

Sonman Investments Pty Ltd

ABN 56 083 125 446

**Annual report
for the 52 week financial period
ended 24 June 2012**

Sonman Investments Pty Ltd ABN 56 083 125 446
Annual report - 24 June 2012

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Directors' report

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Sonman Investments Pty Ltd and the entities it controlled at the end of, or during, the 52 week financial period ended 24 June 2012 (compared to the 52 week financial period ended 26 June 2011).

Directors

The following persons were directors of Sonman Investments Pty Ltd during the whole of the financial period and up to the date of this report:

Mr Ian Scott Robinson
Mr Martin John Hanman

Principal activities

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

No significant change in the nature of these activities occurred during the financial period.

Dividends - Sonman Investments Pty Ltd

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

	26 June 2012 \$	27 June 2011 \$
Fully franked dividends provided or paid during the period	<u>3,900,000</u>	<u>4,900,000</u>

Results

The consolidated profit after income tax attributable to the members of Sonman Investments Pty Ltd was \$9,561,572 (2011: \$9,488,428).

Review of operations

Despite another year of weak retail sales environment the group achieved total revenue of \$129.2m for the financial year compared to \$115.7m from the prior year, reflecting the effect of organic growth and the full year revenue of previously opened stores. Gross margins improved partly assisted by the stronger Australian dollar and operating expenses remained within anticipated levels.

The company opened four new retail locations during the financial year in support of its organic growth strategy. The group has a total of 61 company stores and 16 franchise stores across Australia.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the financial period.

Matters subsequent to the end of the financial period

No matter or circumstance has arisen since 24 June 2012 that has significantly affected, or may significantly affect:

- (a) the Group's operations in future financial periods, or
- (b) the results of those operations in future financial periods, or
- (c) the Group's state of affairs in future financial periods.

Likely developments and expected results of operations

Likely developments in the operation of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulation

The Group is not subject to any particular and significant environmental regulations in respect of its activities.

Information on directors

Mr Ian Scott Robinson *Managing Director and Chief Executive. Age 63.*

Experience and expertise

Ian began working in the first Beacon Lighting store in 1969. He soon purchased the store and has lead Beacon Lighting ever since. Ian Robinson is the President of the Bulky Goods Retailers Association of Australia and a member of the Board of Directors of the Lighting Council of Australia.

Special responsibilities

Managing Director
 Member of the Board of Directors
 Member of the Board of Management

Mr Martin John Hanman *Non Executive Director. Age 57.*

Experience and expertise

Martin has been a Non Executive Director of Beacon Lighting since 1997.

Special responsibilities

Member of the Board of Directors
 Member of the Board of Management

Company secretary

The company secretary is Ian Robinson. Ian Robinson was appointed to the position of company secretary on 25 June 1998.

Meetings of directors and Board of management

The numbers of meetings of the company's board of directors and board of management held during the financial period ended 24 June 2012, and the numbers of meetings attended by each director and board of management member were:

	Full meetings of directors		Meetings of Board of Management	
	A	B	A	B
<u>Directors</u>				
Mr Ian Scott Robinson	1	1	11	11
Mr Martin John Hanman	1	1	11	11
<u>Board of management</u>				
Mr Hal Salamon	*	*	9	11
Mr Eric Barr	*	*	10	11
Mr Max Chapman	*	*	11	11
Mr Barry Martens	*	*	11	11
Mr Glen Robinson	*	*	10	11
Mr Ian Bunnett	*	*	10	11
Mr David Speirs	*	*	11	11

A = Number of meetings attended

B = Number of meetings held during the time the director held office or was a member of the committee during the period

* Not a director of Sonman Investments Pty Ltd

Insurance of officers

During the financial period, Sonman Investments Pty Ltd took out insurance cover to insure the directors and officers of the company 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.

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 company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

Auditor

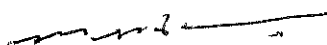
PwC continues in office in accordance with section 327 of the *Corporations Act 2001*.

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



Mr Ian Scott Robinson
Director

Mr Martin John Hanman
Director



Melbourne
21 September 2012



Auditor's Independence Declaration

As lead auditor for the audit of Sonman Investments Pty Ltd for the financial period ended 24 June 2012, 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 Sonman Investments Pty Ltd and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'P R Lewis'.

P R Lewis
Partner
PricewaterhouseCoopers

Melbourne
21 September 2012

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These financial statements are the consolidated financial statements of the consolidated entity consisting of Sonman Investments Pty Ltd and its subsidiaries. The financial statements are presented in the Australian currency.

Sonman Investments Pty Ltd is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business as at 24 June 2012 was:

Sonman Investments Pty Ltd
5 Bastow Place
Mulgrave VIC 3170

A description of the nature of the Group's operations and its principal activities is included in the directors' report on page 1, which is not part of these financial statements.

The financial statements were authorised for issue by the directors on 21 September 2012. The directors have the power to amend and reissue the financial statements.

Sonman Investments Pty Ltd
Consolidated statement of comprehensive income
For the 52 week period ended 24 June 2012

		Consolidated	
		24 June	26 June
		2012	2011
	Notes	\$	\$
Revenue from continuing operations			
Sale of goods	4	124,602,319	110,773,213
Other revenue	4	<u>4,584,635</u>	<u>4,927,448</u>
		129,186,954	115,700,661
Other income	5	-	27,656
Expenses			
Cost of sales of goods		(46,193,163)	(40,686,162)
Other expenses from ordinary activities			
Distribution		(8,621,520)	(6,625,327)
Marketing & Sales		(28,319,382)	(28,078,863)
Occupancy		(14,337,724)	(12,599,902)
Administration		(15,860,123)	(12,129,098)
Other		(1,358,037)	(1,354,316)
Finance costs	6	<u>(662,018)</u>	<u>(772,656)</u>
Profit before income tax		13,834,987	13,481,993
Income tax expense	7	<u>(4,273,415)</u>	<u>(3,993,565)</u>
Profit for the period		<u>9,561,572</u>	<u>9,488,428</u>
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income for the period		<u>9,561,572</u>	<u>9,488,428</u>
Profit is attributable to:			
Owners of Sonman Investments Pty Ltd		<u>9,561,572</u>	<u>9,488,428</u>
		<u>9,561,572</u>	<u>9,488,428</u>
Total comprehensive income for the period is attributable to:			
Owners of Sonman Investments Pty Ltd		<u>9,561,572</u>	<u>9,488,428</u>
		<u>9,561,572</u>	<u>9,488,428</u>

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

Sonman Investments Pty Ltd
Consolidated balance sheet
As at 24 June 2012

		Consolidated	
		24 June	26 June
		2012	2011
	Notes	\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	8	7,483,320	6,402,935
Trade and other receivables	9	7,750,502	5,771,250
Inventories	10	26,727,506	21,163,466
Derivative financial instruments	11	9,230,390	4,652,282
Other current assets	12	526,082	532,368
Total current assets		51,717,800	38,522,301
Non-current assets			
Property, plant and equipment	13	13,440,456	11,502,910
Deferred tax assets	14	4,884,881	2,956,469
Intangible assets	15	2,429,957	2,449,857
Total non-current assets		20,755,294	16,909,236
Total assets		72,473,094	55,431,537
LIABILITIES			
Current liabilities			
Trade and other payables	16	19,339,707	13,838,409
Interest bearing liabilities	17	954,634	1,351,943
Derivative financial instruments	11	9,022,293	4,709,901
Current tax liabilities	20	1,544,632	737,156
Provisions	19	2,412,811	2,058,516
Deferred income	21	12,500	26,071
Total current liabilities		33,286,577	22,721,996
Non-current liabilities			
Interest bearing liabilities	22	745,597	1,241,072
Deferred tax liabilities	23	2,777,719	1,492,439
Provisions	24	431,762	406,163
Total non-current liabilities		3,955,078	3,139,674
Total liabilities		37,241,655	25,861,670
Net assets		35,231,439	29,569,867
EQUITY			
Contributed equity	25	2,150,000	2,150,000
Retained profits	26	33,081,439	27,419,867
Total equity		35,231,439	29,569,867

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

Sonman Investments Pty Ltd
Consolidated statement of changes in equity
For the 52 week period ended 24 June 2012

Consolidated	Notes	Contributed equity \$	Retained profits \$	Total equity \$
Balance at 27 June 2010		2,150,000	22,831,439	24,981,439
Profit for the period		-	9,488,428	9,488,428
Other comprehensive income		-	-	-
Total comprehensive income for the period		-	9,488,428	9,488,428
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	27	-	(4,900,000)	(4,900,000)
		-	(4,900,000)	(4,900,000)
Balance at 26 June 2011		2,150,000	27,419,867	29,569,867
Balance at 27 June 2011		2,150,000	27,419,867	29,569,867
Profit for the period		-	9,561,572	9,561,572
Other comprehensive income		-	-	-
Total comprehensive income for the period		-	9,561,572	9,561,572
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	27	-	(3,900,000)	(3,900,000)
		-	(3,900,000)	(3,900,000)
Balance at 24 June 2012		2,150,000	33,081,439	35,231,439

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

Sonman Investments Pty Ltd
Consolidated statement of cash flows
For the 52 week period ended 24 June 2012

		Consolidated	
		24 June	26 June
		2012	2011
	Notes	\$	\$
Cash flows from operating activities			
Receipts from customers and franchisees (inclusive of goods and services tax)		141,593,791	125,968,013
Payments to suppliers and employees (inclusive of goods and services tax)		(127,676,631)	(111,385,890)
		13,917,160	14,582,123
Interest received		163,737	368,627
Borrowing costs		(225,437)	(406,772)
Income taxes paid		(4,109,072)	(4,765,321)
Net cash inflow from operating activities	35	<u>9,746,388</u>	<u>9,778,657</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(3,822,547)	(3,301,231)
Payments for business name	15	-	(408,816)
Proceeds from sale of property, plant and equipment		43,156	5,650
Net cash (outflow) from investing activities		<u>(3,779,391)</u>	<u>(3,704,397)</u>
Cash flows from financing activities			
Repayment of borrowings (net)		(1,386,612)	(2,859,503)
Dividends paid	27	(3,500,000)	(4,900,000)
Net cash (outflow) from financing activities		<u>(4,886,612)</u>	<u>(7,759,503)</u>
Net increase (decrease) in cash and cash equivalents		1,080,385	(1,685,243)
Cash and cash equivalents at the beginning of the financial period		<u>6,402,935</u>	<u>8,088,178</u>
Cash and cash equivalents at end of period	8	<u>7,483,320</u>	<u>6,402,935</u>

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

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1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Sonman Investments Pty Ltd and its subsidiaries.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Sonman Investments Pty Ltd is a for-profit entity for the purpose of preparing the financial statements.

Sonman Investments Pty Ltd operates within a retail financial period. The current financial period was a 52 week retail period ended on the 24 June 2012 (2011: 52 week period ending 26 June 2011). This treatment is consistent with section 323D of *Corporation Act 2001*.

(i) Compliance with IFRS

The consolidated financial statements of the Sonman Investments Pty Ltd group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) Historical cost convention

These financial statements have been prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at valuation. Comparative information is reclassified where appropriate to enhance comparability.

(iii) Critical accounting estimates

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

(b) Principles of consolidation

The consolidated financial report incorporate the assets and liabilities of all subsidiaries of Sonman Investments Pty Ltd ("company" or "parent entity") as at 24 June 2012 and the results of all subsidiaries for the period then ended. Sonman Investments Pty Ltd and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

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

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

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

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

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

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

Where control of an entity is obtained during a financial period, its results are included in the consolidated statement of financial performance 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 the separate financial report of Sonman Investments Pty Ltd.

1 Summary of significant accounting policies (continued)

(c) 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, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements 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 statements are presented in Australian dollars, which is Sonman Investments Pty Ltd's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

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

(iii) Specific commitments

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

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

(e) Revenue recognition

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

(i) Sale of goods

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

(ii) Trust distribution income

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

(iii) Interest income

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

1 Summary of significant accounting policies (continued)

(f) Income tax

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

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

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

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

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

Sonman Investments Pty Ltd and its wholly-owned Australian controlled entities have not implemented the tax consolidation legislation.

(g) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases (note 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 the 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.

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 31). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

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

(h) Business combinations

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

The excess of the consideration transferred and the amount of any minority interests 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.

1 Summary of significant accounting policies (continued)

(h) Business combinations (continued)

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

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

(i) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(j) Cash and cash equivalents

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

(k) Trade receivables

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

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

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

(l) Inventories

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

(m) Derivatives and hedging activities

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

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

1 Summary of significant accounting policies (continued)

(m) Derivatives and hedging activities (continued)

(i) Cash flow hedge

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

(n) Property, plant and equipment

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

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

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

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

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

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

(o) Intangible assets

(i) Goodwill

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

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

(ii) Brand names

Brand names have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of the brand names over their useful life.

(p) Trade and other payables

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

(q) Borrowings

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

1 Summary of significant accounting policies (continued)

(q) Borrowings (continued)

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 end of the reporting period.

(r) Borrowing costs

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

(s) Employee benefits

(i) Short-term obligations

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

(ii) Long service leave

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

(t) Goods and Services Tax (GST)

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

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

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

(u) New accounting standards and interpretations

Management assessment indicates that there are no new Australian Accounting Standards or interpretations that have been issued but are not yet effective with an expected material impact on the Group's financial report in the period of initial application.

(v) Parent entity financial information

The financial information for the parent entity, Sonman Investments Pty Ltd, disclosed in note 37 has been prepared on the same basis as the consolidated financial statements.

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Sonman Investments Pty Ltd. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

2 Financial risk management

The Group's and the parent entity's activities expose it to a variety of financial risks: market risk (including currency risk) and liquidity risk. The Group's and the parent entity'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 to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, ie 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 interest rate, foreign exchange and other price risks and aging analysis for credit risk to determine market risk.

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

The Group holds the following financial instruments:

	Consolidated	
	24 June 2012	26 June 2011
	\$	\$
Financial assets		
Cash and cash equivalents	7,483,320	6,402,935
Trade and other receivables	7,750,502	5,771,248
Derivative financial instruments	<u>9,230,390</u>	<u>4,652,282</u>
	<u>24,464,212</u>	<u>16,826,465</u>
Financial liabilities		
Trade and other payables	19,419,865	13,838,408
Hire purchase liabilities	1,700,231	2,593,015
Derivative financial instruments	<u>9,022,293</u>	<u>4,709,901</u>
	<u>30,142,389</u>	<u>21,141,324</u>

(a) Market risk

(i) 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's risk management policy is to hedge between 70% - 120% of cash flows arising from know inventory purchase commitments, mainly denominated in US dollars for the subsequent six months.

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollar, was as follows:

	24 June 2012	26 June 2011
	AUD	AUD
	\$	\$
Trade payables (import creditors)	7,297,547	3,426,475
Forward exchange contracts		
- buy foreign currency (cash flow hedges) at fair value	9,230,390	4,652,282

Group sensitivity

Based on the financial instruments held at 24 June 2012, had the Australian dollar weakened/ strengthened by 10% against the US dollar with all other variables held constant, the Group's pre-tax profit for the period would have been \$967,471 lower/\$886,685 higher, mainly as a result of foreign exchange gains/losses on translation of US dollar denominated financial instruments as detailed in the above table.

2 Financial risk management (continued)

(b) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, favourable derivative financial instruments and deposits with banks exposures to wholesale, commercial and retail customers, including outstanding receivables and committed transactions.

(c) Liquidity risk

Financing arrangements

The Group and parent entity had access to the following undrawn borrowing facilities at the end of each reporting period:

	Consolidated	
	2012	2011
	\$	\$
Floating rate - undrawn		
- Expiring within one year (bank overdraft and bill facility) - undrawn	<u>(500,000)</u>	<u>(500,000)</u>
	<u>(500,000)</u>	<u>(500,000)</u>

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. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Contractual maturities of financial liabilities	Less than 6 months	6 - 12 months	Between 1 and 5 years	Over 5 years	Total contractual cash flows	Carrying Amount (assets)/ liabilities
Group - At 24 June 2012	\$	\$	\$	\$	\$	\$
Non-derivatives						
Trade and other payables	19,419,865	-	-	-	19,419,865	19,419,865
Finance lease liabilities	-	954,634	745,597	-	1,700,231	1,700,231
Loans - related party	-	-	-	-	-	-
Total non-derivatives	<u>19,419,865</u>	<u>954,634</u>	<u>745,597</u>	<u>-</u>	<u>21,120,096</u>	<u>21,120,096</u>
Derivatives						
Gross settled (forward foreign exchange contracts)						
- cash flow hedges						
- (inflow)	(9,230,390)	-	-	-	(9,230,390)	(9,230,390)
- outflow	<u>9,022,293</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,022,293</u>	<u>9,022,293</u>
	<u>(208,097)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(208,097)</u>	<u>(208,097)</u>

2 Financial risk management (continued)

Group - At 26 June 2011

	Less than 6 months	6 - 12 months	Between 1 and 5 years	Over 5 years	Total contractual cash flows	Carrying Amount (assets)/ liabilities
	\$	\$	\$	\$	\$	\$
Non-derivatives						
Trade and other payables	13,838,408	-	-	-	13,838,408	13,838,408
Finance lease liabilities	-	1,351,943	1,241,072	-	2,593,015	2,593,015
Loans - related party	-	-	-	-	-	-
Total non-derivatives	<u>13,838,408</u>	<u>1,351,943</u>	<u>1,241,072</u>	<u>-</u>	<u>16,431,423</u>	<u>16,431,423</u>
Derivatives						
Gross settled (forward foreign exchange contracts						
- cash flow hedges						
- (inflow)	(4,652,282)	-	-	-	(4,652,282)	(4,652,282)
- outflow	<u>4,709,901</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,709,901</u>	<u>4,709,901</u>
	<u>57,619</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>57,619</u>	<u>57,619</u>

3 Segment information

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

Reportable segments are based on the aggregated operating segments determined by the manner in which products are sold, similarity of products, nature of the products supplied, the nature of customers and the methods used to distribute the product. The company's one reportable segment is the selling of lighting, fans and energy efficient products in the Australian market.

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

4 Revenue

	Consolidated	
	24 June 2012 \$	26 June 2011 \$
Revenue from operating activities		
<i>Sales revenue</i>		
Sale of goods	<u>124,602,319</u>	<u>110,773,213</u>
<i>Other revenue</i>		
Interest	163,737	368,627
Franchise fees	4,420,898	4,511,049
Sundry revenue	-	47,772
	<u>4,584,635</u>	<u>4,927,448</u>
 Revenue from ordinary activities	 <u>129,186,954</u>	 <u>115,700,661</u>

5 Other income

	Consolidated	
	24 June 2012 \$	26 June 2011 \$
Foreign exchange gains (net)	<u>-</u>	<u>27,656</u>

6 Expenses

	Consolidated	
	24 June 2012 \$	26 June 2011 \$
Profit before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Plant and equipment	1,810,997	1,514,362
<i>Amortisation</i>		
Business name	20,000	20,000
<i>Finance expenses</i>		
Interest and finance charges paid/payable	662,018	772,656
<i>Net loss on disposal of property, plant and equipment</i>	30,848	136,250
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	11,126,126	10,128,025
<i>Foreign exchange gains and losses (net gain in 2011 - see note 5)</i>		
Net foreign exchange losses - realised	80,486	27,656
Net foreign exchange losses - unrealised	78,419	-
<i>Net (gain) loss on fair value adjustments of derivatives</i>	(265,717)	410,921
<i>Defined contribution superannuation expense</i>	2,072,018	1,844,755
<i>Employee benefits</i>	26,023,881	22,561,205
<i>Net impairment loss of property, plant and equipment</i>	-	70,430

7 Income tax expense

	Consolidated	
	24 June 2012	26 June 2011
	\$	\$
(a) Income tax expense:		
Current tax	4,918,297	4,021,980
Deferred tax	(643,132)	92,111
Adjustments for current tax of prior periods	(1,750)	(120,526)
	<u>4,273,415</u>	<u>3,993,565</u>
Deferred income tax expense included in income tax expense comprises:		
(Increase) decrease in deferred tax assets (note 14)	(1,928,412)	1,138,584
Increase (decrease) in deferred tax liabilities (note 23)	<u>1,285,280</u>	<u>(1,046,473)</u>
	<u>(643,132)</u>	<u>92,111</u>

	Consolidated	
	24 June 2012	26 June 2011
	\$	\$
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	<u>13,834,987</u>	<u>13,481,993</u>
Tax at the Australian tax rate of 30% (2011 - 30%)	4,150,356	4,044,598
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Amortisation of acquired rights	30,570	6,000
Entertainment	7,839	9,303
Sundry items	<u>14,395</u>	<u>10,228</u>
	<u>4,203,160</u>	<u>4,070,129</u>
Adjustments for income tax expense of prior periods	70,255	(76,564)
Income tax expense	<u>4,273,415</u>	<u>3,993,565</u>

8 Current assets - Cash and cash equivalents

	Consolidated	
	24 June 2012	26 June 2011
	\$	\$
Cash at bank and in hand	7,293,151	6,373,302
Deposits at call	<u>190,169</u>	<u>29,633</u>
	<u>7,483,320</u>	<u>6,402,935</u>

8 Current assets - Cash and cash equivalents (continued)

(a) Reconciliation to cash at the end of the period

The above figures are reconciled to cash at the end of the financial period as shown in the consolidated statement of cash flows as follows:

	Consolidated	
	24 June 2012 \$	26 June 2011 \$
Balances as above	<u>7,483,320</u>	<u>6,402,935</u>
Balances per consolidated statement of cash flows	<u>7,483,320</u>	<u>6,402,935</u>

(b) Risk exposure

The Group's and the parent entity's exposure to interest rate risk is discussed in note 2.

9 Current assets - Trade and other receivables

	Consolidated	
	24 June 2012 \$	26 June 2011 \$
Trade debtors	5,714,349	5,486,738
Provision for doubtful receivables (a)	<u>(267,470)</u>	<u>(196,403)</u>
	5,446,879	5,290,335
Receivable from related entity	-	-
Receivable from director related entity	1,311,772	-
Other debtors (b)	<u>991,851</u>	<u>480,915</u>
	<u>7,750,502</u>	<u>5,771,250</u>

(a) Impaired trade receivables

Trade receivables are non interest bearing with 30 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 \$267,470 (2011: \$196,403) has been raised against the balance of trade receivables for 2012. The impairment losses have been included within expenses in the consolidated statement of comprehensive income. All trade receivables that are not impaired are expected to be received within trading terms.

Trade receivables ageing analysis at 24 June is:

	Consolidated	
	Gross 2012 \$	Gross 2011 \$
Not past due	4,402,884	4,472,486
Past due 31-60 days	499,068	-
Past due 61-90 days	394,942	369,687
Past due more than 91 days	<u>417,455</u>	<u>644,562</u>
	<u>5,714,349</u>	<u>5,486,735</u>

9 Current assets - Trade and other receivables (continued)

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

	Consolidated	
	24 June 2012	26 June 2011
	\$	\$
Opening balance	196,403	174,044
Provision for impairment recognised during the period	<u>71,067</u>	<u>22,359</u>
	<u>267,470</u>	<u>196,403</u>

(b) Other receivables

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.

(c) Foreign exchange and interest rate risk

Information about the Group's and the parent entity's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in note 2.

(d) 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. The fair value of securities held for certain trade receivable is insignificant as is the fair value of any collateral sold or repledged. 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 Current assets - Inventories

	Consolidated	
	24 June 2012	26 June 2011
	\$	\$
Stock on hand - at cost	23,945,254	18,963,830
Provision for obsolescence	<u>(487,975)</u>	<u>(355,409)</u>
	<u>23,457,279</u>	<u>18,608,421</u>
Stock in transit - at cost	<u>3,270,227</u>	<u>2,555,045</u>
	<u>26,727,506</u>	<u>21,163,466</u>

11 Derivative financial instruments

	Consolidated	
	24 June 2012	26 June 2011
	\$	\$
Current assets		
Forward foreign exchange contracts - cash flow hedges (a)	<u>9,230,390</u>	<u>4,652,282</u>
Total current derivative financial instrument assets	<u>9,230,390</u>	<u>4,652,282</u>
Current liabilities		
Forward foreign exchange contracts - cash flow hedges ((a)(i))	<u>9,022,293</u>	<u>4,709,901</u>
Total current derivative financial instrument liabilities	<u>9,022,293</u>	<u>4,709,901</u>
Net foreign exchange receivable	<u>208,097</u>	<u>(57,619)</u>

(a) Instruments used by the Group

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in foreign exchange rates in accordance with the Group's financial risk management policies (refer to note 2).

(i) Forward exchange contracts - cash flow hedges

The business purchased inventory from overseas. In order to protect against exchange rate movements, the Group has entered into forward exchange contracts to purchase US dollars.

These contracts are hedging known purchase commitments of inventory for the ensuing financial period. The contracts are timed to mature when payments for major shipments of inventory are scheduled to be made.

All fair value adjustments are recognised in the consolidated statement of comprehensive income, net adjustments processed at 24 June 2012 of \$265,717 gain (2011: \$410,921 loss).

The Group's and the parent entity's risk exposures are provided in note 2.

12 Current assets - Other current assets

	Consolidated	
	24 June 2012	26 June 2011
	\$	\$
Prepayments and unrepresented deposits	<u>313,498</u>	<u>420,175</u>
Preopening expenses	<u>212,584</u>	<u>112,193</u>
	<u>526,082</u>	<u>532,368</u>

13 Non-current assets - Property, plant and equipment

	Plant and equipment \$	Total \$
At 27 June 2010		
Cost	15,276,012	15,276,012
Accumulated depreciation	<u>(6,188,673)</u>	<u>(6,188,673)</u>
Net book amount	<u>9,087,339</u>	<u>9,087,339</u>
Period ended 26 June 2011		
Opening net book amount	9,087,339	9,087,339
Additions	4,142,263	4,142,263
Disposals	(141,900)	(141,900)
Net impairment loss	(70,430)	(70,430)
Depreciation expense	<u>(1,514,362)</u>	<u>(1,514,362)</u>
Closing net book amount	<u>11,502,910</u>	<u>11,502,910</u>
At 26 June 2011		
Cost	18,898,376	18,898,376
Accumulated depreciation	<u>(7,395,466)</u>	<u>(7,395,466)</u>
Net book amount	<u>11,502,910</u>	<u>11,502,910</u>
Period ended 24 June 2012		
Opening net book amount	11,502,910	11,502,910
Additions	3,822,547	3,822,547
Disposals	(74,004)	(74,004)
Depreciation expense	<u>(1,810,997)</u>	<u>(1,810,997)</u>
Closing net book amount	<u>13,440,456</u>	<u>13,440,456</u>
At 24 June 2012		
Cost	22,363,730	22,363,730
Accumulated depreciation	<u>(8,923,274)</u>	<u>(8,923,274)</u>
Net book amount	<u>13,440,456</u>	<u>13,440,456</u>

14 Non-current assets - Deferred tax assets

	Consolidated	
	2012	2011
	\$	\$
The balance comprises temporary differences attributable to:		
<i>Amounts recognised in profit or loss</i>		
Employee benefits	853,462	722,904
Inventory	806,241	473,990
Debtor provision	114,888	58,921
Derivatives	2,706,688	1,412,970
Other provisions/accruals	403,602	287,684
	<u>4,884,881</u>	<u>2,956,469</u>
Movements:		
Opening balance	2,956,469	4,095,053
(Charge) to the consolidated statement of comprehensive income (note 7)	1,928,412	(1,138,584)
Closing balance	<u>4,884,881</u>	<u>2,956,469</u>
As at 24 June/ 26 June		
Deferred tax assets expected to be recovered within 12 months	4,453,120	2,587,409
Deferred tax assets expected to be recovered after more than 12 months	431,761	369,060
	<u>4,884,881</u>	<u>2,956,469</u>

15 Non-current assets - Intangible assets

	Goodwill \$	Business name \$	Company formation expenses at cost \$	Total \$
At 27 June 2010				
Cost	1,679,541	-	1,500	1,681,041
Valuation	-	500,000	-	500,000
Accumulated amortisation and impairment	-	(120,000)	-	(120,000)
Net book amount	<u>1,679,541</u>	<u>380,000</u>	<u>1,500</u>	<u>2,061,041</u>
Period ended 26 June 2011				
Opening net book amount	1,679,541	380,000	1,500	2,061,041
Additions	408,816	-	-	408,816
Amortisation charge	-	(20,000)	-	(20,000)
Closing net book amount	<u>2,088,357</u>	<u>360,000</u>	<u>1,500</u>	<u>2,449,857</u>
At 26 June 2011				
Cost	2,088,357	-	1,500	2,089,857
Valuation	-	500,000	-	500,000
Accumulated amortisation and impairment	-	(140,000)	-	(140,000)
Net book amount	<u>2,088,357</u>	<u>360,000</u>	<u>1,500</u>	<u>2,449,857</u>
Period ended 24 June 2012				
Opening net book amount	2,088,357	360,000	1,500	2,449,857
Additions	100	-	-	100
Amortisation charge	-	(20,000)	-	(20,000)
Closing net book amount	<u>2,088,457</u>	<u>340,000</u>	<u>1,500</u>	<u>2,429,957</u>
At 24 June 2012				
Cost	2,088,457	-	1,500	2,089,957
Valuation	-	500,000	-	500,000
Accumulated amortisation and impairment	-	(160,000)	-	(160,000)
Net book amount	<u>2,088,457</u>	<u>340,000</u>	<u>1,500</u>	<u>2,429,957</u>

(a) Impairment tests for goodwill

Goodwill is allocated to the Group's one reportable segment being the retailing of lighting, fans and energy efficient products in the Australian market (refer note 3).

	2012 \$	2011 \$
Retail	<u>2,088,457</u>	<u>2,088,357</u>
	<u>2,088,457</u>	<u>2,088,357</u>

The recoverable amount of a CGU 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.

15 Non-current assets - Intangible assets (continued)

(b) Key assumptions used for value-in-use calculations

CGU	Gross margin *		Growth rate **		Discount rate ***	
	24 June 2012 %	26 June 2011 %	24 June 2012 %	26 June 2011 %	24 June 2012 %	26 June 2011 %
Retail	60.0	61.0	3.0	3.0	16.3	16.0

* Budgeted gross margin

** Weighted average growth rate used

These assumptions have been used for the analysis of each CGU within the business segment. Management determined budgeted 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. The discount rates used reflect specific risks relating to the relevant segments and the countries in which they operate.

16 Current liabilities - Trade and other payables

	Consolidated	
	24 June 2012 \$	26 June 2011 \$
Trade payables	13,962,300	8,640,064
Customer deposits	1,473,232	1,645,635
Sundry creditors	2,046,936	2,476,078
Marketing fund	933,422	870,253
Dividend declared	400,000	-
Other payables	523,817	206,379
	<u>19,339,707</u>	<u>13,838,409</u>

(a) Foreign currency risk

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	Consolidated	
	24 June 2012 \$	26 June 2011 \$
US Dollars	<u>8,321,653</u>	<u>3,897,561</u>

For an analysis of the sensitivity of trade and other payables to foreign currency risk refer to note 2.

(b) Risk exposure

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

17 Current liabilities - Interest bearing liabilities

	Consolidated	
	24 June 2012	26 June 2011
	\$	\$
Unsecured		
Hire purchase liability	954,634	1,351,943
Total unsecured current borrowings	<u>954,634</u>	<u>1,351,943</u>

(a) Hire-purchase plans

The Group utilises hire-purchase plans to acquire assets (ie. furnitures and fittings and motor vehicles).

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

(b) 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 22.

(c) Risk exposures

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

18 Current liabilities - Other financial liabilities

(a) Financial guarantees

Sonman Investments Pty Ltd and its controlled entities have provided a guarantee to the ANZ Bank to its director related entity Faimon Pty Ltd for its obligations under its bank bill facility. At the end of the reporting period, Faimon Pty Ltd is in a sound financial position and is not likely to default on the facility.

19 Current liabilities - Provisions

	Consolidated	
	24 June 2012	26 June 2011
	\$	\$
Employee benefits	2,336,499	2,003,516
Other provisions	<u>76,312</u>	<u>55,000</u>
	<u>2,412,811</u>	<u>2,058,516</u>

(a) Other provisions

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

19 Current liabilities - Provisions (continued)

(b) Movements in provisions

Movements in each class of provision during the financial period, other than employee benefits, are set out below:

	24 June 2012 \$
2012	
Current	
Carrying amount at start of period	55,000
Charged/(credited) to profit or loss	
- amounts incurred and charged	326,521
Amounts used during the period	(305,209)
Carrying amount at end of period	<u>76,312</u>

20 Current liabilities - Current tax liabilities

	Consolidated 24 June 2012 \$	26 June 2011 \$
Provision for income tax	<u>1,544,632</u>	<u>737,156</u>

21 Current liabilities - Deferred income

	Consolidated 24 June 2012 \$	26 June 2011 \$
Deferred income	<u>12,500</u>	<u>26,071</u>

22 Non-current liabilities - Interest bearing liabilities

	Consolidated 24 June 2012 \$	26 June 2011 \$
Unsecured		
Hire purchase plan	<u>745,597</u>	<u>1,241,072</u>

(a) Hire-purchase plans

The Group utilises hire-purchase plans to acquire assets (ie. 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(g) of this report.

(b) Risk exposures

Information about the Group's and parent entity's exposure to interest rate and foreign currency changes is provided in note 2.

23 Non-current liabilities - Deferred tax liabilities

	Consolidated	
	24 June 2012 \$	26 June 2011 \$
The balance comprises temporary differences attributable to:		
Investment in associates	-	96,755
	-	96,755
Derivatives	2,769,117	1,395,684
Other accruals and provisions	8,602	-
Sub-total other	2,777,719	1,395,684
Total deferred tax liabilities	2,777,719	1,492,439
As at 24 June/ 26 June		
Deferred tax liabilities expected to be settled within 12 months	2,777,719	1,395,685
Deferred tax liabilities expected to be settled after more than 12 months	-	96,754
	2,777,719	1,492,439

24 Non-current liabilities - Provisions

	Consolidated	
	24 June 2012 \$	26 June 2011 \$
Employee benefits	431,762	406,163

25 Contributed equity

	26 June 2012 Shares	27 June 2011 Shares	26 June 2012 \$	27 June 2011 \$
(a) Share capital				
Ordinary shares				
Issued and paid up capital - 2,150,000 fully paid ordinary shares	2,150,000	2,150,000	2,150,000	2,150,000

There have been no movements in ordinary share capital.

(b) Ordinary shares

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

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

25 Contributed equity (continued)

(c) Capital risk management

The Group's and the parent entity'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 and the parent entity monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'borrowings' and 'trade and other payables' as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position (including minority interests) plus net debt.

26 Retained profits

Movements in retained profits were as follows:

	Consolidated	
	24 June 2012	26 June 2011
	\$	\$
Opening balance	27,419,867	22,831,439
Net profit for the period	9,561,572	9,488,428
Dividends	(3,900,000)	(4,900,000)
Closing balance	<u>33,081,439</u>	<u>27,419,867</u>

27 Dividends

	Consolidated	
	24 June 2012	26 June 2011
	\$	\$

(a) Ordinary shares

Declared final fully franked dividend of \$1.81 (2011: \$2.28) per fully paid share at a tax rate of 30% (2011: 30%)

Total dividends provided or paid	<u>3,900,000</u>	<u>4,900,000</u>
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27 Dividends (continued)

(b) Franked dividends

The franked portions of the final dividends recommended after 24 June 2012 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the period ending 24 June 2012.

	Consolidated	
	24 June 2012 \$	26 June 2011 \$
Franking credits available for subsequent financial periods based on a tax rate of 30% (2011 - 30%)	<u>17,112,711</u>	<u>13,130,437</u>

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

- (a) franking credits that will arise from the payment of the amount of the provision for income tax,
- (b) franking debits that will arise from the payment of dividends recognised as a liability at the end of each reporting period, and
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at the end of each reporting period.

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

28 Key management personnel disclosures

(a) Key management personnel compensation

	Consolidated	
	24 June 2012 \$	26 June 2011 \$
Short-term employee benefits	1,376,381	976,490
Long-term benefits	<u>117,974</u>	<u>122,878</u>
	<u>1,494,355</u>	<u>1,099,368</u>

29 Remuneration of auditors

During the period the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated	
	24 June 2012	26 June 2011
	\$	\$
(a) PwC Australia		
<i>(i) Audit and other assurance services</i>		
Audit and review of financial statements	84,500	82,500
Half year review	38,000	37,500
Other assurance services		
Compilation of financial statements	11,500	11,500
Other services	6,500	6,500
Total remuneration for audit and other assurance services	<u>140,500</u>	<u>138,000</u>
<i>(ii) Other services</i>		
Tax and accounting	-	72,300
Other IT and Business Process Review services	-	47,000
Total remuneration for other services	<u>-</u>	<u>119,300</u>
Total remuneration of PwC Australia	<u>140,500</u>	<u>257,300</u>

30 Contingencies

There were no significant or material legal claims at 24 June 2012.

31 Commitments

(a) Lease commitments: Group as lessee

(i) Non-cancellable operating leases

	Consolidated	
	24 June 2012	26 June 2011
	\$	\$
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	12,702,518	11,178,385
Later than one year but not later than five years	35,839,696	32,681,715
Later than five years	901,222	5,361,543
	<u>49,443,436</u>	<u>49,221,643</u>

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.

31 Commitments (continued)

(ii) Hire Purchase Commitments

	Consolidated	
	24 June 2012	26 June 2011
	\$	\$
Commitments in relation to finance leases are payable as follows:		
Within one year	1,085,063	1,573,657
Later than one year but not later than five years	804,796	1,377,024
Minimum lease payments	<u>1,889,859</u>	<u>2,950,681</u>
Future finance charges	(189,628)	(357,666)
Total lease liabilities	<u>1,700,231</u>	<u>2,593,015</u>
Representing lease liabilities:		
Current (note 17)	954,634	1,351,943
Non-current (note 22)	745,597	1,241,072
	<u>1,700,231</u>	<u>2,593,015</u>

32 Related party transactions

(a) Subsidiaries

Interests in subsidiaries are set out in note 33.

(b) Key management personnel

Disclosure relating to key management personnel are set out in note 28.

(c) Transactions with other related parties

The following transactions occurred with related parties:

	Consolidated	
	24 June 2012	26 June 2011
	\$	\$
<i>Purchases of goods</i>		
Purchases of fans from other related parties	<u>1,457,225</u>	<u>1,329,290</u>
<i>Other transactions</i>		
Interest paid to other related parties	-	53,086
Interest received from other related parties	636,892	-
Consulting fees paid to other related parties	32,727	18,000
Rent paid to other related parties	<u>1,341,997</u>	<u>1,286,346</u>
	<u>2,011,616</u>	<u>1,357,432</u>

(d) Outstanding balances arising from sales/purchases of goods and services

There are no outstanding balances arising from sales/purchases of goods and services with related parties at the end of the reporting period.

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 Related party transactions (continued)

(e) Loans to/from related parties

	Consolidated	
	24 June 2012 \$	26 June 2011 \$
<i>Loans to other related parties</i>		
Beginning of the period	-	1,877,359
Loans advanced	1,311,772	-
Loan repayments received	-	(1,877,359)
Interest charged	-	-
Interest received	-	-
End of period	<u>1,311,772</u>	<u>-</u>
<i>Loans from associates</i>		
Beginning of the period	-	1,224,208
Loans advanced	-	-
Loan repayments received	-	(1,224,208)
Interest charged	-	-
Interest received	-	-
End of period	<u>-</u>	<u>-</u>

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.

(f) Guarantees

Sonman Investments Pty Ltd and its controlled entities have provided a guarantee to the ANZ Bank for its related party, Faimon Pty Ltd to meet its obligations under its banking facilities. At the end of the reporting period Faimon Pty Ltd is in a sound financial position and is not likely to default on the facility.

33 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b).

Name of entity	Country of incorporation	Class of shares	Equity holding **	
			2012 %	2011 %
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	-
Light-Source Solutions Ltd *	Hong Kong	Ordinary	100	-
Beacon International Ltd *	Hong Kong	Ordinary	100	-
Beacon Lighting International Ltd *	Hong Kong	Ordinary	100	-
Beacon Solar Pty Ltd *	Australia	Ordinary	100	-

* These entities were incorporated on 30 June 2011.

** The proportion of ownership interest is equal to the proportion of voting power held.

34 Events occurring after the reporting period

No matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the company or economic entity, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial periods.

35 Reconciliation of profit after income tax to net cash inflow from operating activities

	Consolidated	
	24 June 2012	26 June 2011
	\$	\$
Profit for the financial period	9,561,572	9,488,428
Depreciation and amortisation	1,830,997	1,462,765
Net loss of disposal of plant and equipment	30,848	136,250
Net impairment loss on assets	-	70,430
Fair value adjustment to derivatives	(265,717)	410,921
Change in operating assets and liabilities		
(Increase) decrease in receivables	(1,979,252)	554,308
(Increase) decrease in inventories	(5,564,039)	(7,744)
(Increase) decrease in deferred tax asset	(1,928,412)	1,138,584
(Increase) decrease in other operating assets	6,286	(18,176)
Increase (decrease) in payables	5,581,455	(2,140,011)
Increase (decrease) in provision for income taxes payable	807,476	(816,845)
Increase (decrease) in deferred tax liability	1,285,280	(1,046,473)
Increase (decrease) in provisions	379,894	546,220
Net cash inflow from operating activities	<u>9,746,388</u>	<u>9,778,657</u>

36 Non-cash investing and financing activities

	Consolidated	
	24 June 2012	26 June 2011
	\$	\$
Acquisition of plant and equipment by means of finance leases	<u>493,828</u>	<u>841,032</u>

37 Parent entity financial information

(a) Summary financial information

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

	Parent entity	
	24 June 2012	26 June 2011
	\$	\$
Statement of financial position		
Current assets	27,075,820	20,442,824
Non-current assets	13,809,014	10,495,969
Total assets	40,884,834	30,938,793
Current liabilities	1,653,282	737,156
Non-current liabilities	2,777,719	96,754
Total liabilities	4,431,001	833,910
Net assets	36,453,833	30,104,883
<i>Shareholders' equity</i>		
Contributed equity	2,150,000	2,150,000
Retained profits	34,303,833	27,954,883
	36,453,833	30,104,883
Profit for the period	10,248,783	9,488,429
Total comprehensive income	10,248,783	9,488,429

(b) Guarantees entered into by the parent entity

Sonman Investments Pty Ltd and its controlled entities have provided a guarantee to the ANZ Bank for its related party, Faimon Pty Ltd to meet its obligations under its bank bill facility. At the end of the reporting period Faimon Pty Ltd is in a sound financial position and is not likely to default on the facility.

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 24 June 2012 or 26 June 2011.

In the directors' opinion:

- (a) the financial statements and notes set out on pages 5 to 38 are in accordance with the *Corporations Act 2001*, including:
- (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 24 June 2012 and of their performance for the financial period ended on that date, and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

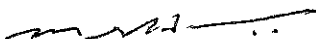
Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

Mr Ian Scott Robinson
Director



Mr Martin John Hanman
Director



Melbourne
21 September 2012

Independent auditor's report to the members of Sonman Investments Pty Ltd

Report on the financial report

We have audited the accompanying financial report of Sonman Investments Pty Ltd (the company), which comprises the balance sheet as at 24 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Sonman Investments Pty Ltd (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the period's end or from time to time during the financial period.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

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

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

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

PricewaterhouseCoopers, ABN 52 780 433 757

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Independent auditor's report to the members of Sonman Investments Pty Ltd (continued)

Independence

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

Auditor's opinion

In our opinion:

- (a) the financial report of Sonman Investments Pty Ltd is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 24 June 2012 and of its performance for the period ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

A large, stylized handwritten signature in black ink, likely belonging to a representative of PricewaterhouseCoopers.

PricewaterhouseCoopers

A handwritten signature in black ink, likely belonging to P R Lewis.

P R Lewis
Partner

Melbourne
21 September 2012