at 24 June 2018 Carbonetix Pty Ltd owed the Group $150,861 (2017: $73,610).

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.

32. 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]	
			2018 %	2017 %
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
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
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.

33. Events Occurring After the Reporting Period

The Underwood (QLD) franchised store will be converted into a company store in August 2018.

A fully franked dividend of $5,424,666 was declared on 15 August 2018.

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.

34. Cash Flow Information

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

Consolidated Entity	FY2018 $'000	FY2017 $'000
Profit for the period	**19,590**	16,644
Depreciation	**3,844**	3,170
Net loss on disposal of non-current assets	**36**	29
Amortisation	**20**	20
Share based payments	**156**	223
Net exchange differences	**(222)**	106
Change in operating assets and liabilities:		
(Increase) decrease in receivables	**(1,333)**	(423)
(Increase) decrease in inventories	**(7,178)**	(3,531)
(Increase) decrease in deferred tax assets	**869**	(198)
(Increase) decrease in other operating assets	**(466)**	(32)
(Decrease) increase in payables	**(2,252)**	4,126
(Decrease) increase in provision for income taxes payable	**1,544**	(431)
(Decrease) increase in other provisions	**935**	1,232
Net cash inflow from operating activities	**15,543**	20,935

(b) Reconciliation of Liabilities Arising from Financing Activities

Consolidated Entity	Finance Leases due within 1 year	Finance Leases due after 1 year $'000	Borrowings due within 1 year $'000	Borrowings due after 1 year $'000	Total $'000
Balance as at 26 June 2016	(1,105)	(1,220)	(19,834)		(22,159)
Cash flows	424	680	(3,413)	(5,800)	(8,109)
Balance as at 25 June 2017	(681)	(540)	(23,247)	(5,800)	(30,268)
Balance as at 25 June 2017	**(681)**	**(540)**	**(23,247)**	**(5,800)**	**(30,268)**
Cash flows	**405**	**275**	**3,558**	**(300)**	**3,938**
Balance as at 24 June 2018	**(276)**	**(265)**	**(19,689)**	**(6,100)**	**(26,330)**

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 24 June 2018 and the 52 weeks ended 25 June 2017
Beacon Lighting Group and its controlled entities

35. Critical Accounting Estimates

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in 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 18. The Group has assessed the calculation of the warranty provisions to be a critical accounting estimate.

36. Parent Entity Financial Information

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

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

Beacon Lighting Group Limited	FY2018 $'000	FY2017 $'000
Balance sheet		
Assets		
Current assets	**17,152**	21,977
Non-current assets	**88,452**	88,583
Total assets	**105,604**	110,560
Liabilities		
Current liabilities	**2,037**	1,406
Non-current liabilities	**26**	22
Total liabilities	**2,063**	1,428
Net assets	**103,541**	109,132
Equity		
Contributed equity	**90,007**	87,187
Reserves	**74**	191
Retained profits	**13,460**	21,754
Total equity	**103,541**	109,132
Profit / (Loss) for the period	**2,283**	1,404
Total comprehensive income	**2,283**	1,404

(b) Contingent Liabilities of the Parent Entity

The parent entity did not have any contingent liabilities as at 24 June 2018 or 25 June 2017.

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 24 June 2018 and the 52 weeks ended 25 June 2017
Beacon Lighting Group and its controlled entities

37. 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 24 June 2018 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	FY2018 $'000	FY2017 $'000
Distribution income	**29,584**	25,770
Expenses		
General and administration	**(3,709)**	(3,888)
Profit before income tax	**25,875**	21,882
Income tax expense	**(7,886)**	(6,591)
Profit for the period attributable to the members of the closed Group	**17,989**	15,291
Other comprehensive income		
Items that may be reclassified to profit or loss		
Changes in the fair value of derivatives	**(49)**	169
Income tax relating to these items	**15**	(51)
Other comprehensive income for the period, net of tax	**(34)**	118
Total comprehensive income for the period attributable to the members of the closed Group	**17,955**	15,409

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 24 June 2018 and the 52 weeks ended 25 June 2017
Beacon Lighting Group and its controlled entities

CONSOLIDATED BALANCE SHEET OF THE CLOSED GROUP

Beacon Lighting Group Limited and Beacon Lighting Corporation Pty Ltd	FY2018 $'000	FY2017 $'000
Current assets		
Cash and cash equivalents	**102**	926
Trade and other receivables	**885**	457
Current tax asset	**-**	148
Other current assets	**19**	16
Related party receivables	**63,640**	51,996
Total current assets	**64,646**	53,543
Non-current assets		
Deferred tax assets	**5,831**	5,817
Investment in subsidiaries	**70,633**	70,633
Total non-current assets	**76,464**	76,450
Total assets	**141,110**	129,993
Current liabilities		
Trade and other payables	**829**	590
Borrowings	**-**	744
Derivative financial instruments	**54**	20
Provisions	**588**	673
Current tax liabilities	**1,320**	-
Total current liabilities	**2,791**	2,027
Non-current liabilities		
Provisions	**2,263**	2,025
Non-current liabilities	**2,263**	2,025
Total liabilities	**5,054**	4,052
Net assets	**136,056**	125,941
Equity		
Contributed equity	**65,684**	62,864
Other reserves	**74**	191
Retained earnings	**70,298**	62,886
Total equity	**136,056**	125,941

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 24 June 2018 and the 52 weeks ended 25 June 2017
Beacon Lighting Group and its controlled entities

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 26 June 2016	62,730	(23)	57,820	120,527
Profit for the year	-	-	15,291	15,291
Other comprehensive income	-	118	-	118
Total comprehensive income for the period	-	118	15,291	15,409
Transactions with owners in their capacity as owners:				
Issue of shares to employees	134	-	-	134
Employee share scheme	-	95	-	95
Dividends provided for or paid	-	-	(10,224)	(10,224)
Total contributions by and distributions to owners	134	95	(10,224)	(9,995)
Balance as at 25 June 2017	62,864	191	62,886	125,941
Balance as at 25 June 2017	**62,864**	**191**	**62,886**	**125,941**
Profit for the year	**-**	**-**	**17,989**	**17,989**
Other comprehensive income	**-**	**(34)**	**-**	**(34)**
Total comprehensive income for the period	**-**	**(34)**	**17,989**	**17,955**
Transactions with owners in their capacity as owners:				
Issue of shares via dividend re-investment plan	**2,569**	**-**	**-**	**2,569**
Issue of shares to employees	**251**	**-**	**-**	**251**
Employee share scheme	**-**	**(83)**	**-**	**(83)**
Dividends provided for or paid	-	-	(10,577)	(10,577)
Total contributions by and distributions to owners	**2,820**	**(83)**	**(10,577)**	**(7,840)**
Balance as at 24 June 2018	**65,684**	**74**	**70,298**	**136,056**

Directors' Declaration

In the opinion of the Directors:

(a) the Financial Statements, notes and the additional disclosures set out on pages 28 to 68 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 24 June 2018 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 37 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 37,

(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, 15 August 2018

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 24 June 2018 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 24 June 2018
- 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* (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.

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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 $1,401,000, 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 across Australia. The products are predominately 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. • Our audit procedures were predominately performed at the Group's corporate head office, along with attendance at the Melbourne warehouse and a sample of stores for audit procedures over inventory.

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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.

Key audit matter	How our audit addressed the key audit matter
Existence and valuation of inventory *Refer to note 10 $62.4m* Inventory management is a key business process for the Beacon Lighting Group. Inventory represents the largest asset on the consolidated balance sheet at $62.4m. 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 because: • Financial significance of the inventory balance in the consolidated balance sheet. • Judgement is required by the Group to determine which costs should be included in the value of inventory (i.e. capitalised). • Judgement is required to estimate future selling prices to determine the net realisable value of inventory on hand.	We developed an understanding of the relevant controls over inventory and assessed whether they were appropriately designed and were operating effectively throughout the period. Our audit procedures included: • Tracing a sample of inventory items from the Group's inventory listing back to original invoices and shipping documents. • Examining the type of supply chain costs capitalised in the cost of inventory. • For a sample of inventory items, re-performing the system generated calculation of the cost of the individual inventory item. • Re-performing a sample of inventory counts at selected locations. • Selecting a sample of inventory items during our inventory counts and assessing whether the value of the items needed to be reduced due to damage or obsolescence. • Obtaining confirmations from a sample of third parties regarding the existence of inventory held at third party locations or in-transit. • Inspecting the sales price of a sample of inventory items sold during July 2018 to determine whether items sold below cost were included in the Group's inventory provision. • Evaluating whether the methodology applied by the Group to calculate the inventory obsolescence provision is consistent with the Group's accounting policy. • Evaluating whether the provision for inventory was adequate by assessing the gross margins recognised by the Group and the inventory turnover ratio and ageing, including a comparison to the prior period.

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Other information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the period ended 24 June 2018, including the Board of Directors, Chairman's and Chief Executive Officer's report, Corporate Governance Statement, the Directors Report, Management Team, Shareholder Information, Store Locations and the Corporate Directory, 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 identified above 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, 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 *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the 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: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

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Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 19 to 25 of the directors' report for the period ended 24 June 2018.

In our opinion, the remuneration report of Beacon Lighting Group Limited for the period ended 24 June 2018 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

PricewaterhouseCoopers

Jason Perry
Partner

Melbourne
15 August 2018


Beacon
LIGHTING

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 16 July 2018, the distribution of shareholdings was as follows:

Size of Shareholding	Number of Shareholders
1 - 1,000	181
1,001 – 5,000	323
5,001 – 10,000	266
10,001 – 100,000	512
Over 100,000	43
Total number of shareholders	**1,325**
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 16 July 2018 were:

Shareholder	Number of Shares	% Held
Heystead Nominees Pty Ltd (including Robinson Family members)	119,709,012	55.12%

(c) Class of Shares and Voting Rights

At 16 July 2018, there were 1,325 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 16 July 2018:

Rank	Name	Number of Shares	% Holding
1	Heystead Nominees Proprietary Limited	119,117,035	54.85%
2	HSBC Custody Nominees (Australia) Limited	35,095,822	16.16%
3	Citicorp Nominees Pty Limited	12,989,372	5.98%
4	National Nominees Limited	9,867,009	4.54%
5	J P Morgan Nominees Australia Limited	7,222,431	3.33%
6	HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	2,713,157	1.25%
7	Mirrabooka Investments Limited	2,031,671	0.94%
8	Reliable Business Co Ltd	1,363,636	0.63%
9	KJA Holdings Pty Ltd <Kja Super Fund A/C>	1,304,739	0.60%
10	Anacacia Pty Ltd + Wattle Fund A/C	1,066,973	0.49%
11	Bond Street Custodians Limited <Ganes Value Growth A/C>	837,314	0.39%
12	Truebell Capital Pty Ltd <Truebell Investment Fund>	700,000	0.32%
13	Mr Neil Osborne	300,000	0.14%
14	BNP Paribas Nominees Pty Ltd <IB AU Noms Retail client DRP>	276,045	0.13%
15	Mrs Ellen Jane Gray	268,727	0.12%
16	Invia Custodian Pty Limited <Ganes Focused Value Fnd A/C>	268,379	0.12%
17	Dr David John Ritchie + Dr Gillian Joan Ritchie <D J Ritchie Super Fund A/C>	250,000	0.12%
18	Adrian Hugh Kelly + Philippa June Kelly <Kelly Super Fund>	244,000	0.11%
19	Banjo Superannuation Fund Pty Ltd <P D Evans PSF A/C>	240,000	0.11%
20	GEAT Incorporated <GEAT-Preservation Fund A/C>	235,540	0.11%
Top 20 holders of issued capital		**196,391,850**	**90.44%**
Total remaining holders balance		20,770,828	9.56%
Total shareholders		**217,162,678**	**100.00%**

Corporate Directory

DIRECTORS

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

LEGAL ADVISORS

Baker & McKenzie
Level 19
181 William Street
Melbourne
Victoria

COMPANY SECRETARY

Tracey Hutchinson

AUDITORS

PricewaterhouseCoopers
2 Riverside Quay
Southbank
Victoria

REGISTERED OFFICE

5 Bastow Place
Mulgrave
Victoria

SHARE REGISTRY

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

WEBSITE

Corporate site
www.beaconlightinggroup.com.au

Retail site
www.beaconlighting.com.au

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

STOCK EXCHANGE LISTING

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

Store Locations

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

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

Sunshine
497 Ballarat Rd

Thomastown
Homemaker Centre
Cnr Dalton and
Settlement Rds

Watergardens
Homemaker Centre
440 Keilor-Melton Hwy
Taylors Lakes

Waurn Ponds
Homemaker Centre
235 Colac Rd
(Princes Hwy)

TAS

Launceston
40 William St

Moonah
7-9 Derwent Park Rd

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 Marsden Park
Richmond Rd

McGraths Hill
Home Central
264-272 Windsor Rd

Mittagong
Highlands
Homemaker Centre
205 Old Hume Hwy

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

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
650 Wickham 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

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

Windsor
Homemaker City
190 Lutwyche Rd

WA

Baldivis
Safety Bay Rd

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
28 Gordon 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

Subiaco
320 Hay St

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

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