

**FOS Capital Ltd
and Controlled Entities**

ACN 637 156 275

**Financial Report
for the half-year ended 31 December 2020**

The half-year financial report is to be read in conjunction with the financial report for the year ended 30 June 2020

TABLE OF CONTENTS

	Page
Directors' Report	2
Condensed Consolidated Statement of Comprehensive Income	4
Condensed Consolidated Statement of Financial Position	5
Condensed Consolidated Statement of Changes in Equity	6
Condensed Consolidated Statement of Cash Flows	7
Notes to the Condensed Consolidated Financial Statements	8
Directors' Declaration	11
Auditor's Independence Declaration	12
Independent Auditor's Review Report	13

DIRECTORS' REPORT

The directors present their report together with the condensed financial report of the consolidated entity consisting of FOS Capital Pty Ltd and the entities it controlled, for the half-year ended 31 December 2020 and independent review report thereon.

FOS Capital Limited was incorporated 31 October 2019 and legally acquired its 100% owned subsidiary FOS Lighting Group Pty Ltd on 31 December 2019. Notwithstanding this, the profit and loss and cash flow comparatives (together with any relevant notes) presented in these financial statements are those of the FOS Group, being the combined entity of FOS Capital Limited, FOS Lighting Group Pty Ltd and its 100% controlled subsidiary, FOS Lighting Pty Ltd. The directors have elected to present these comparatives as the transaction between FOS Lighting Group Pty Ltd was executed solely for the structuring purpose of readying FOS Group for a listing on the Australian Securities Exchange.

DIRECTORS

The names of the company's directors in office during the half-year and until the date of this report are set out below. Each of the directors was in office for this entire period, unless otherwise stated.

Con Scrinis, Managing Director

Michael Koutsakis, Director

Michael Monsonago, Director

Alexander (Sandy) Beard, Director (appointed on 23 November 2020)

PRINCIPAL ACTIVITIES

The principal activities of FOS Group include the manufacturing of a full range of commercial luminaries, outdoor fittings and linear extruded lighting as well as distributing a complete range of commercial and architectural lighting.

RESULTS OF OPERATIONS AND SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Directors of FOS Capital Ltd take great pleasure in reporting consolidated net profit after tax \$416,083 (2019: \$104,431) for the half year ended 31 December 2020.

The Board is pleased to report that FOS Group trading has improved significantly with group revenues of \$3,945,416 (2019: \$2,747,742).for the half year ended 31 December 2020,

The company has been able to manage the period through Covid19 having endured significant disruption with the Victorian second lock down. This lock down led to many Victorian projects being delayed with the constant rescheduling of projects, nevertheless our outstanding team of professionals stood up to the task always keeping our customers as our priority.

This period also brought many highlights. In August we appointed Nigel Smith as our new factory manager in Brisbane. Nigel has over 30 years experience in the lighting manufacturing industry and is a great asset to FOS. In September we changed our distribution of the Megabay product range in NSW bringing it back in house. In October we appointed Integral Lighting our exclusive Distributor in the ACT.

On 23 November 2020 FOS Lighting Pty Ltd acquired a 50% shareholding in Baker & McAuliffe Holdings Pty Ltd trading as JSB Lighting.

JSB Lighting is a supplier of commercial and architectural lighting products within Australia and New Zealand. The business has been operating over 30 years and employs 27 staff members who are spread across Sydney, Brisbane, Adelaide, Perth, Melbourne and Auckland, and focus on applying solution-based lighting on the latest in luminaire design and performance.

The shareholding was acquired from ASX listed HGL Limited who continues to hold the other 50%.

HGL received 3 million ordinary shares (representing 9.1% of issued capital) in FOS Lighting's parent company FOS Capital Limited, as consideration for the sale of 50% of JSB Lighting. HGL has also granted FOS Lighting an option to acquire the balance 50% shares in JSB Lighting for Net tangible Asset value at the point of exercise of the option. This option has no expiry date. As part of the transaction on 23 November 2020 HGL Chairman Sandy Beard was been appointed a Director of FOS Capital Limited.

HGL Limited has also undertaken to sub-underwrite \$500,000 in new shares in FOS Capital Limited as part of this initial public offering on the ASX.

The JSB acquisition will double the size of FOS Lighting and expand its geographic spread to all states of Australia and New Zealand.

MATTERS SUBSEQUENT TO REPORT DATE

On 1 February 2021, FOS Lighting Pty Ltd acquired the balance of 50% shareholding in Baker & McAuliffe Holdings Pty Ltd trading as JSB Lighting from ASX listed HGL Limited (HGL) and took over the control of JSB lighting business.

Apart from the above, there were no matters or circumstances specific to The FOS Group that have arisen since 31 December 2020 that have significantly affected or may significantly affect The FOS Group's operations and state of affairs.

We take this opportunity to thank all stake holders especially our dedicated staff and are looking forward to an exciting second half.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* in relation to the review for the half-year attached to these financial statements.

ROUNDING OF AMOUNTS

In accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2019/191*, the amounts in the directors' report and in the financial report have been rounded to the nearest dollar.

Signed in accordance with a resolution of the directors.



Con Scrinis
Director

Date: 29 March 2021

**Condensed Consolidated Statement of Comprehensive Income
for the half-year ended 31 December 2020**

	Notes	31 Dec 2020 \$	31 Dec 2019 \$
Revenue and Other Income			
Revenue	3	3,951,319	2,747,742
Cost of sales		(2,211,202)	(1,552,667)
Gross Profit		1,740,117	1,195,075
Share of profit from JSB Lighting	4	55,981	-
Expenses			
Selling and distribution expenses		(337,210)	(199,259)
Administrative and corporate expenses		(633,622)	(648,323)
Profit before amortisation, depreciation and finance costs		825,266	347,493
Amortisation of lease assets in use		(194,507)	(175,570)
Depreciation		(22,201)	(21,207)
Finance costs		(13,155)	(15,151)
Profit before income tax expense		595,403	135,565
Income tax expense		(179,320)	(31,134)
Profit after tax		416,083	104,431
Other comprehensive income for half-year		-	-
Total comprehensive income for half-year		416,083	104,431
Earnings per share (cents per share) for profit attributable to the equity holders of the entity:			
Basic and diluted earnings per share	6	1.38	0.35

The accompanying notes forms part of these Financial Statements

**Condensed Consolidated Statement of Financial Position
as at 31 December 2020**

	Notes	31 Dec 2020 \$	30 Jun 2020 \$
Current assets			
Cash and cash equivalents		1,149,427	648,608
Trade and other receivables		1,153,159	1,362,331
Inventories		1,866,726	1,784,712
Other current assets		15,655	27,936
Total current assets		4,184,967	3,823,587
Non-current assets			
Plant and equipment		208,297	230,498
Lease assets in use		503,442	697,949
Investment in JSB Lighting	4	655,981	-
Deposits for leaseholds		45,000	45,000
Deferred tax assets		100,378	85,735
Total Non-current assets		1,513,098	1,059,182
Total assets		5,698,065	4,882,769
Current liabilities			
Trade and other payables		591,036	803,288
Lease liabilities		330,539	462,058
Provision for employee entitlements		313,034	262,450
Provision for income tax expense		287,522	93,559
Provision for warranty		42,278	42,278
Total current liabilities		1,564,409	1,663,633
Non-current liabilities			
Lease liabilities		215,793	320,018
Provision for employee entitlements		9,696	7,034
Total non-current liabilities		225,489	327,052
Total Liabilities		1,789,898	1,990,685
Net assets		3,908,167	2,892,084
Equity			
Contributed capital		1,000,100	400,100
Retained earnings		2,908,067	2,491,984
Total equity		3,908,167	2,892,084

The accompanying notes forms part of these Financial Statements

Condensed Consolidated Statement of Changes in Equity**Half-year ended 31 December 2019**

Consolidated	Contributed equity \$	Retained earnings \$	Total equity \$
At 1 July 2019	400,100	2,368,915	2,769,015
Profit for the half year	-	104,431	104,431
At 31 December 2019	400,100	2,473,346	2,873,446

Half-year ended 31 December 2020

Consolidated	Contributed equity \$	Retained earnings \$	Total equity \$
At 1 July 2020	400,100	2,491,984	2,892,084
Issue of shares for Investment in JSB	600,000	-	600,000
Profit for the half year	-	416,083	416,083
At 31 December 2020	1,000,100	2,908,067	3,908,167

The accompanying notes forms part of these Financial Statements

**Condensed Consolidated Statement of Cash Flows
for the half-year ended 31 December 2020**

	31 Dec 2020	31 Dec 2019
	\$	\$
Cash flows from operating activities		
Receipts from customers	4,496,251	3,401,915
Payments to suppliers and employees	(3,810,268)	(3,196,593)
Net cash flows from operating activities	685,983	205,322
Cash flows from investing activities		
Payment for plant and equipment	-	(18,244)
Net cash flows used in investing activities	-	(18,244)
Cash flows from financing activities		
Receipt of share capital	-	326,447
Payment of lease liabilities	(185,164)	(162,953)
Net cash flows from / (used in) financing activities	(185,164)	163,494
Net increase / (decrease) in cash and cash equivalents	500,819	350,572
Cash and cash equivalents at beginning of half year	648,608	599,079
Cash and cash equivalents at end of the half year	1,149,427	949,651

The accompanying notes forms part of these Financial Statements

Notes to Condensed Consolidated Half-Year Financial Statements**1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT**

The condensed consolidated half year financial report does not include all notes of the type normally included within the annual financial report.

It is recommended that this half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2020 of FOS Capital Ltd.

FOS Capital Limited was incorporated 31 October 2019 and legally acquired its 100% owned subsidiary FOS Lighting Group Pty Ltd on 31 December 2019. Notwithstanding this, the profit and loss and cash flow comparatives (together with any relevant notes) presented in these financial statements are those of the FOS Group, being the combined entity of FOS Capital Limited, FOS Lighting Group Pty Ltd and its 100% controlled subsidiary, FOS Lighting Pty Ltd. The directors have elected to present these comparatives as the transaction between FOS Lighting Group Pty Ltd was executed solely for the structuring purpose of readying FOS Group for a listing on the Australian Securities Exchange.

This condensed half-year financial report covers FOS Capital Ltd and controlled entities as a consolidated entity. FOS Capital Ltd is a for-profit company limited by shares, incorporated and domiciled in Australia. The registered office and principal place of business of FOS Capital Ltd is located at 14 Jaybel Street Salisbury QLD 4107.

The half-year financial report was authorised for issue by the directors as at the date of signing the attached Directors' Declaration.

(a) Basis of accounting

This condensed consolidated half-year financial report has been prepared in accordance with Australian Accounting Standard AASB 134 Interim Financial Reporting, as appropriate for for-profit entities, and the Corporations Act 2001. Compliance with AASB 134, as appropriate for for-profit entities, ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting.

The condensed consolidated half-year financial report includes the consolidated results of FOS Capital Ltd and its controlled entities FOS Lighting Group Pty Ltd and FOS Lighting Pty Ltd for the half year ended 31 December 2020 (collectively, the FOS Group).

The half-year financial report has been prepared in accordance with the historical cost convention.

The accounting policies applied in this half-year financial report are consistent with those of the annual financial report for the year ended 30 June 2019 and the corresponding half-year.

(b) Accounting for the investment in JSB Lighting

The investment in JSB Lighting is treated as an investment which applies the equity method of accounting. Under this method of accounting the initial investment is recognised at cost. Subsequent to initial recognition, an amount is recognised in the profit or loss for the Group's share of the profit or loss and other comprehensive income of JSB Lighting. This method of accounting is applied whilst the Group's retains a significant influence, but not control in JSB Lighting.

In evaluating their application of the equity method and in reasoning why the Group was yet to control JSB Lighting, the directors considered the following key matters:

- The Group's investment in JSB Lighting is 50%;
- The option held by the Group presently is not yet "in the money" based upon their due diligence conducted to date and no decision had been made to exercise this option as at 31 December 2020; and
- From the date of purchase through to 31 December 2020 the directors and management of FOS Group were yet to be involved into the day-to-day operations of JSB Lighting and they did not have voting control of the board of JSB Lighting.

Notes to Condensed Consolidated Half-Year Financial Statements**1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (cont'd)****(c) New or amended Accounting Standards and Interpretations adopted**

The directors of the FOS Group have resolved to adopt all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. There was no material impact upon these financial statements arising from their adoption.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted, however the directors also consider that none of these will have a material impact on the Group's existing accounting policies.

2. OPERATING SEGMENTS

The FOS Group operates in one segment being the manufacturing a full range of commercial luminaries, outdoor fittings and linear extruded lighting as well as distributing a complete range of commercial and architectural lighting in Australia.

3. REVENUE

	31 Dec 2020	31 Dec 2019
	\$	\$
a) Sales revenue		
Sales revenue	3,494,219	2,747,742
b) Other revenue		
Revenue from government grants – COVID support	457,100	-
	3,951,319	2,747,742

4. INVESTMENT IN JSB Lighting

On 23 November 2020 FOS Lighting Pty Ltd acquired a 50% shareholding in Baker & McAuliffe Holdings Pty Ltd trading as JSB Lighting (JSB Lighting) from ASX listed HGL Limited (HGL).

JSB Lighting is a supplier of commercial and architectural lighting products within Australia and New Zealand. The business has been operating over 30 years and employs 27 staff members who are spread across Sydney, Brisbane, Adelaide, Perth, Melbourne and Auckland, and focus on applying solution-based lighting on the latest in luminaire design and performance.

On 23 November 2020, the Company issued 3 million fully paid ordinary shares at an issue price of \$0.20 per shares as consideration for the acquisition of 50% of JSB Lighting to HGL. HGL has also granted FOS Lighting an option to acquire the balance of 50% shares in JSB Lighting for Net tangible Asset value at the point of exercise of the option.

On 1 February 2021, the company exercised the option and acquired the remaining 50% equity in JSB lighting for nil consideration from HGL Limited. At the date of this report, the initial accounting for the business combination that took place as a result of the Company now controlling JSB Lighting is yet to be concluded due to the short passage of time from the date of this acquisition to the date of the release of this report.

Notes to Condensed Consolidated Half-Year Financial Statements

4. INVESTMENT IN JSB Lighting (cont'd)

The carrying values of the assets and liabilities of JSB Lighting as at 23 November 2020 were as follows;

	\$
Cash and cash equivalents	1,244,344
Trade receivables	2,094,640
Inventory	594,186
Prepayments	109,781
Plant and equipment	278,269
Lease assets in use	424,240
Lease Liabilities	(1,390,891)
Trade payables	(2,927,155)
Employee entitlements	(483,238)
Contract liabilities	(322,090)
Net Deficit	(377,914)
Investment in JSB Lighting	31 Dec 2020
	\$
Cost of Investment in JSB Lighting	600,000
Share of profit (using equity method)	55,981
	655,981

5. EARNINGS PER SHARE

Reconciliation of earnings used in calculating earnings per share:

	31 Dec 2020	31 Dec 2019
Profit used to calculate earnings per share	\$416,083	\$104,431
	Number of shares	Number of shares
Weighted average number of ordinary shares used in calculating earnings and diluted earnings per share	30,668,478	30,000,000
Earnings per shares (in cents)	1.36	0.35

To aid comparability, weighted average number of ordinary shares 30,000,000 is applied in the comparative calculation of earnings per share as at 31 December 2019 due to the restructuring reason described in Note 1 to the financial statements.

6. CONTINGENT LIABILITIES

With the exception of the deposits paid for leasehold tenancies, as report date the directors are unaware of any contingent liabilities or commitments that may materially impact the Group.

7. SUBSEQUENT EVENTS

On 1 February 2021, FOS Lighting Pty Ltd acquired the balance of 50% shareholding in Baker & McAuliffe Holdings Pty Ltd trading as JSB Lighting from ASX listed HGL Limited (HGL) and took over the control of JSB lighting business.

Apart from the above, there were no matters or circumstances specific to The FOS Group that have arisen since 31 December 2020 that have significantly affected or may significantly affect The FOS Group's operations and state of affairs.

Directors' Declaration

The directors declare that:

In the directors' opinion, the financial statements and notes thereto, as set out in the accompanying financial report are in accordance with the *Corporations Act 2001*, including:

- (a) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2020 and of its performance for the half-year ended on that date.

In the directors' opinion there are reasonable grounds, at the date of this declaration, to believe that FOS Capital Ltd will be able to pay its debts as and when they become due and payable.

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



Con Scrinis
Director

Date: 29 March 2021

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE
CORPORATIONS ACT 2001 TO THE DIRECTORS OF FOS CAPITAL LTD**

I declare that, to the best of my knowledge and belief during the half-year ended 31 December 2020 there have been:

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

William Buck

William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136



N. S. Benbow
Director

Dated this 29th day of March, 2021

ACCOUNTANTS & ADVISORS

Level 20, 181 William Street
Melbourne VIC 3000

Telephone: +61 3 9824 8555

williambuck.com

FOS Capital Ltd

Independent auditor's review report to members

Report on the Review of the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of FOS Capital Ltd (the Company), consisting of FOS Capital Ltd and the entities it controlled at the half-year's end or from time to time during the half year (the consolidated entity), which comprises the condensed consolidated statement of financial position as at 31 December 2020, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- a. giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the half year ended on that date; and
- b. complying with Australian Accounting Standard 134 Interim Financial Reporting and the Corporations Regulations 2001.

Responsibilities of the Directors for the Half-Year Financial Report

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

Auditor's Responsibilities for the Review of the Half-Year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including:

- giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and its performance for the half-year ended on that date; and
- complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

ACCOUNTANTS & ADVISORS

Level 20, 181 William Street
Melbourne VIC 3000

Telephone: +61 3 9824 8555

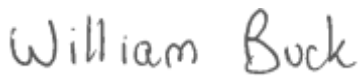
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As the auditor of FOS Capital Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

A handwritten signature in dark ink that reads "William Buck".

William Buck Audit (VIC) Pty Ltd
ABN 59 116 151 136

A handwritten signature in dark ink, appearing to be "N.S. Benbow".

N.S. Benbow
Director

Dated this 29th day of March, 2021