



PROSPECTUS

FOS Capital Limited

ACN 637 156 275

For the initial public offering of 12 million Shares in FOS Capital Ltd at an Offer Price of \$0.25 per Share to raise \$3 million.

IMPORTANT INFORMATION

This is an important document that you should read in full.
If you do not understand it, consult your professional advisers.
The Shares offered under this Prospectus are subject to certain risks as set out in Section 5.

LEAD MANAGER:



KS Capital Pty Ltd

Important Notices

The Offer

This Prospectus is issued by FOS Capital Ltd (ACN 637 156 275) (**FOS Capital or Company**) for the purposes of Chapter 6D of the *Corporations Act 2001* (Cth) (**Corporations Act**). The invitation contained in this Prospectus is an initial public offering to apply for fully paid ordinary shares (Shares) at an Application Price of \$0.25 per Share to raise \$3,000,000 (**Offer**).

References to FOS or FOS Group

The Company was incorporated on 31 October 2019. Prior to the Prospectus Date, the Company acquired (through a wholly owned subsidiary) the entities that carry on the Australian operations of the 'FOS Lighting' business.

References to FOS or FOS Group throughout this Prospectus are references to the corporate group detailed in Section 3.1. For example, the Investment Overview in Section 1 and the Company Overview in Section 3 and the Financial Information in Section 4 represents the combined business operations of the Company and its wholly owned subsidiaries (which specifically includes the acquired FOS Lighting but not the JSB Lighting business) for the financial years ended 30 June 2019 and 30 June 2020, and also for the half year ended 31 December 2020 (which does include the Company's 50% share of JSB Lighting at that date). The Prospectus also includes the stand-alone historical financial information for JSB Lighting for the financial years ended 30 September 2019 and 30 September 2020 respectively. JSB Lighting had a 30 September financial year end.

Lodgement and listing

This replacement prospectus is dated 7 May 2021 and a copy was lodged with the Australian Securities and Investments Commission (**ASIC**) on that date (**Prospectus Date**). It is a replacement prospectus, which replaces the prospectus dated 30 April 2021 which was lodged with ASIC on that date (**Original Prospectus**). For the purposes of this document, this replacement prospectus will be referred to as the **Prospectus**.

This Prospectus provides additional disclosure regarding the terms of the Binding Term Sheet for the acquisition of Baker & McAuliffe Holdings Pty Ltd T/A JSB Lighting in section 8.1.4. It also corrects certain non-material typographical errors.

The Company applied to ASX Limited (**ASX**) on 30 April 2021 for admission of the Company to the official list and quotation of its Shares on the ASX. None of ASIC, ASX or their respective officers take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

The fact that the ASX may admit the Company to the official list and quote the Shares is not to be taken in any way as an indication of the merits of the Company. If granted admission to the ASX, quotation of the Shares will commence as soon as practicable after holding statements are dispatched.

The Company does not intend to issue any Shares unless and until the Offer is fully subscribed and the Shares have been granted permission to be quoted on the ASX on terms acceptable to the Company.

The Company, the Share Registry and the Lead Manager disclaim all liability, whether in negligence or otherwise, to persons who trade Shares before receiving their holding statement.

If permission is not granted for the Shares to be quoted before the end of three months after the Prospectus Date or such longer period permitted by the Corporations Act or with the consent of ASIC, all Application Monies received under the Prospectus will be refunded without interest to Applicants in full within the time prescribed by the Corporations Act.

Expiry Date

This Prospectus expires on the date that is 13 months after the date of the Original Prospectus (**Expiry Date**) and no Shares will be issued on the basis of this Prospectus after the Expiry Date.

Note to Applicants

The information in this Prospectus is not financial product advice and does not take into account your investment objectives, financial situation or particular needs. It is important that you read this Prospectus carefully and in its entirety before deciding whether to invest in the Company. There are risks associated with an investment in the Shares and the Shares offered under this Prospectus should be regarded as a speculative investment.

In particular, you should consider the risk factors that could affect the performance of the Company. You should carefully consider these risks in light of your personal circumstances (including financial and tax issues) and seek professional guidance from your stockbroker, solicitor, accountant or other independent professional adviser before deciding whether to invest in the Company. Some of the key risk factors that should be considered by prospective investors are set out in Section 5. There may be risk factors in addition to these that should be considered in light of your personal circumstances.

Except as required by law, and only to the extent required, no person named in this Prospectus, nor any other person, warrants or guarantees the performance of the Company or the repayment of capital by the Company or any return on investment made pursuant to this Prospectus.

This Prospectus includes information regarding past performance of the FOS Group. Investors should be aware that past performance is not indicative of future performance.

No person is authorised to give any information or to make any representation in connection with the Offer described in this Prospectus that is not contained in this Prospectus. Any information not so contained may not be relied upon as having been authorised by the Company or any other person in connection with the Offer. You should rely only on information contained in this Prospectus.

Financial information presentation

Section 4 sets out in detail the Financial Information referred to in this Prospectus and the basis of preparation of that information is set out in Section 4.2.

The Financial Information has been prepared and presented in accordance with the recognition and measurement principles of Australian Accounting Standards (**AAS**) (including the Australian Accounting Interpretations) issued by the Australian Accounting Standards Board (**AASB**), which are consistent with International Financial Reporting Standards (**IFRS**) issued by the International Accounting Standards Board.

All financial amounts contained in this Prospectus are expressed in Australian currency, unless otherwise stated. Any discrepancies between totals and sums

of components in tables and figures contained in this Prospectus are due to rounding.

The Historical Financial Information in this Prospectus should be read in conjunction with, and are qualified by reference to, the information contained in Section 4, the risk factors in section 5 and the Independent Limited Assurance Report in Section 9. Where Financial Information and metrics represent pro forma amounts, they have been labelled pro forma.

Market and industry data based primarily on management estimates

This Prospectus (and in particular Section 2) contains data relating to the industries, segments and end-markets in which FOS Group operates (**Industry Data**).

Such information includes, but is not limited to, statements and data relating to: estimated historical market size, market segmentation and its industry position. Unless otherwise stated, this information has been prepared by the Company using both publicly available data and its own internally generated data. The Company's internally generated data is based on estimates and assumptions that both the Directors and the Company's management believe to be reasonable, as at the Prospectus Date.

The Industry Data has not been independently prepared or verified and the Company cannot assure you as to its accuracy or the accuracy of the underlying assumptions used to estimate such Industry Data. The Company's estimates involve risks and uncertainties and are subject to change based on various factors, including those described in the risk factors set out in Section 5.

In addition to the Industry Data, this Prospectus uses third party market data, estimates and projections (**Third Party Data**). There is no assurance that any of the Third Party Data, estimates or projections contained in the Third Party Data will be achieved. The Company has not independently verified the Third Party Data. Estimates involve risks and uncertainties and are subject to change based on various factors, including those described in the risk factors set out in Section 5.

Forward-looking statements

This Prospectus contains forward-looking statements that are identified by words such as 'may', 'could', 'believes', 'estimates', 'expects', 'intends' and other similar words that involve risks and uncertainties.

Any forward-looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause actual events or outcomes to differ materially from the events or outcomes expressed or anticipated in these statements, many of which are beyond the control of FOS Group. The forward-looking statements should be read in conjunction with, and qualified by reference to, the risk factors as set out in Section 5, and other information contained in this Prospectus.

The Directors cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on such forward-looking statements. The Company does not intend to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

In respect of the third-party estimates and projections, the Company has obtained significant portions of this information from Third Party Data.

Statements of past performance

This Prospectus includes information regarding past performance of the FOS Group. Investors should be aware that past performance is not, and should not be relied upon as being, indicative of future performance.

Foreign jurisdictions

This Prospectus does not constitute an offer or invitation to apply for Shares in any place in which, or to any person to whom, it would be unlawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of the Shares, in any jurisdiction outside Australia.

The taxation treatment of Australian securities may not be the same as those for securities in foreign jurisdictions.

The distribution of this Prospectus outside Australia may be restricted by law, and persons who come into possession of this Prospectus outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

In particular, the Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended (**US Securities Act**) or any state securities laws in the United States and may not be offered, sold, pledged or transferred in the United States unless the shares are registered under the US Securities Act, or an exemption from the registration requirements of the US Securities Act and applicable US state securities laws is available.

See Section 7.6.3 for more details on selling restrictions that apply to the Offer and sale of Shares in jurisdictions outside Australia.

Exposure Period

The Corporations Act prohibits the Company from processing applications for Shares in the seven-day period after lodgement of the Original Prospectus (**Exposure Period**). ASIC may extend this period by up to a further seven days (that is, up to a total of 14 days). The purpose of the Exposure Period is to enable the Prospectus to be examined by market participants prior to the raising of the funds. The examination may result in the identification of certain deficiencies in this Prospectus in which case any Application may need to be dealt with in accordance with section 724 of the Corporations Act. Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be given to Applications received during the Exposure Period.

Prospectus availability

During the Offer Period, a paper copy of this Prospectus is available free of charge to any Applicant in Australia by calling 1300 241 087 (within Australia) and +617 3277 7222 (outside Australia) from 9am to 5 pm (AEST), Monday to Friday (excluding public holidays). This Prospectus is also available to Applicants in Australia or New Zealand in electronic form at the Company's website www.foscapiatal.com.au.

The Offer constituted by this Prospectus in electronic form is available only to persons downloading or printing it within Australia and is not available to persons in any other jurisdiction (including the United States). Persons who access the electronic version of this Prospectus must ensure that they download and read the entire Prospectus.

Applications

Applications may be made only during the Offer Period on the Application Form attached to, or accompanying this Prospectus in its paper copy form, or in its electronic form, which must be downloaded in its entirety from www.foscapiatal.com.au. By making an Application, you represent and warrant that you were given access to the Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing on to another person an Application Form unless it is attached to, or accompanied by, the complete and unaltered version of this Prospectus.

No cooling-off rights

Cooling-off rights do not apply to an investment in Shares issued under the Prospectus. This means that, in most circumstances, you cannot withdraw your Application once it has been accepted.

Definitions and abbreviations

Defined terms and expressions used in this Prospectus are explained in the Glossary at the end of this Prospectus. Unless otherwise stated or implied, references to times in this Prospectus are to Australian Eastern Standard Time (**AEST**).

Privacy

By filling out an Application Form to apply for Shares, you are providing personal information to the Company and the Share Registry, which is contracted by the Company to manage Applications. The Company and the Share Registry on their behalf, may collect, hold and use that personal information in order to process your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration. Some of this personal information is collected as required or authorised by certain laws including the *Income Tax Assessment Act 1997* (Cth) and the *Corporations Act*.

If you do not provide the information requested in an Application Form, the Company and the Share Registry may not be able to process or accept your Application Form.

Your personal information may also be used from time to time to inform you about other products and services offered by the Company, that it considers may be of interest to you.

Your personal information may also be provided to the Company's agents and service providers on the basis that they deal with such information in accordance with the Company's privacy policy.

The agents and service providers of the Company may be located outside Australia where your personal information may not receive the same level of protection as that afforded under Australian law. The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- the Share Registry for ongoing administration of the register of members;

- printers and other companies for the purpose of preparation and distribution of statements and for handling mail;
- market research companies for the purpose of analysing the Shareholder base and for product development and planning; and
- legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering, and advising on, the Shares and for associated actions.

If an Applicant becomes a Shareholder, the Corporations Act requires the Company to include information about the Shareholder (including name, address and details of the Shares held) in its public register of members. If you do not provide all the information requested, your Application Form may not be able to be processed.

The information contained in the Company's register of members must remain there even if a person ceases to be a Shareholder. Information contained in the Company's register of members is also used to facilitate dividend payments and corporate communications (including financial results, annual reports and other information that the Company may wish to communicate to its Shareholders) and compliance by the Company with legal and regulatory requirements. An Applicant has a right to access and correct the information that the Company and the Share Registry hold about that person, subject to certain exemptions under law.

Applicants can obtain a copy of the Company's privacy policy by visiting the Company's website www.foscapiatal.com.au. The privacy policy contains further details regarding access, correction and complaint rights and procedures.

The Share Registry's complete privacy policy can be accessed by calling 1300 737 760 9am to 5pm (AEST), Monday to Friday (excluding public holidays) and requesting a copy.

Photographs and diagrams

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the Prospectus Date.

Independent Limited Assurance Report

The Investigating Accountant has prepared the Independent Limited Assurance Report in relation to the Financial Information. The Independent Limited Assurance Report is provided in Section 9.

Questions

If you have any questions about how to apply for Shares, please call FOS Group on 1300 241 087 (within Australia) and +617 3277 7222 (outside Australia) from 9am to 5pm (AEST), Monday to Friday (excluding public holidays). Instructions on how to apply for Shares are set out in Section 7 of this Prospectus and on the back of the Application Form.

If you have any questions about whether to invest in the Company, you should seek professional advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser.

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Key Offer Information

Key Dates

Prospectus Date	7 May 2021
Offer opens (Opening Date)	9.00am (Melbourne time) 10 May 2021
Offer closes (Closing Date)	5.00pm (Melbourne time) 31 May 2021
Issue of Shares under the Offer (Completion of the Offer)	3 June 2021
Expected date of despatch of holding statements	4 June 2021
Expected commencement of trading of Shares on ASX (on a normal settlement basis)	9 June 2021

This timetable is indicative only. The Company (in consultation with the Lead Manager) reserves the right to vary dates of the Offer (subject to the ASX Listing Rules and the Corporations Act) without prior notice, including to close the Offer early, extend the date the Offer closes, accept late Applications or withdraw the Offer and the issue of Shares (in each case without notifying any recipient of the Prospectus or any Applicant).

The Offer – Key Statistics

Offer Price	\$0.25 per Share
Number of Shares offered under this Prospectus ¹	12,000,000
Gross proceeds from the Offer	\$3,000,000
Total number of Shares on issue at Completion of the Offer	45,000,000
Number of Shares to be held by the Existing Shareholders on Completion of the Offer ^{2,3}	35M
Expected Free Float ⁴	22%
Indicative market capitalisation of the Company at the Offer Price ⁵	\$11,250,000
Pro forma net cash position (as at 31 December 2020) ⁶	\$5,100,169

1. The Offer must be fully subscribed in order to proceed.
2. Shares held by the Existing Shareholders will be subject to escrow arrangements as described in Section 8.2.
3. 35 million Shares assumes HGL subscribes to 2M Shares, refer note 6.7.
4. Free float is calculated as the percentage of Shares on Completion of the Offer that are not subject to voluntary or mandatory escrow (see Section 7.1) nor held by Directors or affiliated Shareholders of the Company (see Section 8.2).
5. Market capitalisation at the Offer Price is defined as the Offer Price multiplied by the total number of Shares on issue on Completion of the Offer (assuming the Offer is successful).
6. Net cash of \$5,100,169 is calculated on a pro forma basis (as at 30 December 2020), immediately after Completion of the Offer assuming the Offer is successful.

Chairman's Letter

Dear Investor,

On behalf of the Board, I have great pleasure in inviting you to become a Shareholder of FOS Capital Ltd (the **Company**).

The Company offers investors the opportunity to acquire Shares in an established and innovative Australian lighting company that intends to grow operations, both organically and through the acquisition of industrial, electrical and technology businesses that offer clear synergies to FOS Group's existing business operations.

The Company, through its wholly-owned subsidiaries, operates an Australian based lighting design, engineering and manufacturing business serving the commercial, retail and industrial lighting sectors.

The Company's wholly owned subsidiary, FOS Lighting Group Pty Ltd, commenced trading in April 2019, and in June 2019 it acquired FOS Lighting (formerly Frend Lighting Industries Pty Ltd) from Gerard Lighting Holdings Pty Ltd. The Frend lighting business was established in 1996 and continues to manufacture a broad range of commercial indoor and outdoor luminaires at its Brisbane manufacturing facility.

In November 2020 the Company acquired a 50% shareholding in Baker & McAuliffe Holdings Pty Ltd, trading as 'JSB Lighting' from ASX listed HGL limited and in February 2021 the Company acquired 100% ownership. JSB Lighting was established over 28 years ago and has offices in each Australian state as well as New Zealand. JSB Lighting represents an exciting turn-around opportunity due to its recent significant trading losses. The Company has already made significant positive progress with the turn-around strategy, details of which are contained in Section 3.

The acquisitions of Frend and JSB Lighting provide the Company with a platform to grow business operations leveraging the Directors' extensive experience in the lighting industry and opportunities that comes with expanded supplier and distribution networks. The Company will continue to explore complementary value adding acquisitions as part of its overall growth strategy.

The Australian lighting market (estimated at \$2.67 billion per annum⁷) is a dynamic industry that is undergoing major technological change as it moves to new and innovative technology, mainly through LED. The Company's experienced management team understands the demands of the lighting market, thus ensuring the Company is well positioned to capitalise on these industry changes.

The directors believe that COVID-19 has led to a clear shift for customers to prefer to source Australian-made products rather than from overseas suppliers. FOS is very well positioned to take advantage of this change as it is one of very few Australian lighting companies to have a fully integrated local manufacturing facility.

The Company is seeking to raise \$3 million (before costs of the Offer) through the issue of 12 million Shares at the Offer Price of \$0.25 per Share. Upon the successful Completion of the Offer, the Company will have 45,000,000 Shares on issue and a market capitalisation of \$11,250,000 at the Offer Price.

The purpose of the Offer is to provide FOS with access to capital markets (that the Company expects will give it added financial flexibility to pursue further growth opportunities), broaden the Shareholder base and provide a liquid market for its Shares. All proceeds from the Offer will be used to assist FOS Group to continue its business growth, including sales and marketing and to meet the costs of the Offer.

Upon Completion of the Offer, new Shareholders are expected to hold 22% of the Shares and the Existing Shareholders (including management) will retain up to 78% of the Shares. Existing Shares held by the Existing Shareholders are expected to be subject to mandatory escrow for 24 months.

This Prospectus contains important information about the Offer, the industry the Company operates in as well as the financial performance and position, operations, and the management team of the Company. The key risks associated with an investment in the Company are set out in Section 5. Key risks include implementation risk associated with the JSB turn-around strategy, loss of key personnel, the fact that the combined FOS Group has a limited trading history under current management, that it operates in a highly competitive industry.

I encourage you to read this document carefully and in its entirety before making an investment decision.

The Directors and senior management are excited about the future of the Company and the FOS Group and we look forward to welcoming you as a Shareholder.








Yours faithfully,



Sandy Beard
Chairman

7. (IBIS World) Report C2432 Electric Lighting Equipment manufacturers in Australia.

Highlights HY21

Revenue +27% to \$3.5M 	PBT +339% to \$595K 
Order Book 37% to \$1.4M 	Acquisition of JSB Lighting 
JSB costs reduced by \$1.8M _{pa} 	Established national presence 
Employees +92% to 50 	

These highlights represent the % change for FOS Lighting as at 31 December 2020 when compared to 31 December 2019 and excludes JSB Lighting and IPO costs

1.

Investment Overview



1. Investment Overview

1.1. Introduction

This information is a selective overview only. Prospective investors should read the Prospectus in full, before deciding to invest in Shares.

Topic	Summary	Where to find more information
Who is FOS Group	<p>FOS Capital Ltd ACN 637 156 275 (Company).</p> <p>The Company holds 100% of the issued share capital in FOS Lighting Group Pty Ltd and it is also the ultimate holding company of FOS Lighting Pty Ltd and Baker & McAuliffe Holdings Pty Ltd T/A JSB Lighting (JSB Lighting).</p>	Section 3.1.4
What does FOS Group do?	<p>The 'FOS Group' encompasses the Company, FOS Lighting Group Pty Ltd, FOS Lighting Pty Ltd (formerly Frend Lighting) and Baker & McAuliffe Holdings Pty Ltd T/A JSB Lighting. The FOS Group has design, engineering, and manufacturing expertise and is a supplier of commercial, retail and industrial lighting solutions.</p>	Section 3.1
What industry does FOS Group operate in?	<p>The FOS Group operates in the commercial, retail and industrial lighting markets in Australia, with particular focus and expertise in LED lighting applications. These sectors include warehousing, hospitality, medical, aged care and education facilities which typically require large scale bespoke lighting solutions.</p>	Section 3.1
What products and services does FOS Group provide?	<p>The FOS Group provides a broad range of lighting products and services. The Company, via its subsidiaries FOS Lighting and JSB Lighting, is one of only a few Australian lighting suppliers with full manufacturing capability in Australia. This allows the FOS Group to provide a full-service lighting solution which includes the design, development, engineering, manufacture and distribution of lighting products.</p> <p>The FOS Group product range includes:</p> <ul style="list-style-type: none"> • FOS • FREN • VEKTA • MEGABAY <p>The FOS Group is also the exclusive Australian distributor of 'Formalighting' products.</p> <p>With the acquisition of JSB Lighting, the product range expanded to include:</p> <ul style="list-style-type: none"> • LUCEPLAN • TAL • ILLUS • RED SQUARE • SECURLITE • LJUS DESIGN • ECLATEC • LEGACY SPORT LIGHTING 	Section 3.4

1. Investment Overview continued

Topic	Summary	Where to find more information
What is FOS Group's history?	<p>The Company was incorporated on 31 October 2019 for the primary purpose of acquiring FOS Lighting Group, as well as managing and operating the overall FOS Group businesses.</p> <p>FOS Lighting Group commenced operations in April 2019 and acquired Frend Lighting (now FOS Lighting Pty Ltd) in June 2019.</p> <p>Frend Lighting has been providing lighting solutions to retail, commercial and industrial sectors since 1996 and has maintained full manufacturing capabilities in Australia.</p> <p>In November 2020 the Company acquired a 50% shareholding in Baker & McAuliffe (JSB Lighting) from ASX listed HGL limited and in February 2021 moved to 100% ownership. JSB Lighting was established over 28 years ago and has offices in all States of Australia and New Zealand. Like Frend Lighting, JSB Lighting has maintained manufacturing capabilities in Australia.</p> <p>The FOS Group under the direction of its current management team has cemented its place as a provider of LED lighting solutions.</p>	Section 3.1.4
How does FOS Group generate revenue?	<p>The FOS Group derives revenue from the following sources:</p> <ul style="list-style-type: none"> the supply of lighting to electrical wholesalers; the, design and manufacture of bespoke lighting solutions to providers within the Australian building industry; the distribution of many known brands within the lighting sector; and as the sole distributor of 'Formalighting', a provider of high end Italian architectural lighting. 	Sections 3 and 4
What are FOS Group's key costs?	<p>The FOS Group's key costs comprise:</p> <ul style="list-style-type: none"> employee expenses; occupancy expenses (primarily leasehold); raw materials and components; and costs associated with the restructure. 	Sections 3 and 4
Where are FOS Group's operations?	The FOS Group's corporate head office is in Melbourne, Australia. It has sales and assembly facilities in Melbourne, sales and manufacturing capabilities in Brisbane and sales offices in South Australia, New South Wales, Western Australia and New Zealand.	Section 3
What is the Offer?	<p>The Offer is an initial public offer of 12,000,000 fully paid ordinary Shares at an Offer Price of \$0.25 per Share.</p> <p>The Offer will raise \$3,000,000 before costs. There is a Minimum Subscription of \$3,000,000 which must be achieved for the Offer to proceed.</p>	Section 7.1.3
What is the purpose of the Offer?	<p>The Offer is being conducted to:</p> <ul style="list-style-type: none"> provide the Company with funds to implement Australian sales and marketing growth, recruit sales staff and provide additional working capital; satisfy the admission requirements to ASX; provide a liquid market to facilitate trading in Shares and enable others to invest in the Company; provide the Company with the benefits of access to the capital markets to improve capital management flexibility and an increased profile that comes from being a listed entity; and meet the costs of the Offer. 	Section 7.1

Topic	Summary	Where to find more information
Is there a Minimum Subscription?	Yes. The Offer has a Minimum Subscription of 12,000,000 Shares to raise gross proceeds of \$3.0 million. If the Minimum Subscription is not achieved then the Company will not proceed with the Offer and will repay all Application Monies received (without interest).	Section 7.1.3
Key Risks	<p>You are encouraged to read the Prospectus carefully as it contains detailed information about the Company and the Offer. Like all investments, an investment in the Company carries risk. The performance of the Company will be dependent on its ability to deliver on the business strategy and objectives.</p> <p>Key risks specific to the Company include:</p> <ul style="list-style-type: none"> • limited trading history as a combined group; • the acquisition of JSB Lighting which experienced a significant trading loss for the 2020 financial year as well as significant reductions in revenue during the last 2 financial years and the need to successfully implement the planned turn-around strategy; • lack of formal or ongoing customer contracts; • loss of key management or member of the design and manufacture teams with bespoke skills; • increase in imported products; • the Existing Shareholders will retain a significant portion (up to 78%) of all Shares on issue following the Offer which may impact adversely on the liquidity of Shares; • potential changes to government rebate schemes; • operating in a mature and competitive market with many established competitors; and • product failure and effect on reputation. <p>It is particularly important for potential investors to review carefully all the risks associated with an investment in the Company.</p>	Section 5

1.2. Key features of FOS Group

Topic	Summary	Where to find more information
How does FOS Group attract users to its products and services?	<p>The FOS Group is an existing lighting provider with an established client base. The FOS Group designs, manufactures and sells high quality lighting products to the commercial, retail and industrial building industry.</p> <p>With the recent acquisition of JSB Lighting, the Company is now able to service customers in each state of Australia and in New Zealand.</p> <p>Typically, the FOS Group's products are specified into a project at the design stage and after a successful tender, orders are received and processed. The FOS Group receives the majority of its orders from electrical wholesalers.</p>	Section 3
Who are FOS Group's key customers?	The FOS Group's key customers include electrical wholesalers, electrical contractors, lighting distributors and a range of end users within the retail, commercial and industrial sectors.	Section 3

1. Investment Overview continued

Topic	Summary	Where to find more information
Who are FOS Group's key competitors?	<p>There are numerous lighting suppliers in the Australian commercial, retail and industrial lighting markets which are considered to be mature markets.</p> <p>Most of FOS Group's competitors supply imported products and components. The Company, via its subsidiaries FOS Lighting and JSB Lighting, is one of a few Australian lighting suppliers which has maintained full manufacturing capability in Australia allowing shorter lead times and greater customisation abilities. With the acquisition of JSB Lighting, a key manufacturing competitor has been subsumed by the Company.</p>	Section 3
What are the key operational drivers of FOS Group?	<p>The financial performance of the FOS Group will primarily be determined by the following key revenue and expense drivers.</p> <p>Key revenue drivers:</p> <ul style="list-style-type: none"> • sales revenue for FOS Lighting for the financial year ended 30 June 2020 was \$5.5M and for JSB Lighting for the financial year ended September 2020 was \$10.8M driven primarily by sales of its extensive product range via successful quotation of jobs. <p>Key expense drivers include:</p> <ul style="list-style-type: none"> • administration and corporate expenses, primarily employee remuneration costs; • cost of Goods Sold; and • occupancy costs. 	Section 3.7 and 3.8
How will the business be funded?	<p>The FOS Group business is now well established with both Frennd and JSB Lighting having been trading since 1996. The FOS Group has been operating profitably and has a healthy balance sheet.</p> <p>The capital to be raised under this Prospectus together with the FOS Group's on-going cashflows from operations are sufficient to fund its current business operations.</p>	Sections 4 and 7.1
What are FOS Group's key growth strategies?	<p>The FOS Group's key growth strategies are to:</p> <p>Leverage existing capabilities: the FOS Group has a range of capabilities across design, engineering sourcing and sales and has the ability to leverage these capabilities into new or complementary business and/or sales channels.</p> <p>Bolstering sales and marketing capabilities: including participation and presence at key industry events and trade shows.</p> <p>New Products and services/Product development: in relation to flood lighting & street lighting.</p> <p>Efficiency Gains: with continuing revenue growth, the FOS Group expects to be able to increase productivity and improve margins.</p> <p>Acquisitions: to diversify, through acquisition, into industrial, electronic and technology businesses which are identified as having key synergies with the FOS Group's current operations.</p>	Section 3.6

Topic	Summary	Where to find more information
What is the Company's key financial information?	Historical key operating and financial metrics (Refer table 4.8)	Section 4.3

1. Investment Overview continued

1.3. Key strengths

Topic	Summary	Where to find more information
Attractive industry dynamics	<p>Management believes there will be continued growth in the commercial, retail and industrial lighting sectors, underpinned by:</p> <ul style="list-style-type: none"> continued construction of commercial, retail and industrial buildings; refurbishment of existing buildings; and upgrade of lighting to more cost-effective LED. 	Section 2
Organic Growth	<p>Organic growth is expected to be derived from:</p> <ul style="list-style-type: none"> the Company's existing relationships. The FOS Group is considered a leading manufacturer of bespoke lighting solutions in Australia with particular presence on the Eastern Seaboard but with an Australia-wide presence; the Company leveraging its broad range of capabilities across design, engineering sourcing and sales, allowing it to differentiate itself from mass product importers; the Company leveraging its existing capabilities into new or complementary business and/or sales channels; the Company bolstering sales by participating in key industry events and trade shows; the Company capitalising on efficiency gains, noting that with revenue growth the Company expects to increase productivity and improve margins; the introduction of new products and services, specifically flood lighting & street lighting; the continuation of government incentives promoting the transition to LED lighting solutions; new and increased distribution channels, leveraging off JSB's distribution network; and increasing market for retrofitting existing light fittings. 	Sections 2 and 3
Manufacturing capability	<p>The Company, through its subsidiaries, FOS Lighting and JSB Lighting, manufactures approximately 54% of its products at its Brisbane manufacturing facility. By retaining full manufacturing capabilities in Australia, the Company is able to capitalise on its integrated team of lighting designers and engineers to offer flexible and bespoke lighting solutions with relatively short lead times.</p>	Section 3
Experienced Board and CEO	<p>The Company has assembled a strong Board and management team:</p> <ul style="list-style-type: none"> Sandy Beard is currently Executive Chairman of HGL Limited (ASX:HNG), Chairman of Probiotec Limited (ASX:PBP), Director of Centrepoin Alliance (ASX:CAF), Director of Purefoods Tasmania (ASX:PFT). Con Scrinis, Michael Koutsakis and Michael Monsonego each have significant experience in the lighting and electrical industries of over 25 years. <p>Refer to Directors CV's in section 6.1 for more information.</p>	Section 6.1

Topic	Summary	Where to find more information
Anticipated future acquisition opportunities	<p>The Company intends to acquire, based on disciplined acquisition criteria, complementary electronic, industrial and technology businesses which will expand its customer base, increase product offering and are expected to provide it with the economies of scale that come with consolidation.</p> <p>The FOS Group intends to evaluate acquisition opportunities that may arise against its business strategy and investment criteria, with the objective of pursuing opportunities which can deliver meaningful synergies to the business and be value accretive for Shareholders.</p> <p>The FOS Group expects to fund acquisitions after Listing by utilising some or all of the following: free cash flow for operations, issue of Shares for cash consideration, bank debt (subject to approval) and deferred consideration (cash and/or scrip).</p>	Section 3.6

1.4. Key risks

A list of the risks associated with an investment in the Company is provided in Section 5. The following summary, which is not exhaustive, represents some of the key risk factors that Applicants need to be aware of.

Topic	Summary	Where to find more information
Limited trading history	<p>The FOS Group has limited financial and operating history as a combined enterprise. The FOS Group's ability to achieve its objectives depends on the ability of the Board and Senior Management to successfully complete the turn-around of the Frennd Lighting and JSB Lighting businesses, scale its existing businesses, implement the proposed business strategy and to respond in a timely and appropriate manner to any unforeseen circumstances. As such, there is a risk that the FOS Group may not achieve these strategic objectives and there may be an adverse impact on the FOS Group's business, operating results and financial position.</p>	Section 5
Acquisition of JSB Lighting which has experienced recent trading losses	<p>JSB Lighting's revenue was significantly impacted as a consequence of losing the distribution rights to a major lighting brand in 2019 resulting in a decrease in revenue from \$22.8 million for the 2018 financial year to:</p> <ul style="list-style-type: none"> • \$12.8 million for 2019; and • \$10.8 million for 2020. <p>Consequently, JSB Lighting recorded an after tax loss of \$3.2 million for the 2020 financial year.</p> <p>The Company has commenced its turnaround strategy (Restructure) of JSB Lighting by implementing a cost rationalisation program and leveraging JSB Lighting's existing supply and distribution channels to increase revenue for the whole FOS group. Major changes of this nature carry high levels of implementation risk.</p> <p>There is a risk that if the Company cannot fully turn around the performance of JSB Lighting, the Company may need to expend some of its cash resources or raise further capital to fund JSB Lighting's operations going forward. This may adversely affect the Company's overall financial position and performance and limit its ability to carry out its planned growth initiatives.</p> <p>Any existing or potential contractual, taxation or other liabilities in JSB Lighting may have an adverse effect on the Group's financial profile as a whole. The acquisition of JSB Lighting was conducted on an "as-is where is" basis and, except for taxation liabilities, the seller retained no liability for debts and other liabilities of JSB Lighting. Further, the terms of the acquisition of JSB Lighting are recorded in a short form binding term sheet and not in a traditional detailed sale and purchase agreement and there is a risk that the Company may not be able to enforce its terms effectively.</p>	

1. Investment Overview continued

Topic	Summary	Where to find more information
Liquidity Risk	A material number (up to 73%) of the Company's Shares are expected to be subject to mandatory escrow upon Completion of the Offer, and therefore there is an increased liquidity risk as a large portion of issued capital may not be able to be freely traded for a period of time.	Section 5
Existing Shareholders will retain a significant shareholding	<p>Following Completion of the Offer, the Existing Shareholders will in aggregate hold up to 78% of the Shares. Should the Existing Shareholders sell their Shares in a poorly managed sell down (especially on cessation of the escrow restrictions that apply to the Escrowed Shareholders – see Section 8.2), this may adversely affect the market price of the Shares.</p> <p>In addition, the Existing Shareholders will have the ability to control the appointment of directors and potentially, the outcome of matters submitted to the Shareholders. The interests of the Existing Shareholders may not be aligned with the interests of other Shareholders.</p>	Section 5
Risks associated with continued expansion in new markets	As part of the Company's broader strategy, the Company plans to explore opportunities to invest or acquire further lighting businesses in new geographic or services markets. There are uncertainties attached to expansion into new markets and risk that, despite efforts from the Company, expansion efforts will fail which will adversely affect the growth and profitability of the Company.	Section 5
Industry downturn and increase in imported products	<p>FOS Group's financial performance is largely dependent on activity in the commercial, retail and industrial renovation and new construction end-markets. Activities in these end-markets are impacted by changes in general economic conditions and to legislation and regulation (including building and electricity codes).</p> <p>A prolonged downturn in general economic conditions either globally or in any geographic region in which FOS Group operates may therefore impact demand for products and services in the commercial, retail and industrial renovation and new construction end-markets, thereby decreasing demand for FOS Group's products and services.</p> <p>Any such downturn may have a material adverse impact on FOS Group's operations, net sales and profitability. COVID-19 has resulted in some initial downturn due to the postponement of some projects although much of the downturn has now recovered.</p>	Section 5
Lack of formal written agreements	<p>The majority of FOS Group's customer relationships are governed by informal arrangements. There can be no guarantee that customers will continue to purchase the same or similar quantities of FOS Group's products and services as they have historically. The loss of any of FOS Group's larger customers, or a significant reduction in the volume of products purchased by customers generally, may adversely impact FOS Group's financial performance.</p> <p>Customers may choose not to continue to use FOS' products and services over time, and if new customers do not choose to use FOS' products, the growth in FOS' revenue may slow, or its revenue may decline, which will have an adverse impact on FOS' operating and financial performance.</p>	Section 5
Product failure	The FOS Group believes that the reputation of its products and services are key to its success. The FOS Group's reputation and the value of its brand may be damaged as a result of negative customer or end-user experiences. The FOS Group's reputation may also be adversely affected by the actions or omissions of customers, to whom the FOS Group supplies products. Erosion of the FOS Group's reputation as a result of one or a combination of these factors may reduce demand for the FOS Group's products, diminish the value of the FOS Group's brand, or adversely impact relationships with key customers, suppliers or employees, which in turn may adversely impact the FOS Group's net sales and profitability.	Section 5

Topic	Summary	Where to find more information
Loss of Key people	<p>A loss of key team members with design and or engineering expertise or a loss in manufacturing knowledge. There is also a risk that the FOS Group will not be able to attract personnel with the necessary skills and expertise.</p> <p>The FOS Group's success depends on the continued active participation of its senior management team (outlined in Section 6.2), key operating personnel and the design and engineering team.</p> <p>If the FOS Group was to lose any of its key personnel or unable to employ additional or replacement personnel, its operations could be adversely affected. If any of these events were to occur for a significant period of time, the FOS Group's financial condition, net sales and profitability could be adversely impacted.</p>	Section 5
Competitive position may deteriorate	<p>The FOS Group operates in a competitive industry.</p> <p>The FOS Group's competitive position may deteriorate as a result of, for example, the emergence of new competitors, expanded penetration of imported products, or the FOS Group's failure to successfully adapt to changing market conditions, customer demands, pricing and technological developments. Furthermore, if the FOS Group's existing or new products do not achieve or maintain market acceptance, or if the FOS Group is unable to introduce new products in a timely manner, the FOS Group's operating and financial performance may be adversely impacted.</p>	Section 5
Changes to government rebate schemes	<p>Government rebate schemes have provided additional incentives to transition to LED lighting solutions. Whilst it is expected that these schemes will be re-assessed from time to time, in general, there has been a greater awareness of the benefits of LED lighting within the industry.</p>	Section 5
Development and maintenance of reputation and brand	<p>The Company's success will depend on the maintenance of its reputation and brand.</p>	Section 5
Financing	<p>While the Company believes it will have sufficient funds after Completion of the Offer to meet all of its growth and capital requirements for the near term, the FOS Group intends to rely on a combination of funding options to finance its growth strategy, and possible acquisitions including through the issue of Shares and vendor finance. An inability to raise capital (through the issue of Shares) or to secure funding or drawdown on finance facilities, or any increase in the cost of such funding, may adversely impact the performance and financial position of the FOS Group.</p> <p>Should the Company not be fully successful in turning around the operations of the JSB Group, the Company may need to meet these costs via debt or by way of a further equity capital raising.</p>	Section 5

1. Investment Overview continued

1.5. Directors and key management

Topic	Summary	Where to find more information
Who are the Directors?	<p>The Company has an experienced Board with significant commercial, financial and listed company experience. The Board of the Company currently consists of:</p> <ul style="list-style-type: none"> • Mr Alexander (Sandy) Beard; • Mr Michael Koutsakis; • Mr Michael Monsonego; and • Mr Constantine (Con) Scrinis. 	Section 6
Who are FOS Group's key managers?	<p>Mr Scrinis – CEO and Managing Director</p> <p>Mr Koutsakis – Sales and Marketing Director</p>	Section 6

1.6. Significant interests of key people and related party transactions

Topic	Summary	Where to find more information
What significant benefits and interests are payable to the Directors and other persons connected with the Offer?	<p>Executive remuneration is described in Section 6.</p> <p>Non-Executive Directors will receive remuneration and fees on ordinary commercial terms as described in Section 6.</p> <p>Advisers and other service providers are entitled to fees for services as disclosed in Sections 6.3 and 10.8.</p>	Sections 6.3, 6.4 and 10.8
Who are the Company's key Shareholders and what will their interests be on Completion of the Offer?	<p>The Existing Shareholders of FOS Capital are:</p> <ul style="list-style-type: none"> • SKM Investment Group which is owned and controlled by existing directors, Mr Scrinis, Mr Koutsakis and Mr Monsonego (or entities associated with them) which holds approximately 90.9% of the issued capital of the Company as at the Prospectus Date; and • HGL Limited, an ASX listed entity, which acquired approximately 9.1% (as at the Prospectus Date) of the issued capital of the Company as part consideration of all the shares in Baker & McAuliffe, trading as JSB Lighting. <p>On Completion of the Offer, the Existing Shareholders will hold up to 35 million Shares representing up to 78% of the Shares then on issue.</p> <p>It is not expected any other Shareholder will be a substantial Shareholder following Completion of the Offer.</p>	Sections 6.3 and 7.3
Will any Shares be subject to restrictions on disposal following Completion of the Offer?	<p>Prior to Listing, the escrow requirements for the Existing Shareholder will be confirmed with ASX, and the Company will announce details of what (if any) restrictions are applied before official quotation on ASX commences.</p> <p>None of the New Shares to be issued pursuant to the Offer will be subject to escrow.</p> <p>All of the Existing Shares are expected to be subject to mandatory escrow arrangements until 24 months after the date that Company is admitted to the Official List.</p> <p>These escrow arrangements are discussed further in Section 8.</p>	Section 8

Topic	Summary	Where to find more information																									
What are the related party transactions FOS Group has entered into?	KMS Property's Pty Ltd (KMS) is an entity associated with Con Scrinis and Michael Koutsakis. KMS has granted a lease of the property located at Unit 3B/41 Rose Street, Richmond, VIC 3121 to FOS Lighting. Further details of the lease are set out in Section 8.1.6.	Sections 6.4, 6.5 and 8																									
What are the Directors' Shareholding?	<p>The following table sets out the Relevant Interests of Directors and Senior Management in the Company, both at the Prospectus Date and their expected interests upon Completion of the Offer.</p> <table><tr><th>Director*</th><th>Relevant Interest in Shares on Prospectus Date</th><th>(%)</th><th>Relevant Interest in Shares on Completion of the Offer</th><th>(%)</th></tr><tr><td>Mr Beard</td><td>nil</td><td>0%</td><td>nil</td><td>0%</td></tr><tr><td>Mr Scrinis*</td><td>11,250,000</td><td>34.1%</td><td>11,250,000</td><td>25%</td></tr><tr><td>Mr Koutsakis*</td><td>11,250,000</td><td>34.1%</td><td>11,250,000</td><td>25%</td></tr><tr><td>Mr Monsonego*</td><td>7,500,000</td><td>22.7%</td><td>7,500,000</td><td>16.7%</td></tr></table>	Director*	Relevant Interest in Shares on Prospectus Date	(%)	Relevant Interest in Shares on Completion of the Offer	(%)	Mr Beard	nil	0%	nil	0%	Mr Scrinis*	11,250,000	34.1%	11,250,000	25%	Mr Koutsakis*	11,250,000	34.1%	11,250,000	25%	Mr Monsonego*	7,500,000	22.7%	7,500,000	16.7%	Sections 6.3 and 8
Director*	Relevant Interest in Shares on Prospectus Date	(%)	Relevant Interest in Shares on Completion of the Offer	(%)																							
Mr Beard	nil	0%	nil	0%																							
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Mr Koutsakis*	11,250,000	34.1%	11,250,000	25%																							
Mr Monsonego*	7,500,000	22.7%	7,500,000	16.7%																							
* Indirectly via shareholding in SKM Investment Group Pty Ltd.																											

1.7. Overview of the Offer

Topic	Summary	Where to find more information
What is the Offer?	<p>The Offer is an initial public offering of 12 million Shares to be issued at the Offer Price of \$0.25 per Share to raise \$3 million, before costs.</p> <p>The Shares being offered will represent 27% of Shares on issue on Completion of the Offer. Following Completion of the Offer, the Existing Shareholders will hold up to 78% of the Shares on issue.</p>	Section 7
Why is the Offer being conducted?	<p>The Offer is being conducted to:</p> <ul style="list-style-type: none"> • Enable the FOS Group to implement its growth and expansion strategy recruit sales staff and provide additional working capital; • Satisfy ASX admission requirements; • Provide a liquid market for new investors who invest in the Company by acquiring Shares; • Cover capital raising costs; and • Provide the Company with access to capital markets to improve capital management flexibility and an increased profile that comes from being a listed entity. 	Section 7.1
Minimum subscription	The minimum subscription for the offer is \$3,000,000. The offer will not proceed unless fully subscribed.	

1. Investment Overview continued

Topic	Summary	Where to find more information																											
How will the proceeds of the Offer be used?	<p>The table below sets out a summary of the anticipated use of the proceeds of the Offer:</p> <table> <tr> <th>Use of funds</th><th>Fully subscribed (\$3m)</th><th>Percentage of Funds</th></tr> <tr> <td>Costs of IPO</td><td>\$436,000</td><td>14.5%</td></tr> <tr> <td>General working capital purposes</td><td>\$594,000</td><td>19.8%</td></tr> <tr> <td>JSB restructure</td><td>\$620,000</td><td>20.6%</td></tr> <tr> <td>Installation of photometric lighting laboratory</td><td>\$250,000</td><td>8.3%</td></tr> <tr> <td>Product research & development</td><td>\$300,000</td><td>10.0%</td></tr> <tr> <td>Stock, plant & equipment</td><td>\$500,000</td><td>16.6%</td></tr> <tr> <td>Business Development</td><td>\$300,000</td><td>10.0%</td></tr> <tr> <td>Total</td><td>\$3,000,000</td><td>100%</td></tr> </table> <p>The Offer must be fully subscribed in order to proceed.</p>	Use of funds	Fully subscribed (\$3m)	Percentage of Funds	Costs of IPO	\$436,000	14.5%	General working capital purposes	\$594,000	19.8%	JSB restructure	\$620,000	20.6%	Installation of photometric lighting laboratory	\$250,000	8.3%	Product research & development	\$300,000	10.0%	Stock, plant & equipment	\$500,000	16.6%	Business Development	\$300,000	10.0%	Total	\$3,000,000	100%	Section 7
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Stock, plant & equipment	\$500,000	16.6%																											
Business Development	\$300,000	10.0%																											
Total	\$3,000,000	100%																											
Will the Shares be quoted?	<p>The Company will apply for admission to the official list of the ASX and quotation of Shares on the ASX under the code FOS.</p> <p>Completion of the Offer is conditional on the ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn, and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.</p>	Section 7.8																											
How is the Offer structured?	The Offer is open to investors who have a registered address in Australia.	Section 7																											
Is the Offer underwritten?	No. The Offer is not underwritten.	Section 7																											
What is the allocation policy?	<p>Allocations will be determined by the Board in its absolute discretion in consultation with the Lead Manager.</p> <p>Applications under the Offer must be for a minimum of 8,000 Shares (being minimum Application Monies of \$2,000) and thereafter, in multiples of 4,000 Shares (\$1,000).</p>	Section 7																											
Is there any brokerage, commission or stamp duty payable by Applicants?	No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer.	Section 10.10																											
Will the Company pay any commission or brokerage to financial advisers?	<p>The Company reserves the right to pay a commission of up to 6% (exclusive of goods and services tax) of amounts subscribed through any licensed securities dealers or Australian financial services licensee in respect of any valid applications under the Offer lodged and accepted by the Company and bearing the stamp of the licensed securities dealer or Australian financial services licensee. Payments will be subject to the receipt of a proper tax invoice from the licensed securities dealer or Australian financial services licensee.</p> <p>The Company has appointed KS Capital Pty Ltd as lead manager to the issue.</p>	Section 7.7																											

Topic	Summary	Where to find more information
What are the tax implications of investing in the Shares?	<p>Given that the taxation consequences of an investment will depend upon the investor's particular circumstances, it is the obligation of the investors to make their own enquiries concerning the taxation consequences of an investment in the Company. However, a general overview of taxation consequences is set out in Section 10.</p> <p>If you are in doubt as to the course you should follow, you should consult your stockbroker, solicitor, accountant, tax adviser or other independent and qualified professional adviser.</p>	Section 10
How can I apply?	<p>Applicants under the Offer can apply by completing and returning the Application Form attached to or accompanying this Prospectus also available online for Australian investors from www.foscapital.com.au. Application forms should be accompanied by the requisite Application Monies.</p> <p>Payment may also be made via BPAY®.</p> <p>Application Monies must be received by the Share Registry by 5.00pm AEST on 31 May 2021. To make a payment via BPAY®, Applicants must apply online at www.foscapital.com.au and must comply with the instructions provided on the website.</p> <p>The key dates for the Offer are set out in the front of this Prospectus.</p> <p>Applications will only be accepted during the Offer Period which is open from 9.00am (Melbourne time) 10 May 2021 to 5.00pm (Melbourne time), 31 May 2021 unless extended.</p> <p>All times and dates referred to in this Prospectus are subject to change and, as such, if you wish to participate in the Offer you are encouraged to submit your Application Form as soon as possible after the opening date.</p> <p>To the extent permitted by law, an Application by an Applicant under the Offer is irrevocable.</p>	Section 7
When will I receive confirmation that my Application has been successful?	<p>Confirmations of successful Applications in the form of holding statements are expected to be dispatched by standard post on or about 4 June 2021.</p>	Section 7
Can the Offer be withdrawn?	<p>The Company reserves the right not to proceed with the Offer at any time before the issue of Shares to successful Applicants. If the Offer is not fully subscribed, the Offer will be withdrawn.</p> <p>If the Offer does not proceed, Application Monies will be refunded.</p> <p>No interest will be paid on any Application Monies refunded as a result of the withdrawal of the Offer.</p>	Section 7
Where can I find more information about this Prospectus or the Offer?	<p>If you have any questions about this Prospectus or how to apply for Shares, please call the FOS Group IPO Information Line on 1300 241 087 (within Australia) or +61 7 3277 722 (outside Australia) from 9 am to 5pm (AEST), Monday to Friday (excluding public holidays).</p> <p>If you are unclear or uncertain as to whether the Company is a suitable investment for you, you should seek professional guidance from your lawyer, stockbroker, accountant or other independent and qualified professional adviser before deciding whether to invest in Shares.</p>	Important Notices

2.

Industry Overview



2. Industry Overview

2.1. Introduction

This Prospectus (and in particular this Section 2) contains data relating to the industries, segments and end-markets in which the FOS Group operates.

Such information includes, but is not limited to, statements and data relating to: product segment and category sizes, estimated historical and forecast market growth, market segmentation market trends and the FOS Group's estimated industry position. Unless otherwise stated, this information has been prepared by the Company using both publicly available data (including Third Party Data) and its own internally generated data. The Company's internally generated data is based on estimates and assumptions that both the Directors and the Company's management believe to be reasonable, as at the Prospectus Date.

To the extent the information relates to future events, it is subject to risks and uncertainties and may change as a result of various factors, including those described in Section 5.

2.2. Overview of the Lighting Industry

The FOS Group operates in the commercial, retail and industrial lighting markets in Australia. The Directors believe that the total lighting industry in Australia is valued at approximately \$2.67 billion, comprising:

- \$968 million of locally manufactured products; and
- \$1.7 billion of imported products.

The Australian lighting industry is serviced by locally manufactured and imported products. Based on the FOS Group's current service offerings, the Directors believe that the FOS Group is operating in a total addressable market of approximately \$1 billion.

Note: (IBIS World) Report C2432 Electric Lighting Equipment manufacturers in Australia.

Manufacturing segment

Trends

The industry has benefited from consumer trends favouring improved energy efficiency and from the emergence of new technology, such as solid-state lighting. Consumers have increasingly been saving energy and money through their choice of lighting products. Rising electricity costs, environmental concerns and regulation have supported this trend by encouraging businesses and consumers to adopt energy-efficient electric lighting equipment. Innovative, eco-friendly lighting solutions represent the greatest growth opportunities for most industry firms.

Industry revenue is anticipated to decline over the next five years as operators struggle to retain their share of domestic demand. However, some construction industries that demand large quantities of industry products are projected to decline over the next five years. Road and bridge construction, which requires traffic and road lights, and building construction are anticipated to decrease over the next five years. This will be offset slightly by rising household discretionary income, which should support demand for industry products from households over the period. Competing imports are projected make up an increased share of revenue over the period. Overall, industry revenue is forecast to decline at an annualised 2.3% over the five years through 2024-25, to \$860.4 million.

Note: (IBIS World) Report C2432 Electric Lighting Equipment manufacturers in Australia.

Fragmented market

The Electric Lighting Equipment Manufacturing industry exhibits a low level of market share concentration, with the top four players expected to account for less than one-quarter of industry revenue in 2019-20. The industry is highly fragmented, with the majority of enterprises employing fewer than 20 staff. Despite high fragmentation, industry concentration is increasing as larger players acquire other firms and smaller players exit the industry. Major players have been involved in a large amount of acquisition activity over the past five years, with manufacturers increasingly providing a range of brands for differing segments of clientele. Furthermore, manufacturers and wholesalers are becoming more vertically integrated, with larger companies seeking to maximise their share of revenue through the supply chain.

Note: (IBIS World) Report C2432 Electric Lighting Equipment manufacturers in Australia.

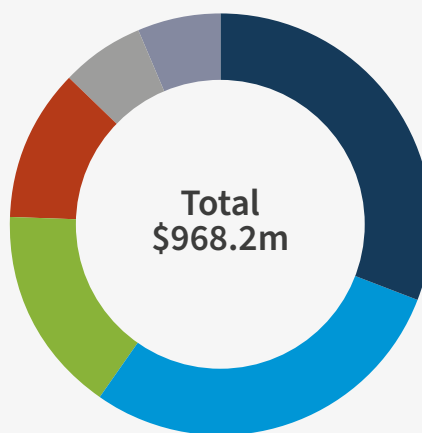
2. Industry Overview continued

The Directors believe there is opportunity to consolidate a relatively fragmented industry noting:

- the Company's largest competitor has approximately 14% of the total lighting market share;
- there are many styles of lighting, both decorative and commercial, meaning many companies have their own designs and niche, resulting in a large number of competitors, most of which do not compete directly; and
- given the varied industries and lighting requirements, typically, suppliers and manufacturers focus on dedicated product categories and or sectors.

Major Market Segmentation (2019-20)

Electrical and lighting wholesalers	31.0%
Commercial and Industrial construction firms	28.9%
Transport infrastructure construction firms	15.9%
Exports	11.5%
Residential construction firms	6.5%
Other Sectors	6.2%



(IBIS World) Report C2432 Electric Lighting Equipment manufacturers in Australia.

Import segment

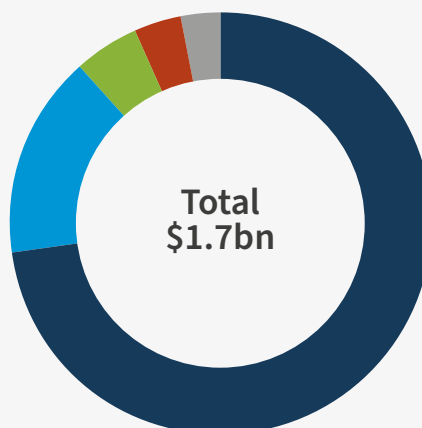
The Electric Lighting Equipment Manufacturing industry is a net importer of products, and imports have met a rising share of demand for industry products over the past five years. Imported industry products are typically low-cost generic items, such as light bulbs and lighting control gear.

The industry is characterised by a high level of competing imports. Australia has higher production costs than most other countries, particularly wage and operational costs, which have made imported products more attractive to local consumers.

China is the primary source of industry imports, accounting for almost three-quarters of imports. This is followed next by Germany and the United States at 5% and 3.6% of imports respectively, although both of these countries generally focus on higher quality products due to their expertise in lighting materials, design and production (IBIS World).

Imports From...

China	73.0%
Other	15.4%
Germany	5.0%
United States	3.6%
Italy	3.0%



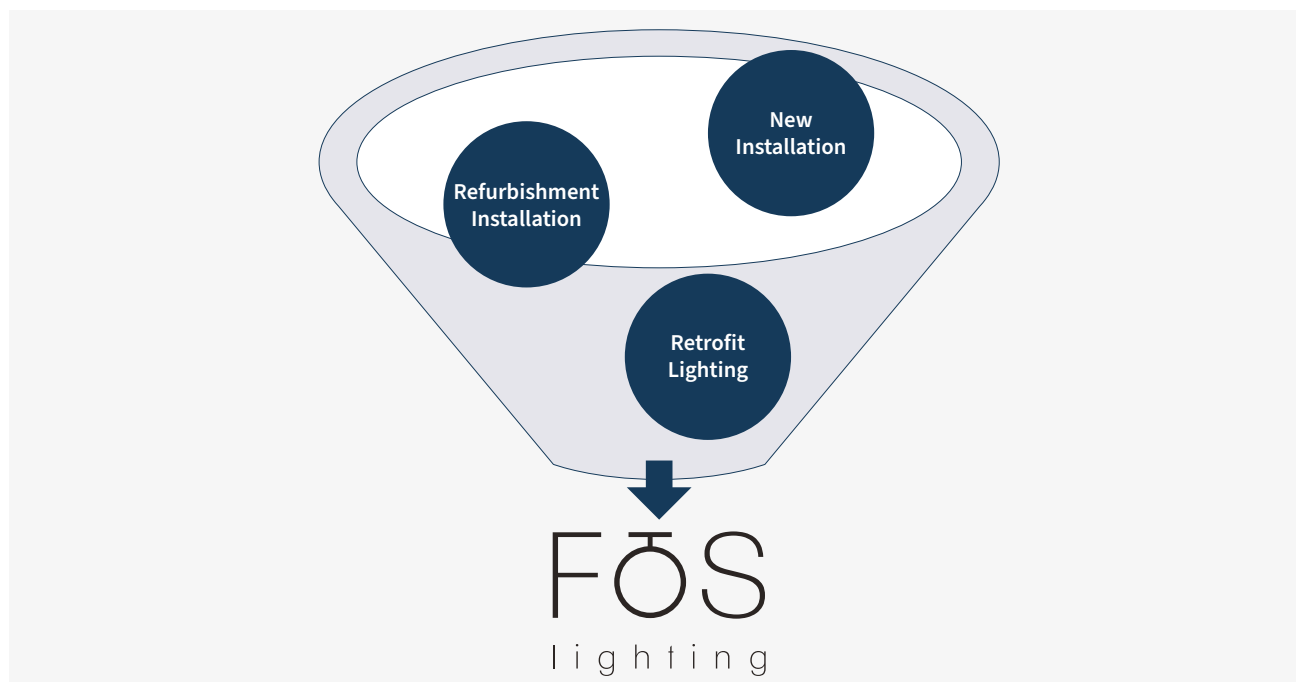
(IBIS World) Report C2432 Electric Lighting Equipment manufacturers in Australia.

Note: (IBIS World) Report C2432 Electric Lighting Equipment manufacturers in Australia.

2.3. Revenue streams in the Australian lighting industry

There are 3 key revenue streams for the players in the Australian lighting industry:

- new installations (new buildings being erected);
- refurbishment installations (remodeling of an existing building); and
- retrofit lighting (usually to upgrade from old technology to the more efficient LED).



2.4. Lighting Sectors and product offerings

The Lighting sector operates across many sectors of the building industry including:

- Commercial offices;
- Residential;
- Retail;
- Roadway;
- Industrial warehouses;
- Education;
- Hospitality;
- Aged care; and
- Education;
- Transportation.
- Medical;

The FOS Group has a product offering that meets all of the above key sectors, other than Roadway.

2. Industry Overview continued

The lighting industry caters for a full range of product solutions including indoor, outdoor and industrial lighting solutions, namely:

- | | | |
|---------------------------|--------------------|-----------------------|
| • Indoor | • Outdoor | • Industrial |
| – Downlights | – Pole mounted | – High bay |
| – Spotlights | – Wall mounted | – Low bay |
| – Track lights | – Recessed mounted | – Linear systems |
| – Pendants | – Flood lighting | – Surface mounted |
| – Wall lights | – Linear systems | – Wall mounted |
| – Floor Lights | – Inground | – Recessed mounted |
| – Table Lights | – Bollards | – Emergency Systems |
| – Linear Systems | – Underwater | – Lighting management |
| – Surface mounted | | |
| – Recessed mounted | | |
| – Motorised architectural | | |

2.5. Increased focus on energy efficiency

Emergence of LED

LED lighting has advanced considerably, with improvements in energy efficiency of up to 80% compared to traditional lighting sources. New technology LED lighting is now the leading technology being adopted in the majority of all new lighting installations. LED lighting enables much lower wattages to be achieved compared to older technology and also has a longer life span.

Federal and state governments now offer various rebate schemes to encourage the changeover from old to new technology. These schemes, along with a general trend to reduce power consumption, have resulted in an increase in LED installations in both domestic and commercial sectors throughout Australia.

There are three major State and Federal government energy savings schemes in operation around Australia:

- **The NSW Energy Savings Scheme (ESS)**

The ESS is a liability-based mechanism that operates in the demand side of the NSW electricity network. The scheme works by placing a liability on major electricity producers to offset a percentage of the electricity that they produce by purchasing Energy Savings Certificates (ESC's).

ESC's can only be created by Accredited Certificate Providers (ACP's) when energy savings occur as a result of technology and process upgrades. Each ESC represents 1MWh of saved electricity.

- **Victorian Energy Efficiency Target (VEET)**

The VEET essentially operates in the same way as the NSW ESS. The certificates created under the Scheme are called Victorian Energy Efficiency Certificates (VEEC's).

- **Commonwealth Emission Reductions Fund (ERF)**

The ERF is a little different to the NSW and Victorian Schemes. It operates across the entire country, it awards certificates for carbon emission reductions rather than electricity savings and it awards these certificates through an incentive-based mechanism rather than a liability based one.

The certificates are called Australian Carbon Credit Units (ACCU's) and are tradable financial instruments. Project proponents obtain ACCU's from the Clean Energy Regulator when emission reductions are verified to have occurred. ACCU's can be sold back to the Clean Energy Regulator or on the secondary market for carbon certificates.

Energy control systems

Consumers are also seeking to reduce energy costs and increase efficiencies by adopting remote lighting control systems. The FOS Group is an innovative lighting solution provider and is experienced in the latest in lighting control products such as Bluetooth Low Energy (BLE). BLE is state-of-the-art wireless technology and the only low power wireless technology in all modern smartphones, tablets and even smart watches, making it the only mainstream and future proof low power radio technology in the world.

Latest in Lighting Control

FOS Lighting uses the latest in lighting controls – Bluetooth Low Energy (BLE).



2.6. Competition

There are numerous lighting suppliers in Australia. Most of these players are small to medium enterprises many of which have been established over long periods of time. The majority of these suppliers now fully import products from lower cost jurisdictions. This has resulted in a number of Australian manufacturers ceasing manufacturing in Australia.

The import model which has been adopted by these suppliers, limits their ability to offer a full design and fabrication offering. Accordingly, although the Australian lighting industry is mature with established competitors, competition within the design and manufacture segment is significantly less. Those manufacturers typically focus on a small range of bespoke offerings. In this respect, the Directors believe this sector of the industry is somewhat fragmented and poses real consolidation opportunities.

As a mature market the key barriers to market entry are competing against established lighting providers and costs to commence operations.

2.7. New Technology

The industry is also moving into new technology sectors including 'IoT' Lighting.

The Internet of things or IoT is a system of interrelated computing devices, mechanical and digital machines, objects, animals or people that are provided with unique identifiers and the ability to transfer data over a network without requiring human-to-human or human-to-computer interaction.

Lighting is a natural player in the IoT space as every lighting point is a conduit to send and receive data, providing an opportunity to create smarter solutions in all aspect of our day to day activity. Cities are growing and getting smarter, buildings are getting more efficient, reducing energy costs and providing real-time data innovative retail experiences are being visualised. There will be a need not just to provide energy efficient lighting, but lighting that provides energy that is sustainable, by providing cities with lighting systems connected to data systems, making them more liveable.

Engaging and attracting retailers has moved to the next level and connecting lighting systems that enable retailers to better understand consumer activity and behaviour is a valuable insight. They are then able to create an experience that provides a competitive edge. FOS Group has the ability to provide such solutions for innovative partners and clients.

3.

Company Overview



3. Company Overview

3.1. Introduction and background

The Company is a provider of commercial, retail and industrial LED lighting solutions in Australia. The FOS Group is one of a few wholly owned Australian lighting suppliers which has maintained full manufacturing capabilities in Australia. The Company provides a complete 'concept to completion' lighting design and manufacturing service supported by an integrated teams of lighting designers and expert engineers.

The Company is an Australian public company. It's registered office is located in Melbourne, Victoria.

3.1.1. Key product categories

The FOS Group are suppliers of both indoor and outdoor lighting solutions including:

- Bollards
- Commercial
- Downlights
- Exterior
- Floodlighting/Projectors
- Highbay/Lowbay
- Intelligent Lighting Systems
- Linear Systems
- Modular Lighting Systems
- Motorised
- On-Ground/In-Ground Luminaires
- Pole Mounted
- Recessed Luminaires
- Spotlights & Tracks
- Surface & Pendant Luminaires
- Low Voltage Track Systems
- Table & Floor Lamps
- Underwater

3.1.2. Key markets

FOS Group services retail, commercial and industrial sectors which include:

- Café/Restaurant
- Commercial
- Cultural/Art
- Educational/Technology
- Health/Aged Care
- Hotel/Wellness
- Industrial/Engineering
- Office/Communication
- Outdoor/Architectural
- Public/Community Spaces
- Residential/Facade
- Retail/Presentational
- Sports Lighting

3.1.3. Key Management

Key management have successfully owned and operated lighting businesses for over 30 years. The Management team comprises:

- Sandy Beard is currently Executive Chairman of HGL Limited (ASX:HNG), Chairman of Probiotec Limited (ASX:PBP), Director of Centrepont Alliance (ASX:CAF), Director of Purefoods Tasmania (ASX:PFT).
- Con Scrinis, Managing Director. Previously MD of Moonlighting, Traffic Technologies & Stokes Ltd (now SKS Technologies Ltd);
- Michael Koutsakis, Executive Director Sales and Marketing. Previously held key roles at Sun Lighting, Moonlighting, Zumbotob, WEEF and Stokes Ltd (now SKS Technologies Ltd); and
- Michael Monsonego – Non-Executive Director General Manager of FORMA Lighting Hong Kong.

Mr Scrinis has extensive experience in the commercial, retail and industrial lighting industry having founded Moonlighting in 1991 before divesting the business to Gerard Lighting Holdings Pty Ltd in 2004. When FOS Lighting Group commenced trading in April 2019, Mr Koutsakis and Mr Monsonego subsequently became Directors and shareholders.

See Section 6 for further details of the Key Management.

3. Company Overview continued

3.1.4. History of the FOS Group and corporate structure

The Company was incorporated on 31 October 2019 for the primary purpose of acquiring FOS Lighting Group and its subsidiary FOS Lighting, and managing and operating their respective businesses.

The Company also owns 100% of the issued capital of FOS Lighting Group, a company founded by Mr Con Scrinis, which commenced trading in April 2019 to focus on the demands of the commercial, retail and industrial lighting market.

In June 2019, FOS Lighting Group acquired 100% of the issued capital in FOS Lighting, formerly Frend Lighting Industries Pty Ltd (**Frend Lighting**). Frend Lighting was established in 1996 and has a large manufacturing facility based in Brisbane.

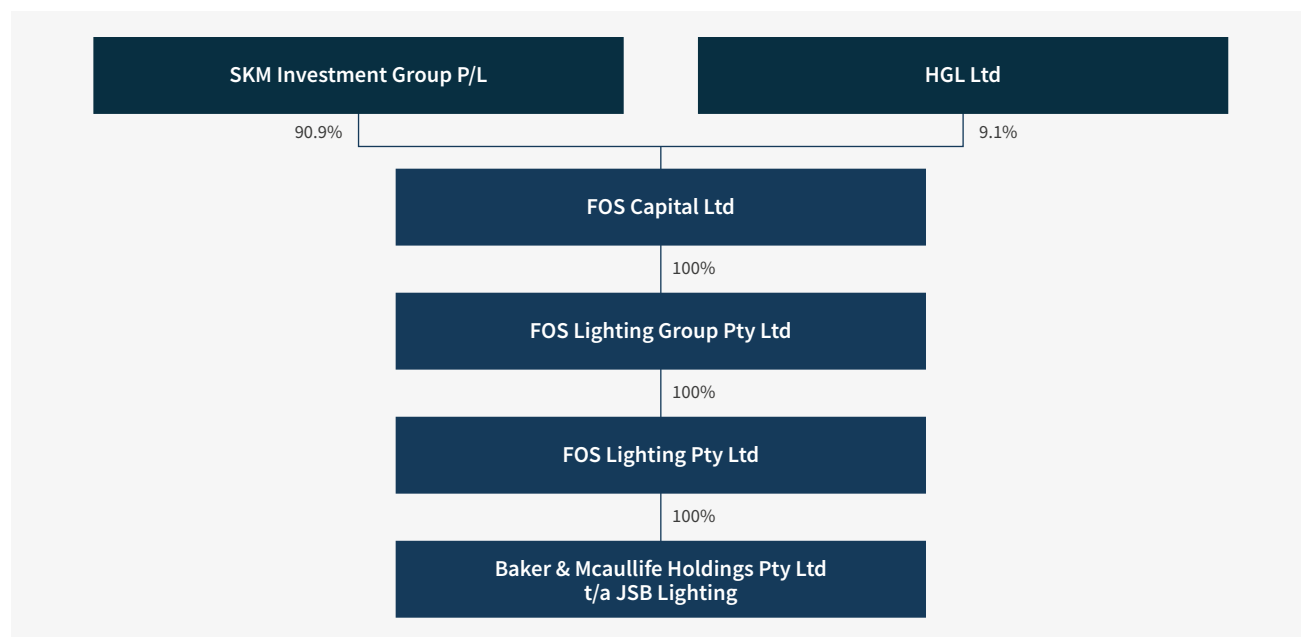
On 3 February 2020 as part of an internal restructure, the Company acquired all the ordinary shares in FOS Lighting Group pursuant to the Share Exchange Agreement (see section 8.1).

In November 2020 FOS Lighting acquired a 50% shareholding in Baker and McAuliffe Pty Ltd trading as JSB Lighting from ASX listed HGL Limited. In February 2021, acquired full 100% ownership.

JSB Lighting was established over 28 years ago and has offices in all States of Australia and New Zealand. See further details regarding JSB Lighting at section.

The Company conducts its business operations through FOS Lighting Group Pty Ltd and FOS Lighting Pty Ltd.

The corporate structure of FOS Group on the Prospectus Date is as follows:



3.1.5. Acquisition of Frend Lighting

The key drivers for the acquisition of Frend Lighting by FOS Lighting Group were:

- to access its specialist manufacturing capabilities, including sheet metal and aluminium fabrication, powder coat paint line, assembly and testing facilities, sample and prototype manufacturing capability;
- an extensive product range including commercial and industrial luminaires to suit a wide variety of applications;
- established component and raw material suppliers both local and offshore; and
- an established customer base including government agencies and national electrical wholesalers,

all of which have complemented the FOS Group's existing sales and distribution network.

3.1.6. JSB Lighting Acquisition

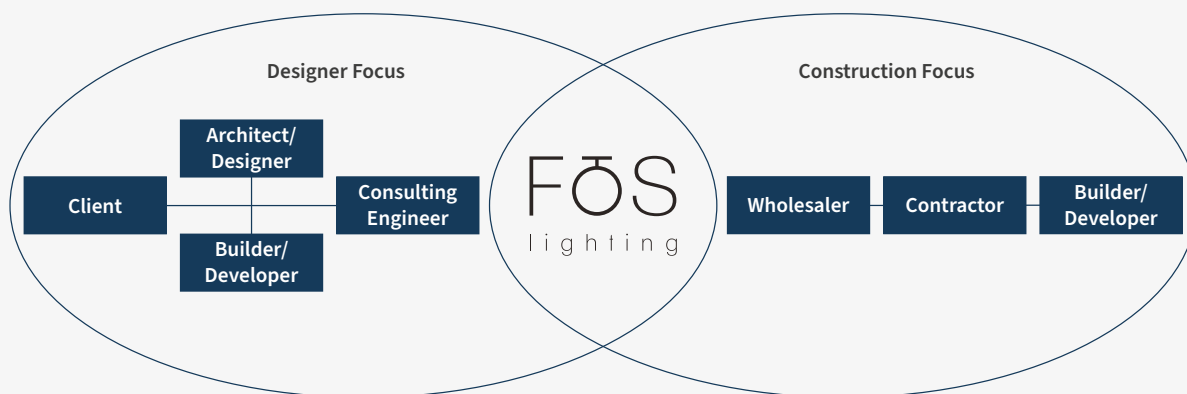
The key drivers for the acquisition of JSB Lighting were:

- The opportunity to acquire a lighting supplier with Australian based manufacturing expertise;
- Increase manufacturing and supply scale to pursue larger lighting opportunities and reduce costs;
- Access to JSB Lighting's product range; and
- Opportunity to leverage JSB Lighting's existing distribution and supply network to expand the FOS Group's current product offerings.

As a result of the Frennd Lighting and JSB Lighting acquisitions above, the FOS Group now has a platform to grow a larger and more diversified lighting manufacturing and distribution business using the Directors' extensive experience in this industry.

3.1.5. Overview of market sector

Market Sector



Construction & Designer Network



The Company operates a solutions-driven innovative lighting and controls business using in house designers and engineers, to design, manufacture and supply commercial, retail and industrial lighting solutions for the market. The products are designed and specified into projects via industry professionals including lighting designers, architects, engineers, interior designers.

FOS Lighting has a strong working relationship with all professional design/engineering sectors to ensure they are nominated as the preferred supplier on these major projects.

Products are installed using the electrical contractors and purchased and sourced through wholesalers.

FOS Lighting has strong relationships with the construction sectors. The Company partners with key stakeholders to improve the installation of these products.

FOS
lighting

3. Company Overview continued

3.2. Competitive Advantages

3.2.1. Competitive advantage through manufacturing

The Company, through its acquisitions of Frend Lighting (now FOS Lighting) and JSB Lighting, is now one of a handful of lighting companies that maintain complete manufacturing capability in Australia. The Directors believe this is one of the Company's key competitive advantages as it enables the Company to:

- meet short lead times which are often required on large and small projects;
- assist with product design and engineering to ensure products specification meet manufacturing capabilities;
- offer manufacturing of bespoke products further enhancing its product and service offering to its customers which has the added benefit of improving gross profit margins; and
- offer quick and reliable after sales service.

The Company's management team has extensive experience in the manufacturing sector and hold a strong belief that domestic manufacturing has a role to play in the Australian lighting industry.

COVID-19 has led to a clear shift with customers preferring to source Australian-made products to ensure reliable access to product. FOS is well positioned to take advantage of this change as it is one of very few Australian lighting companies to have a fully integrated local manufacturing facility.

Australian Owned & Local Manufacturer

FOS Lighting is a fully Australian owned company that manufactures commercial grade lighting solutions across the building sector.



3.2.2. Competitive advantage through engineering capabilities

The FOS Group operates a comprehensive in-house design and engineering department, consisting of approximately 7 engineering staff.

The FOS Group's in-house design and engineering team enables the Group to provide a value-added service in bidding and tendering for work, as well as improving product development, testing and sufficient handling of customer requirements. The FOS Group's engineers are outcome-focused with a view to ensuring its partners are successful in their bidding process.

The recent consolidation of the JSB Lighting business into FOS Group has already provided material synergies and scale that will allow the two businesses to be able to compete more successfully in the commercial lighting market.

3.2.3. Exclusive Distributorship – Formalighting

The FOS Group is the exclusive Australian distributor of the Formalighting range.

Forma has for over 50 years and 2 generations been dedicated to the design, manufacture and application of functional, innovative, solution oriented, high-quality architectural lighting. Formalighting are designers and manufacturers of high-end Italian architectural lighting fittings.

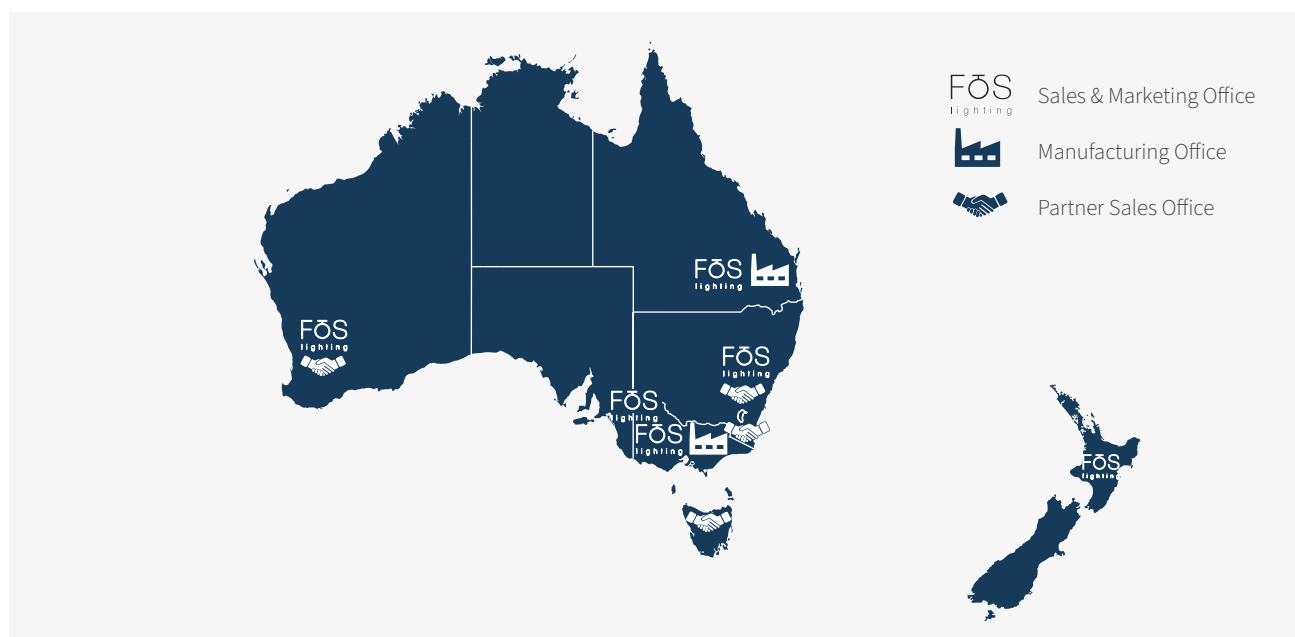
Formalighting is one of the first European lighting companies to open its own, wholly-managed ISO certified factory in China by the late 1990's.

This Italian family-run business still conveys the importance of integrity, personal service and an inviting business culture – winning formalighting its unique relationships with lighting designers, architects, distributors, project managers and suppliers – all of whom integrate their own industry experience, which have steered formalighting to competing globally as a leading manufacturer of architectural lighting.

3.2.4. JSB product lines and distribution networks

Through the acquisition of JSB Lighting the FOS Group now has access to a number of new product lines that enhance the total product offering of the group. This along with the additional geographical reach with offices in Sydney, Perth and New Zealand enable FOS to have further reach and greater penetration into the commercial, industrial and retail markets that the company operates in.

3.2.5. Geographical Presence – National Support & Sales Network



3.3. The Businesses

The Company operates the following businesses:

FOS Lighting Group Pty Ltd	
Business History and Overview	FOS Lighting Group Pty Ltd was incorporated in November 2018 and commenced operations in April 2019, to target the lighting requirements of the commercial, retail and industrial building industry.
Location	Offices are located in Richmond, Victoria and Salisbury, Queensland and Adelaide, South Australia, New South Wales, Western Australia, New Zealand.
Business Model	Design, manufacture and distribute lighting products and solutions to the commercial retail and industrial building industry.
Corporate Structure	Wholly owned subsidiary of the Company. The Company acquired all the issued shares in FOS Lighting Group in February 2020.

FOS Lighting Pty Ltd (formerly Frend Lighting Pty Ltd)	
Business History and Overview	FOS Lighting Pty Ltd (formerly Frend Lighting) was acquired by FOS Lighting Group Pty Ltd in June 2019.
Business Model	Design, manufacture and distribute lighting to the commercial, retail and industrial building industry.
Corporate Structure	Wholly owned subsidiary of the Company. FOS Lighting Group Pty Ltd acquired all the issued shares in FOS Lighting Pty Ltd (Frend Lighting) in June 2019.

3. Company Overview continued

Baker & McAuliffe Pty Ltd trading as JSB Lighting	
Business History and Overview	Operates as JSB Lighting.
Business Model	Design, manufacture and distribute lighting to the commercial, retail and industrial building industry.
Corporate Structure	Wholly owned subsidiary of FOS Lighting Pty Ltd. FOS Lighting Pty Ltd acquired 50% of the issued shares in Baker & McAuliffe Holdings Pty Ltd T/A JSB Lighting in November 2020 and the balance in February 2021.

3.4. FOS Group's business model

3.4.1. Key divisions of FOS Group

The FOS Group is made up of the two following key divisions:

- **Lighting design and engineering service:** The FOS Group has a specialist in-house integrated team of lighting designers and engineers who drive product innovation to deliver bespoke lighting solutions to building networks, including electrical consulting engineers, architects, builders and electrical contractors. As the FOS Group will often manufacture to the customer's specific requirements, a significant amount of customisation is required which assists in maintaining margins. The in-house designers and engineers have a detailed understanding of the manufacturing process and limits, ensuring an overall streamlined manufacturing process.
- **Lighting manufacturing service:** The FOS Group manufactures approximately 54% of its products at its Australian plant and in FY'20 imported approximately 46% of its products, predominately from Chinese and European based suppliers.

3.4.2. Manufacturing facilities

As a result of the recent acquisition of JSB Lighting, the FOS Group had two similar but separate manufacturing facilities based in Brisbane. As part of the Restructure, the Company has now consolidated and streamlined the manufacturing facilities by transferring the JSB Lighting capability to the existing FOS Group facility. This facility has fully integrated sheet metal processing facilities incorporating guillotines, break and turret presses, automated powder coat line and final assembly and testing facilities. The FOS Group also manufacture a large range of aluminium extruded products. The combined expertise will allow the Company to increase scale to target larger commercial projects

One of the FOS Group's key advantages is its ability to manufacture and deliver orders with short lead times. It is only one of only a handful of companies that still manufacture in Australia.

COVID-19 seems to have resulted in customers preferring to source Australian-made products rather than from overseas suppliers. FOS is very well positioned to take advantage of this change.

3.4.3. Brands and Products

The FOS Group's manufactured brands include 'Frend' commercial products, 'Megabay' exterior and weatherproof products and 'Vekta' linear extruded products. The FOS Group also distributes the 'Forma Lighting' commercial and architectural ranges and 'Survivor Lighting' impact resistant products in Australia.

FOS Lighting Product Ranges

- FOS manufactures a full range of:
 - Commercial luminaires, outdoor fittings and linear extruded lighting
- FOS is the exclusive distributor of Forma Lighting in Australia
 - Complete range of commercial and architectural lighting



3.4.4. Sales and distribution:

The FOS Group has sales offices in Melbourne, Brisbane, Adelaide, Sydney, Perth and Auckland and a distributor network in the other Australian States. The FOS Group's engineers design lighting using sophisticated photometric programs to ensure that light levels meet the required specification. The FOS Group also offers a complimentary design service to its key clients including the provision of electrical engineers and architects as part of its one stop shop approach to designing, manufacturing and supplying complete lighting projects.

Typically, the FOS Group's products are specified into a project at the design stage and after a successful tender, orders are received and processed. The FOS Group receives the majority of its orders from electrical wholesalers with 30-60-day payment terms from the date of supply of the product. The FOS Group does not install lighting products.

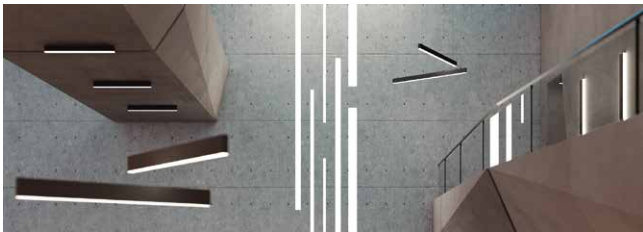
As most projects are bespoke, The FOS Group holds little in the way of finished goods.

3. Company Overview continued

3.5. Product range

FOS Group has an extensive range of products that enable a complete fit out of major projects. The project range includes:

- Downlights
- High bays
- Low bays
- Wall lights
- Track lights
- Pendant lights
- Decorative
- Linear extruded
- Vandal proof
- Weatherproof
- Garden lights
- Exterior lights
- Street and area lighting
- Motorised spotlights
- Recessed ceiling troffers
- Panel lights
- Strip lights
- Modular lighting
- Lighting controls and management



Linear systems



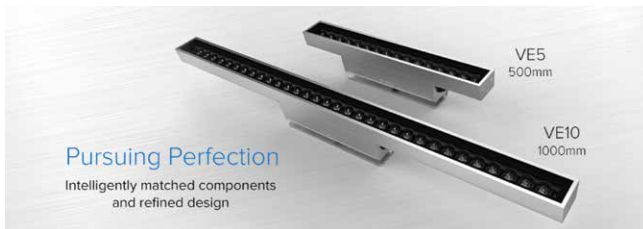
Megabay Orbica



Megabay Accento



Megabay Aqovis



Megabay Viento



Megabay Omnyx

3.6. FOS Group's Growth Strategy

The Board and senior management team aim to drive growth through the following five-tiered growth strategy:

3.6.1. Expansion of sales and distribution arm

With the recent acquisition of JSB Lighting, the FOS Group currently operates out of Melbourne, Brisbane, Adelaide, Sydney, Perth and Auckland. FOS intends to expand operations in all existing locations.

3.6.2. Additional product lines

The FOS Group currently manufactures sheet metal commercial light fittings, exteriors weather resistant fittings and have recently added a comprehensive linear extruded product to its range. The FOS Group will continue to research and develop various products to meet industry trends and to fill gaps in its range as required.

3.6.3. Organic growth

The FOS Group expects to continue its organic growth in both existing and expansion locations by adding experienced and professional sales and engineering staff in order to grow sales.

3.6.4. Export markets

The FOS Group recently appointed a distributor to the UAE and intends to export its Megabay range to Asia, the United States and Europe and is currently in discussions with other distributors for these regions.

The Megabay range is a high-end external product range well suited to the export markets due to its quality in performance and manufacture and relative low cost to manufacture.

3.6.5. Future acquisitions

One of the reasons the Company is pursuing an ASX listing is to have access to the capital markets in order to fund future acquisitions. Given the highly fragmented nature of the lighting industry in Australia, growth by acquisition will be a central pillar of FOS Group's growth strategy.

The Board and Senior management have proven track records of identifying, acquiring and integrating acquisition targets.

The Directors believe that the FOS Group is well poised to use its current structure as a platform for further growth through complementary and synergistic acquisitions. The Directors believe there is opportunity to consolidate what is a relatively fragmented industry. Suitable acquisition targets will need to demonstrate an ability to offer additional products within the FOS Group's existing capabilities and expand customer base and geographic spread.

Acquisitions, when handled correctly, bring scale, products, people and customers together that will enable the Company to accelerate its growth and bring economies of scale. The Company intends to pursue acquisitions in broader electrical, industrial and technology sectors in order to diversify its revenues across a wider range of products and services and customers.

3. Company Overview continued

3.7. The FOS Group's key operational and financial drivers

There are a number of factors relevant to the FOS Group's financial and operational performance:

3.7.1. Revenue

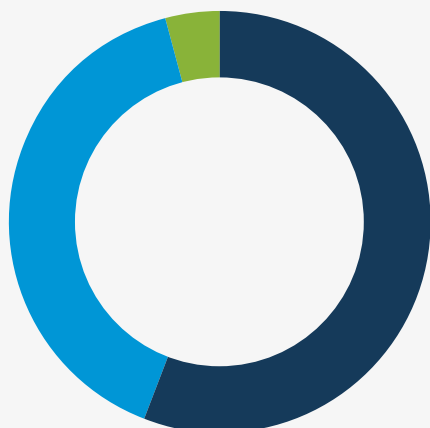
Revenue for the FOS Group will primarily be determined by the following factors:

The FOS Group operates in the commercial, retail and industrial building industry and sells a broad range of commercial, retail and industrial manufactured and imported light fittings. The FOS Group's broad range of products and customers ensures there is no concentration in any one area, therefore diversifying risk. Sales are driven by key account managers who have long standing relationships with the FOS Group's customer base. The FOS Group has the ability to package complete projects enabling a one stop shop approach which differentiates itself from the majority of its competitors. The FOS Group also manufactures the majority of its products in Australia enabling quick turnaround times which are critical in this industry.

Sales for FY20 (excluding JSB Lighting) reached \$5.8 million.

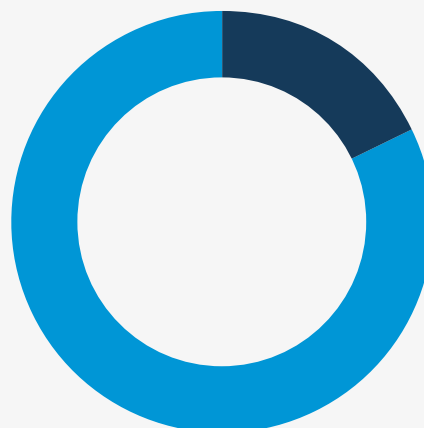
Revenue by Region FY 2020

Queensland	56%
Victoria	40%
NSW	4%



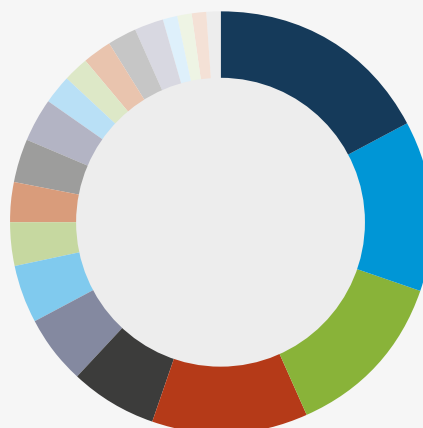
Revenue by Region FY 2019

Victoria	18%
Queensland	82%



Revenue – Top 20 Customers FY 2020

Customer A	16%	Customer K	3%
Customer B	12%	Customer L	2%
Customer C	12%	Customer M	2%
Customer D	11%	Customer N	2%
Customer E	6%	Customer O	2%
Customer F	5%	Customer P	2%
Customer G	4%	Customer Q	1%
Customer H	3%	Customer R	1%
Customer I	3%	Customer S	1%
Customer J	3%	Customer T	1%



3.7.2. Expenses

Employee remuneration

Employee remuneration comprises the largest expense for the FOS Group. Ensuring maximum staff utilisation and prudent planning and control of rosters is important to ensure profitable operation. However, it is also equally important to retain and align the interest of highly qualified professionals who are integral in providing a quality service.

The FOS Group currently employs 50 staff (including JSB Lighting) and intends to grow its business both organically and by acquisition. The FOS Group is currently exploring seeking export opportunities.

Occupancy costs

Building and occupancy costs, primarily leasehold costs, will be approximately \$725,000 for the full financial year 2021.

Other expenses

Other expenses, include direct costs and consumables, insurance, advertising and marketing expenses, travel and motor vehicle expenses, and listed company expenses.

The Directors consider these expenses can be managed more effectively through centralised administration.

3.8 JSB Lighting

Introduction to JSB Lighting

JSB Lighting is a manufacturer and supplier of commercial and architectural lighting products within Australia and New Zealand and has been operating over 28 years. Currently the business employs 19 staff members who are spread across locations in Sydney, Brisbane, Adelaide, Perth, Melbourne and Auckland.

JSB Lighting specialises on applying solution-based lighting on the latest in luminaire design and performance.

JSB Lighting distributes the following brands.

- Luceplan;
- Eclatec;
- IILUS;
- Red Square;
- TAL;
- Securlight;
- LJUS Design; and
- Legacy Sports Lighting Brands.

This extensive range of products is functional for both indoor and outdoor environments and able to be utilised across the residential and commercial, retail, aged care and hospitality lighting sectors.

JSB Lighting's capabilities focus on designing and specifying lighting products for electrical engineers, architects, designers and contractors.

JSB has sales offices in Melbourne, Brisbane, Adelaide, Sydney, Perth and Auckland. The JSB sales engineers design the lighting using sophisticated photometric programs to ensure that light levels meet the required specification. JSB offers the design service complimentary to its key clients including electrical engineers and architects as part of its one stop shop approach to designing, manufacturing and supplying complete lighting projects.

Typically, JSB's products are specified into a project at the design stage and after a successful tender, orders are received and processed. JSB receives the majority of its orders from electrical wholesalers with 30-60-day payment terms from the date of supply of the product. JSB does not install lighting products.

As most projects are bespoke, JSB holds little in the way of finished goods.

3. Company Overview continued

FOS acquisition of JSB Lighting

The Group acquired 50% of the shares in Baker & McAuliffe Pty Ltd trading as JSB Lighting in November 2020 from ASX listed HGL Limited. On the 1st of February 2021 having completed the majority of the Restructure, the Company, via its wholly owned subsidiary FOS Lighting Pty Ltd acquired the remaining 50% and now owns 100% of Baker & McAuliffe Pty Ltd.

In consideration for the initial acquisition of 50% of Baker & McAuliffe Pty Ltd, HGL limited was issued with 3 million fully paid ordinary shares (representing 9.1% of the Company's issued capital prior to Completion of the Offer) in the Company (as FOS Lighting's parent company). The consideration paid for the balance (50%) of the issued capital of Baker & McAuliffe Pty Ltd was a cash payment of \$1.00. The terms of the acquisition of Baker & McAuliffe Pty Ltd are summarised at section 8.1.8.

HGL Limited has also undertaken to invest up to \$500,000 in new shares in FOS Capital Limited as part of the Offer.

Rationale for acquisition

The consolidation of the FOS Group and JSB Lighting provides material synergies and scale opportunities to the FOS Group. Importantly, the Company will be able to capitalise on JSB Lighting's local manufacturing expertise to further secure the Company's manufacturing capabilities.

Recent trading history

In 2018 JSB Lightings' revenue was significantly impacted as a consequence of losing distribution rights to a major lighting brand and the loss of several key sales executives. This led to a slowdown in sales in FY19, with JSB Lighting generating revenue of \$12.8 million and a loss after tax of \$193K, which was a significant decrease to the A\$22.8 million of revenue it generated in FY18 and after tax profit of \$2.2 million. The poor operating performance continued in FY20, with revenue down to \$10.8 million and a loss after tax and impairment expenses of \$3.2 million.

Restructure

Under FOS ownership, the Company has implemented a three-pronged turnaround strategy:

- Increase cost efficiencies by restructuring operations and reducing overheads;
- By introducing cross selling initiatives within the FOS Group and targeting larger lighting projects due to increases in scale capabilities; and
- Merge the JSB operations into the FOS Group and operating as one entity.

Increase cost efficiencies

The Restructure program consists of the following annualised key cost savings initiatives

Consolidation of premises	Savings	Status
JSB Sydney warehouse relocation to FOS Melbourne	\$60K	Complete
JSB Brisbane sales office relocation to FOS Brisbane	\$50K	Looking to exit lease
JSB Melbourne sales office relocated to FOS Melbourne	\$60K	Initial discussions have commenced to formally exit the lease or sub-lease
JSB manufacturing facility relocated to FOS Brisbane	\$200K	Complete (sub lease entered into)
Reduction in staff		
Initial staff of 27 has been reduced to 19	\$900K	Complete
General overhead reduction		
Internalising marketing functions		Complete
Reducing reliance on external contractors		Complete
Automating manual entry functions		Complete
Improving IT infrastructure & merging with FOS		In progress
Improved purchasing power		Ongoing
Merging of JSB and FOS as one operating entity		Expected June 2021

Subject to the completion of the Restructure, and based on current performance, JSB Lighting is expected to move back into profitability by June 2021.

Increase in revenue

The combined FOS and JSB business has much further reach geographically with operations in all major cities in Australia and New Zealand and an expanded product range and larger sales team. This has enabled the ability to offer both FOS and JSB products through this expanded distribution network. These additions allow the FOS Group to better service clients and are better equipped to supply a total product offering to major projects. The increased volumes and buying power enable the group to be more cost competitive which is expected to result in a greater success rate in converting quoted projects into orders.

Impact of Restructure

Early positive signs of the Restructure have been experienced with the 5 month period commencing 1st October 2020 showing JSB Lighting recorded an operating profit before Restructure and other one-off expenses of \$110,000.

Historical operating metrics

Historical Financial Information for JSB Lighting is contained in Section 4 of the Prospectus. However, no additional financial information for periods prior to 31 December 2020 have been included in this Prospectus as the Directors do not consider this detail to be relevant to investors and/or may be misleading as a basis on which to form an investment decision. This is due to the significant changes made by the Company to JSB Lighting's management, structure and operations following acquisition by the Company, including as part of the Restructure (as detailed above).

Intralux Licence Agreement

In 2018 JSB Lighting acquired the business of Intralux from Intralux Australia Pty Ltd (now Blacksky Technology Pty Ltd) which manufactures both indoor and outdoor luminaires from JSB Lighting's Brisbane facility.

The acquisition included:

- (a) Licence Agreement which requires JSB Lighting to:
 - pay royalties on certain products sold until 2024 (at which time the intellectual property of Intralux would be transferred to JSB); and
 - meet prescribed minimum sale targets on JSB; and
- (b) A Buy Back Agreement (to buy back of all unsold Intralux stock at book value) where the minimum sales targets, over 2 consecutive years are not achieved.

JSB Lighting failed to meet the sales targets for the first target period (FY19, FY20) and accordingly, the vendor of the Intralux business (Blacksky Technology) issued a Buy Back Notice pursuant to the Buy Back Agreement.

Under the terms of the Buy Back Agreement, JSB has the option to defeat the Buy Back Notice by paying the sum of \$100K to the Vendor or accept the Buy Back Notice and facilitate the buy back of Intralux stock. This position was to be repeated each year until 2024.

JSB has chosen to accept the Buy Back Notice and as the parties have been unable to agree on the stock to be 'bought back', an expert has been appointed. These assets are fully written off in the financial records of JSB Lighting and hence any recovery will reduce the value ascribed to Intangible assets. The FOS Group has reviewed its existing product line and is confident its current product line is capable of fulfilling its requirements without Intralux products.

3. Company Overview continued

JSB Lighting supply products that offer lighting solutions for both indoor and outdoor settings such as:

- Indoor
- Ceiling
- Track
- Wall
- Linear Systems
- Floor
- Outdoor
- Ceiling
- Wall
- Linear Systems
- Ground
- Pole

Key Markets

JSB Lighting offers lighting solutions to a diverse range of projects including:

- Residential
- Commercial
- Hospitality
- Retail
- Education
- Outdoor
- Aged Care
- Health

3.8.1 COVID-19 Impact

The Company has been fortunate to have continued operations during the Coronavirus (COVID-19) pandemic. In general, business has come through this tough period relatively unscathed as order intake for the legacy FOS Group business has remained strong with \$3.2 million in 2H20, which is similar to the first half. Monthly sales in early 2020 were initially erratic with many projects delayed or deferred due to supply issues, especially in the months of February and March 2020. However, sales have steadily recover to pre COVID-19 levels.

In summary, full year sales for the legacy FOS Group business increased 30% to \$5.5 million, order intake increased 58% to \$6.3 million, orders in hand increased 118% to \$1.45 million and active quotes increased 129% to \$17.6 million. The company has benefited from various government assistance packages and qualified for the JobKeeper payment scheme. The Company has not made any material changes to employment or conditions levels other than the acquisition of JSB Lighting and has been able to maintain production at it's Brisbane facility in compliance with COVID-19 specific regulations. Importantly, such a pandemic has led to a clear shift for customers to prefer to source Australian-made products rather than from overseas suppliers. FOS is very well positioned to take advantage of this change as it is one of very few Australian lighting companies to have a fully integrated local manufacturing facility.

JSB Lighting

It is hard to determine the COVID-19 impact as the business has experienced severe downturn prior to COVID-19. JSB qualified for JobKeeper and various other government assistance packages.

4.

Financial Information



4. Financial Information

4.1. Introduction

The Financial Information for the FOS Group (or relevant Group members as applicable) contained in this Section 4 (**Financial Information**) comprises:

	Section
Pro forma Historical Financial Information comprising:	
<ul style="list-style-type: none"> Pro forma historical consolidated profit or loss and other comprehensive income statements for the years ended 30 June 2019 (FY 2019), 30 June 2020 (FY 2020); and half year ended 31 December 2020 (HY 2021) (together, Pro Forma Historical Income Statements); 	4.3
<ul style="list-style-type: none"> Pro forma historical consolidated balance sheet as at 31 December 2020 (Pro Forma Historical Balance Sheet); and 	4.4
<ul style="list-style-type: none"> Pro forma historical consolidated cash flow statements for FY 2019, FY 2020 and HY 2021 (together, Pro Forma Historical Cash Flow Statements). 	4.5
Historical Financial Information for the Company, FOS Lighting Group and FOS Lighting (as applicable) comprising:	
<ul style="list-style-type: none"> historical consolidated Profit or loss and other comprehensive income statements for FY 2019 and FY 2020, and for the half year ended 31 December 2019 (HY 2020) and HY 2021 (together, Historical Income Statements); and 	4.7
<ul style="list-style-type: none"> historical consolidated Cash flow statements for FY 2019 and FY 2020, and for HY 2020 and HY 2021 (together, Historical Cash Flow Statements). 	4.8
Statutory Historical Financial Information for the Company, comprising:	
<ul style="list-style-type: none"> historical consolidated Profit or loss and other comprehensive income statements for the period since its incorporation on 31 October 2019 and 30 June 2020 and HY 2021 (together, Statutory Historical Income Statements); 	4.9
<ul style="list-style-type: none"> historical consolidated Cash flow statements for the period since its incorporation on 31 October 2019 to 30 June 2020 and HY 2021 (together, Statutory Historical Cash Flow Statements). 	4.10
Historical Financial Information for Baker & McAuliffe Holdings Pty Ltd trading as JSB Lighting, comprising:	
<ul style="list-style-type: none"> historical consolidated Profit or loss and other comprehensive income statements for the years ended 30 September 2019 (12 month September19), 30 September 2020 (12 month September20) and the 3 month period ended 31 December 2020 (3 month December20); 	4.12
<ul style="list-style-type: none"> historical consolidated Cash flow statements for 12 month September19, 12 month September20 and for 3 month December20. 	4.12

Also contained in this Section 4 are:

- the basis of preparation and presentation of the Financial Information (refer to Section 4.2);
- information regarding certain non-IFRS financial measures (see Section 4.2.3);
- the key Pro forma operating and financial metrics (see Section 4.3.2);
- the Pro forma adjustments to the Historical Financial Information (see Sections 4.3 and 4.5);
- information regarding liquidity and capital resources (see Section 4.4.2);
- information regarding FOS Group's contractual obligations, commitments and contingent liabilities (see Section 4.4.3);
- a description of FOS Group's significant accounting policies (see Section 4.6);
- management's discussion and analysis of the Historical Financial Information (see Section 4.11); and
- FOS Group's dividend policy (see Section 4.11.1.2).

The Company and each other member of the FOS Group has a 30 June financial year end except for JSB Lighting which currently has a 30 September financial year end.

The information in this Section 4 should also be read in conjunction with the risk factors set out in Section 5 and other information contained in this Prospectus.

All information included in this section of the Prospectus is presented in Australian dollars and, unless otherwise noted, all amounts are rounded to the nearest dollar. Some numerical figures included in this Prospectus have been subject to rounding adjustments. Any differences between totals and sums of components in figures or tables contained in this Prospectus are due to rounding.

4.2. Basis of Preparation and Presentation of the Financial Information

4.2.1. Overview

The Directors are responsible for the preparation and presentation of the Financial Information.

The FOS Group was initially constituted only by FOS Lighting Group which was incorporated on 17 November 2018 and commenced trading in April 2019.

On 21 June 2019, FOS Lighting Group acquired 100% of the issued capital in FOS Lighting, formerly Frennd Lighting Industries Pty Ltd. FOS Lighting was established in 1996 and has traded continuously since that time.

The Company was incorporated on 31 October 2019. On 31 December 2019 the Company entered into a share exchange agreement to acquire FOS Lighting Group and its wholly-owned subsidiary, FOS Lighting Pty Ltd under which the Company issued 29,999,900 fully paid ordinary shares for a deemed consideration of \$400,000 to shareholders of FOS Lighting Group. This acquisition was completed in February 2020. This has been accounted for as a capital reorganisation where there has been a new head company inserted above FOS Lighting Group.

In November 2020 the Company acquired a 50% shareholding in Baker and McAuliffe Pty Ltd trading as JSB Lighting from ASX listed HGL Limited and in February 2021, acquired 100% ownership.

Both the Pro forma Historical Financial Information and the Historical Financial Information do not include details of the Financial Information for JSB Lighting, except for the share of profit accounted using the equity accounting method for HY 2021 and showing the value of the investment in JSB Lighting as at 31 December 2020. This is because:

- JSB Lighting has a balance date of 30 September and it would be impracticable to accurately reconcile this information to different balance dates, following the change of ownership of JSB Lighting;
- a transaction occurring after a reporting period cannot retrospectively be included in the audited consolidated historical financial information for that period; and
- due to the Restructure and significant recent changes to the structure and operations of JSB Lighting, including JSB Lighting's historical operating performance in the Pro Forma Historical Financial Information would not be relevant to investors and may actually be misleading.

However, the stand-alone consolidated profit or loss and other comprehensive income statements and cash flow statements for JSB Lighting for 12 month September19, 12 month September20 and for 3 month December20 are disclosed in Tables 4.12 and 4.14 respectively.

The Financial Information contained in this section has been prepared in order to present potential investors in the Company with information to help them understand the financial performance, financial position and cash flows of FOS Group, the effect of the acquisition of JSB Lighting, the Offer and other relevant pro forma transactions.

As the Company (and the FOS Group) is a significantly different business following the recent acquisitions of FOS Lighting and JSB Lighting (which is itself in a turn-around process), and given that the combined FOS Group has a limited trading history under its current ownership and structure upon the acquisition of FOS Lighting and JSB Lighting there are significant uncertainties associated with forecasting the future revenues and expenses of the FOS Group. On this basis, the Directors believe that there is no reasonable basis for the inclusion of financial forecasts in the Prospectus.

4. Financial Information continued

The Historical Financial Information has been prepared and presented in accordance with the recognition and measurement principles of Australian Accounting Standards (**AAS**) (including the Australian Accounting Interpretations) issued by the Australian Accounting Standards Board (**AASB**), which are consistent with International Financial Reporting Standards (**IFRS**) issued by the International Accounting Standards Board.

The Historical Financial Information has been sourced from the general purpose audited financial statements of the Company, FOS Lighting Group, its subsidiary FOS Lighting and JSB Lighting that were prepared in accordance with AAS. Prospectively, FOS Group will prepare its financial statements in accordance with AAS and the Historical Financial Information has been presented on this basis.

The Pro forma Historical Financial Information has been prepared in accordance with the recognition and measurement principles of AAS except that it includes certain adjustments which have been prepared in a manner consistent with AAS, that reflect (a) the exclusion of certain transactions that occurred in the relevant periods and (b) the impact of certain transactions as if they had occurred on or before 31 December 2020.

The Pro forma Historical Financial Information does not reflect the actual financial results and cash flows of the Company for the periods indicated. However, the Directors of the Company believe that it provides useful information as it permits investors to examine what it considers to be the underlying financial performance and cash flows of the business presented on a consistent basis.

The Financial Information is presented in an abbreviated form insofar as it does not include all the presentation and disclosures, statements or comparative information as required by AAS and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act. The Company's key accounting policies have been consistently applied throughout the financial periods presented and are set out on foscapital.com.au. The Financial Information presented in this Section 4 should be read in conjunction with the risk factors set out in Section 5 and other information contained in this Prospectus.

The Financial Information has been reviewed and reported on but not audited by PKF Melbourne Corporate Pty Ltd in accordance with the Australian Standard on Assurance Engagements ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information as set out in the Independent Limited Assurance Report set out in Section 9. Investors should note the scope and limitations of the Independent Limited Assurance Report.

4.2.2. Basis of Preparation of Historical Financial Information

The Historical Financial Information for the Company for FY 2020 includes its wholly-owned subsidiaries FOS Lighting Group Pty Ltd and FOS Lighting Pty Ltd (the entity previously known as Frend Lighting which has been operating since 1996).

The Historical Financial Information presented in this financial section has therefore been extracted from the audited general purpose consolidated accounts of:

- FOS Lighting for FY 2019;
- FOS Lighting Group for FY 2020;
- the reviewed half year accounts of FOS Capital Ltd for the period ended 31 December 2020.

For HY 2021, the Company's 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 i.e. 50% share of profit and other comprehensive income of JSB Lighting from the date of acquisition (23 November 2020) to the reporting date of 31 December 2020.

William Buck has audited the FY 2019 financial statements of FOS Lighting as well as the FY 2019 and FY 2020 financial statements for FOS Lighting Group. William Buck has also reviewed the half year financial statements of FOS Capital for the six month period to 31 December 2020 (which includes comparative financial information for HY 2020), in accordance with Australian Auditing Standards. William Buck issued a qualified audit opinion in respect of FOS Lighting Group's financial statements for FY 2019. The qualified opinion was due to William Buck only being appointed as auditor on 22 October 2019 and hence the auditor did not observe the counting of the physical inventories as at 30 June 2018 and William Buck was unable to perform alternative audit procedures to confirm the existence of the inventory balances at that date. The FY 2020 financial statements of FOS Lighting Group and the half year reviewed accounts of FOS Capital for HY 2021 were issued with an unqualified audit opinion.

Investors should note that past results do not guarantee future performance.

4.2.2.1. Going Concern

The Financial Information of FOS Group for FY 2020 and HY 2021 has been prepared on a going concern basis, which contemplates continuity of normal business activities and realisation of assets and discharge of liabilities in the normal course of business.

The Directors believe that there are reasonable grounds that FOS Group will be able to continue as a going concern following Completion of the Offer.

4.2.3. Non-IFRS financial measures

To assist in the evaluation of the performance of FOS Group, certain measures are used to report on FOS Group that are not recognised under AAS or IFRS. These measures are collectively referred to in this section and under Regulatory Guide 230 Disclosing Non-IFRS Financial Information published by ASIC as “non-IFRS financial measures”. The principal non-IFRS financial measures that are referred to in this Prospectus are as follows:

- **gross profit** means revenues less cost of goods sold;
- **gross profit margin** means percentage of gross profit;
- **EBITDA** is earnings/(losses) before interest (net finance income), taxation, depreciation and amortization. Management uses EBITDA to evaluate the operating performance of the business without the non-cash impact of depreciation, amortization and before interest and taxation. FOS Group also calculates **EBITDA margin**, which is EBITDA expressed as a percentage of total revenue. EBITDA can be useful to help understand the cash generation potential of the business. EBITDA and EBITDA margin should not be considered as an alternative to measures of cash flow under IFRS and investors should not consider EBITDA in isolation from, or as a substitute for, an analysis of the results of FOS Group’s operations;

FOS Group believes that this non-IFRS financial information provides useful information to users in measuring the financial performance of FOS Group. As non-IFRS measures are not defined by recognised standard setting bodies, they do not have a prescribed meaning. Therefore, the way in which FOS Group calculates these measures may be different to the way other companies calculate similarly titled measures.

Investors and readers of this Prospectus are cautioned not to place undue reliance on any non-IFRS financial information and ratios.

4.3. Pro Forma Historical results

4.3.1. Overview

Table 4.1 sets out a summary of the Pro Forma Historical Income Statements of the various entities comprising the FOS Group for FY 2019, FY 2020 and HY 2021.

This has been prepared on the assumption that the entities were all wholly owned by the Company from 1 July 2018. This Pro forma information has been prepared to provide potential investors an indication of the historical performance of FOS Group, had FOS Lighting Group and FOS Lighting been wholly-owned subsidiaries of the Company as at 1 July 2018. (The Pro Forma Historical Income Statements are reconciled to the respective Actual Historical Income Statements in Table 4.2.) The Pro forma results for FY 2019 and FY 2020 do not include the results of JSB Lighting however the Pro forma results for the half year ended 31 December 2020 includes FOS Capital’s 50% share of profit of JSB Lighting from the date of acquisition (23 November 2020) to 31 December 2020.

In preparing the Pro forma Historical Financial Information, a number of adjustments have been made to the Historical Financial Information to reflect FOS Group’s structure following Completion of the Offer and to reflect the costs of being a listed entity as described in Section 4.1.

4. Financial Information continued

Table 4.1: Pro Forma Historical Income Statements

	FY 2019 \$	FY 2020 \$	HY 2021 \$
Revenue from customers	4,250,564	5,543,208	3,494,219
Less: Cost of goods sold	(2,596,307)	(3,228,165)	(2,211,202)
Gross Profit	1,654,257	2,315,043	1,283,017
Other income			
Share of profit from JSB Lighting	–	–	55,981
Income from government grants – COVID support	–	260,000	457,100
Operating expenses			
Sales & Distribution expenses	(197,016)	(485,030)	(337,210)
Admin & Corporate expenses	(635,375)	(1,251,858)	(574,422)
Amortisation of lease assets in use ¹	(307,072)	(361,162)	(194,507)
Depreciation and amortisation	(42,089)	(43,039)	(22,201)
Finance costs for lease assets in use ¹	(7,667)	(30,808)	(13,155)
Total operating expenses	(1,189,219)	(2,171,897)	(1,141,495)
Profit before income tax	465,038	403,146	654,603
Assumed additional listed company costs ²	(145,000)	(145,000)	(72,500)
Pro forma profit before income tax	320,038	258,146	582,103
Income tax expense	(88,010)	(101,367)	(175,663)
Profit after income tax	232,028	156,780	406,441
Other comprehensive income of the year, net of tax	–	–	–
Total comprehensive income	232,028	156,780	406,441

Table 4.2: Reconciliation of the Pro Forma Historical Income Statements to the Historical Income Statements

	FY 2019 \$	FY 2020 \$	HY 2021 \$
Profit before income tax as per Historical Income Statements (table 4.8)	420,395	211,646	595,403
Add: Rent expense	359,382	–	–
Add: Pre IPO Costs	–	191,500	59,200
Less: Amortisation of lease assets in use	(307,072)	–	–
Less: Finance costs for lease assets in use	(7,667)	–	–
Less: Assumed additional listed company costs	(145,000)	(145,000)	(72,500)
Pro forma profit before income tax (see table 4.1)	320,038	258,146	582,103

Notes:

- In reporting period FY 2019 rent expenses paid for property leases were accounted as rent expenses by FOS Lighting.
FOS Lighting Group adopted AASB 16 from 1 July 2019 and capitalised the value of property leases and amortised the lease assets in use from 1 July 2019 and this cost was shown as amortisation of lease assets in use and implied finance costs included in payment of capitalised lease liabilities were shown as Finance costs for lease assets in use.
- Assumed additional listed public company costs include an estimate of the non-executive director fees, listing costs and the compliance and regulatory costs that would have been incurred by FOS Group had the acquisition of FOS Lighting occurred before 1 July 2018 and the Company's shares been listed on the ASX as from before that date.
- Pro Forma Historical Income Statements do not include JSB Lighting financial information. Share of profit from JSB Lighting included in HY 2021 is due to the application of equity accounting to the acquisition of a 50% interest in JSB Lighting as from 23 November 2020.
- The Company previously considered listing on ASX in reporting period FY 2020 and conducted significant preparatory work and incurred costs of approximately \$191,500. The IPO did not proceed at that time due to the uncertainty associated with COVID-19. Further preparatory cost of \$59,200 were incurred in HY 2021 but the IPO was further delayed due to the acquisition of JSB Lighting. These costs do not form part of the Company's operational expenses and have been excluded.

4.3.2. Key Pro forma operating and financial metrics

Table 4.3 sets out FOS Group's key Pro forma historical operating and financial metrics for FY 2019, FY 2020 and HY 2021.

Table 4.3: Historical key operating and financial metrics

	FY 2019	FY 2020	HY2021
Total revenue from customers	4,250,564	5,543,208	3,494,219
Gross profit	1,654,257	2,315,043	1,283,017
Gross profit margin	38.9%	41.8%	36.7%
EBITDA ¹	676,866	693,155	811,966
EBITDA margin ¹	15.9%	11.9%	20.5%

Notes:

1. Inclusive of income from government grants – COVID support.

4.4. Statutory and Pro Forma Historical Balance Sheet

4.4.1. Overview

The Pro Forma Historical Balance Sheet is based on the reviewed Statutory Historical Balance Sheet as at 31 December 2020, adjusted for certain material transactions relating to subsequent events since that date (as if they had taken place as at 31 December 2020), and impacts of the Offer based upon the Minimum Subscription amount to be raised under the Offer.

Table 4.4 sets out the adjustments that have been made to the Statutory Historical Balance Sheet of the Company as at 31 December 2020 to present the Pro Forma Historical Balance Sheet for FOS Capital.

The adjustments reflect the impact of the operating and capital structure that will be in place following Completion of the Offer, including the acquisition of JSB Lighting, as if they had occurred or were in place as at 31 December 2020.

The Pro Forma Historical Balance Sheet in Table 4.4 is provided for illustrative purposes only and is not represented as being necessarily indicative of the Company's view of its financial position upon Completion of the Offer or at a future date. Further information on the sources and uses of funds of the Offer is contained in Section 7.1.

4. Financial Information continued

Table 4.4: Statutory and Pro forma Historical Balance Sheet

	Reviewed FOS Capital 31 Dec 2020 ¹ \$	Reviewed JSB Lighting 31 Dec 2020 \$	Elimination \$	Impact of the Offer ² \$	Pro Forma 31 Dec 2020 \$
Assets					
Current assets					
Cash and cash equivalents	1,149,427	1,386,633	–	2,564,109	5,100,169
Trade and other receivables	1,153,159	1,275,177	–	–	2,428,336
Inventories	1,866,726	337,469	–	–	2,204,195
Other	15,655	62,386	–	–	78,041
Total current assets	4,184,967	3,061,665	–	2,564,109	9,810,741
Non-current assets					
Property, plant and equipment	208,297	269,191	–	–	477,488
Lease assets in use	503,442	355,507	–	–	858,949
Investment in JSB Lighting	655,981	–	(655,981) ³	–	–
Intangible	–	–	966,567 ⁴	–	966,567
Deposits	45,000	79,939	–	–	124,939
Deferred tax asset	100,378	–	–	–	100,378
Total non-current assets	1,513,098	704,637	310,586	–	2,528,321
Total assets	5,698,065	3,766,302	310,586	2,564,109	12,339,062
Liabilities					
Current liabilities					
Trade and other payables	591,036	2,378,141	–	–	2,969,177
Lease liabilities	330,539	492,686	–	–	823,225
Employee Entitlements	313,034	189,138	–	–	502,172
Provisions	329,800	264,701	–	–	594,501
Total current liabilities	1,564,409	3,324,666	–	–	4,889,075
Non-current liabilities					
Lease liabilities	215,793	705,451	–	–	921,244
Provision for employee entitlements	9,696	46,771	–	–	56,467
Total non-current liabilities	225,489	752,222	–	–	977,711
Total liabilities	1,789,898	4,076,888	–	–	5,866,786
Net Assets	3,908,167	(310,586)	–	2,564,109	6,472,276
Equity					
Contributed equity	1,000,100	150	(150)	3,000,000	4,000,100
Capital Raising costs	–	–	–	(280,794)	(280,794)
Reserves	–	904	(904)	–	–
Retained earnings	2,908,067	(311,640)	311,640	(155,097)	2,752,970
Total equity	3,908,167	(310,586)	310,586	2,564,109	6,472,276

Notes:

- FOS Capital 31 December 2020:** represents the consolidated balance sheet as per the half year reviewed accounts for the six months ended on 31 December 2020, as reviewed by William Buck on 29 March 2021.
- Impact of the offer:** As a consequence of the Offer, contributed equity increases by \$2,719,206 through the issue of new Shares for \$3,000,000, less Offer costs of \$280,794 that are offset against equity.
- On 1 February 2021 the Company, via its wholly owned subsidiary FOS Lighting, acquired the remaining 50% equity interest in JSB Lighting and now owns 100% of JSB Lighting.
- Pro form balance sheet includes the balance sheet of JSB Lighting as per the interim financial report for the period ended 31 December 2020 reviewed by William Buck. The Company is in negotiations to complete the sale of the Intralux brand and associated stock to the Intralux vendor. These assets are fully written off in the financial records of JSB Lighting and hence any recovery will reduce the value ascribed to Intangible assets. The Company expects to finalise the acquisition balance sheet of JSB Lighting by 30 June 2021.

4.4.2. Liquidity and capital resources

Following Completion of the Offer, the Company will have, on a Pro forma basis, cash of \$5,100,169 as at 31 December 2020 at the Minimum Subscription. This reflects the expected cash and cash equivalents balance had the subsequent events and Completion of the Offer occurred as at 31 December 2020.

The Company expects its operating cash flows, together with cash on its balance sheet will be sufficient to meet its operational requirements and business needs, and position the Company to grow its business.

4.4.3. Contractual obligations and commitments

Table 4.5 summarises FOS Group's contractual obligations and commitments.

Table 4.5: summary of contracted obligations

	< 1 Year \$	> 1 Year \$	Total commitments \$
Operating Lease Commitments	\$338,348	\$236,606	\$574,954

Refer to Section 8.1 for information on Operating Lease Contracts for leasing of office premises in Brisbane and Richmond.

4.4.4. Off-balance sheet items

The Company has no material contingent liabilities or off-balance sheet arrangements.

4.5. Pro Forma Cash Flow Statements

4.5.1. Overview

Table 4.6 sets out the Pro Forma Historical Cash Flow Statements showing the hypothetical consolidation of the entities forming the FOS Group for FY 2019, FY 2020 and HY 2021. Similar to the Historical Income Statements above, this has been prepared on the assumption that the current members of FOS Group were all members of the same wholly owned corporate group from 1 July 2018. The Pro Forma Historical Cash Flow Statements have been prepared to provide potential investors with an indication of the cash flows of the overall FOS Group, had the acquisition of FOS Lighting occurred before 1 July 2018.

Table 4.6: Summary of Pro Forma Historical Cash Flow Statements

	FY 2019 \$	FY 2020 \$	HY 2021 \$
Cash Flow from Operating Activities			
Receipts from Customers	4,562,413	5,875,587	4,039,151
Income from government grants – COVID support	–	260,000	457,100
Payments to Suppliers and employees	(4,091,417)	(5,983,229)	(3,823,568)
Payment of interest	–	(30,808)	–
Net cash flow from/ (used in) operating activities	470,996	121,550	672,683
Cash flow from Investing Activities			
Payment for Equipment	(22,200)	(75,031)	–
Net cash used in investing activities	(22,200)	(75,031)	–
Cash flow from financing Activities			
Proceeds from Share issue	73,549	326,547	–
Payment of lease liabilities	(359,382)	(277,035)	(185,164)
Net proceeds from (payments to) related party	(584,442)	–	–
Net cash flow from/ (used in) financing activities	(870,275)	49,512	(185,164)
Net increase/(decrease) in cash and cash equivalents	(421,479)	96,031	487,519

4. Financial Information continued

Table 4.7: Reconciliation of the Actual and Pro Forma Historical Cash Flow Statements

	FY 2019 \$	FY 2020 \$	HY 2021 \$
Net increase/(decrease) in cash and cash equivalents as per audited/reviewed Historical Cash Flow Statements (table 4.9)	(276,479)	49,531	500,819
Add: Pre IPO Costs	–	191,500	59,200
Less: Assumed additional listed company costs	(145,000)	(145,000)	(72,500)
Net increase/(decrease) in cash and cash equivalents per Pro-forma (table 4.6)	(421,479)	96,031	487,519

4.6. Notes to the Pro Forma Historical Income Statements, Balance sheet and Cash Flow Statements

Note 1. Significant accounting policies

The Financial Information relates to the combined entity (referred to hereafter as the 'combined entity' or 'FOS Group') consisting of the following entities:

- FOS Capital Ltd;
- FOS Lighting Group Pty Ltd; and
- FOS Lighting Pty Ltd.

The principal accounting policies adopted in the preparation of the Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The combined entity has adopted 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.

The combined entity has early adopted AASB 15 Revenue from Contracts with Customers, but has not early adopted any other new or amended Accounting Standards or Interpretations that are not yet mandatory.

Basis of preparation

The general purpose financial statements on which the Financial Information has been based have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention and apply the going concern basis of accounting.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the combined entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

Principles of consolidation

As defined above, these financial statements are of the combined entity consisting of FOS Group, FOS Lighting Group Pty Ltd and FOS Lighting Pty Ltd. Any transactions, balances and unrealised gains on transactions between these entities are eliminated. The accounting policies of each entity in the combined entity have been changed where necessary to ensure consistency with the policies adopted by the combined entity.

Revenue recognition

The combined entity recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the combined entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the combined entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

The combined entity has early adopted AASB 15, which supersedes AASB 111 Construction Contracts, AASB 118 Revenue and related Interpretations, from 1 July 2018. Revenue from contracts with customers is recognised to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This is based on a contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. Credit risk is presented separately as an impairment expense rather than adjusted against revenue. Contracts with customers are presented in the statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract are, subject to certain criteria, capitalised as an asset and amortised over the contract period.

In applying AASB 15, the combined entity has elected to use the modified retrospective method, and did not restate the comparatives. On applying this standard, there were no material adjustments required or impact on the financial statements, as there is currently no revenue from customer contracts.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

4. Financial Information continued

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.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Current and non-current classification

Assets and liabilities are presented in the Pro forma balance sheet based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the combined entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the combined entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

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.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The combined entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Inventories

Stock on hand is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Property, plant and equipment

Plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Plant and equipment	3-10 years
Motor vehicles	5-12 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the combined entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

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 retains a significant influence, but not control in JSB Lighting.

In evaluating the application of the equity method of accounting, the directors considered the following key matters:

- The Group's investment in JSB Lighting was 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.

Impairment of non-financial assets

Goodwill and other 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 non-financial assets are reviewed 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.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

These amounts represent liabilities for goods and services provided to the combined entity prior to the end of the financial year and which are unpaid. Due to their short-term nature, they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leaves not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date 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 reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

4. Financial Information continued

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Issued capital

Ordinary shares are classified as equity.

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

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the 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 tax authority is included in other receivables or other payables in the statement of financial position.

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 tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

Warranty provision

In determining the level of provision required for warranties the combined entity has made judgements in respect of the expected performance of the products, the number of customers who will actually claim under the warranty and how often, and the costs of fulfilling the conditions of the warranty. The provision is based on estimates made from historical warranty data associated with similar products and services.

Note 3. Assumed Additional Listed company costs

Additional public company costs include an estimate of the non-executive director fees, listing costs and the compliance and regulatory costs that would have been incurred by FOS Group had acquisition of FOS Lighting Group occurred before 1 July 2018 and the Company's shares been listed on the ASX as from before that date.

Note 4. Post Balance Date events

On 1 February 2021 the Company, via its wholly owned subsidiary FOS Lighting, acquired the remaining 50% equity interest in JSB Lighting and now owns 100% of JSB Lighting.

Apart from above, Directors are not aware of any matters or circumstances not otherwise dealt with in this report that has significantly, or may significantly affect, the operations or the state of affairs of FOS Group in future financial periods.

4.7. Historical Income statements

Sets out below are the Historical Income Statements extracted from the audited or reviewed combined financial statements of FOS Group as it was constituted at the relevant time (see Section 4.2.2).

Table 4.8: Historical Income Statements

	FY 2019 \$	FY 2020 \$	HY 2020 \$	HY 2021 \$
Revenue	4,250,564	5,543,208	2,747,742	3,494,219
Less: Cost of goods sold	(2,596,307)	(3,228,165)	(1,552,667)	(2,211,202)
Gross Profit	1,654,257	2,315,043	1,195,075	1,283,017
Other Income				
Share of profit from JSB Lighting	–	–	–	55,981
Income from government grants – COVID support	–	260,000	–	457,100
Expenses				
Sales & Distribution expenses	(197,016)	(485,030)	(199,259)	(337,210)
Admin & Corporate expenses	(635,375)	(1,251,858)	(648,323)	(574,422)
Pre IPO expenses	–	(191,500)	–	(59,200)
Rent/Amortisation of lease assets in use	(359,382)	(361,162)	(175,570)	(194,507)
Depreciation and amortisation	(42,089)	(43,039)	(21,207)	(22,201)
Finance costs for lease assets in use	–	(30,808)	(15,151)	(13,155)
Total expenses	(1,233,862)	(2,363,397)	(1,059,510)	(1,200,695)
Profit before income tax	420,395	211,646	135,565	595,403
Income tax expense	(115,608)	(88,579)	(31,134)	(179,320)
Profit after income tax	304,787	123,067	104,431	416,083
Other Comprehensive income for the year, net of tax	–	–	–	–
Total comprehensive Income	304,787	123,067	104,431	416,083

The Historical Income Statements show the historical financial performance of FOS Lighting Group and FOS Lighting, for FY 2019, FY 2020 and HY 2020, and the consolidated statement of profit or loss and other comprehensive income of FOS Capital and its subsidiaries FOS Lighting Group and FOS Lighting, for HY 2021 as compiled in the manner detailed in Section 4.2.2.

This statement is to be read in conjunction with the notes set out in Section 4.6.

Past performance is not a guide to future performance.

4. Financial Information continued

4.8. Historical Cash Flow Statements

Sets out below are the consolidated Historical Cash Flow Statements extracted from the audited or reviewed combined financial statements of FOS Group as it was constituted at the relevant time.

Table 4.9: Historical Cash Flow Statements

	FY 2019 \$	FY 2020 \$	HY 2020 \$	HY 2021 \$
Cash flows from operating activities				
Receipts from customers	4,562,413	5,875,587	3,401,915	4,039,151
Income from government grants – COVID support	–	260,000	–	457,100
Payments to suppliers and employees	(4,305,799)	(6,029,729)	(3,196,593)	(3,810,268)
Payment of interest	–	(30,808)	–	–
Net cash flow from/ (used in) operating activities	256,614	75,050	205,322	685,983
Cash flow from investing activities				
Payment for equipment	(22,200)	(75,031)	(18,244)	–
Net cash used in investing activities	(22,200)	(75,031)	(18,244)	–
Cash flow from financing Activities				
Proceeds from share issue	73,549	326,547	326,447	–
Payment of lease liabilities	–	(277,035)	(162,953)	(185,164)
Payments to related party	(584,442)	–	–	–
Net cash flow from/ (used in) financing activities	(510,893)	49,512	163,494	(185,164)
Net increase/(decrease) in cash and cash equivalents	(276,479)	49,531	350,572	500,819
Cash and cash equivalents at beginning of year	875,556	599,077	599,077	648,608
Cash and cash equivalents at end of year	599,077	648,608	949,649	1,149,427

The Historical Cash Flow Statements show the historical cash flow performance of FOS Lighting Group and FOS Lighting for FY 2019, FY 2020 and HY 2020, and the consolidated cash flow statement for HY 2021 shows the historical cash flow performance of FOS Capital and its subsidiaries FOS Lighting Group and FOS Lighting for HY 2021 as compiled in the manner detailed in Section 4.2.2.

This statement is to be read in conjunction with the notes set out in Section 4.6.

Past performance is not a guide to future performance.

4.9. Statutory Historical Income Statements of FOS Capital

Set out below are the Statutory Historical Income Statements for FOS Capital and its subsidiaries FOS Lighting Group and FOS Lighting, from 31 October 2019 (the date of incorporation of FOS Capital) for the period 31 October 2019 (which was the date of incorporation for FOS Capital) to 30 June 2020 and for HY 2021.

Table 4.10: Statutory Historical Income Statements

	FY 2020 \$	HY 2021 \$
Revenue	2,795,466	3,494,219
Less: Cost of goods sold	(1,675,498)	(2,211,202)
Gross Profit	1,119,968	1,283,017
Other Income		
Share of profit from JSB Lighting	–	55,981
Income from government grants – COVID support	260,000	457,100
Expenses		
Sales & Distribution expenses	(285,771)	(337,210)
Admin & Corporate expenses	(603,533)	(574,422)
Pre IPO expenses	(121,005)	(59,200)
Rent/Amortisation of lease assets in use	(198,208)	(194,507)
Depreciation and amortisation	(21,832)	(22,201)
Finance costs for lease assets in use	(15,657)	(13,155)
Total expenses	(1,246,006)	(1,200,695)
Profit before income tax	133,962	595,403
Income tax expense	(57,445)	(179,320)
Profit after income tax	76,517	416,083
Other Comprehensive income for the year, net of tax	–	–
Total comprehensive Income	76,517	416,083

This statement is to be read in conjunction with the notes set out in section 4.6.

Past performance is not a guide to future performance.

4. Financial Information continued

4.10. Statutory Historical Cash Flow Statements of FOS Capital

Set out below are the Statutory Historical Cash Flow Statements for FOS Capital and its subsidiaries FOS Lighting Group and FOS Lighting, for the period 31 October 2019 (which was the date of incorporation for FOS Capital) to 30 June 2020 and for HY 2021.

Table 4.11: Historical Consolidated Cash Flows Statement

	FY 2020 \$	HY 2021 \$
Cash flows from operating activities		
Receipts from customers	2,413,685	4,039,151
Income from government grants – COVID support	260,000	457,100
Payments to suppliers and employees	(2,788,302)	(3,810,268)
Payment of interest	(15,657)	–
Net cash flow from/ (used in) operating activities	(130,274)	685,983
Cash flow from investing activities		
Payment for equipment	(56,787)	–
Net cash used in investing activities	(56,787)	–
Cash flow from financing Activities		
Proceeds from share issue	100	–
Payment of lease liabilities	(114,081)	(185,164)
Cash on acquisition of FOS Lighting Group	949,650	–
Net cash flow from/ (used in) financing activities	835,669	(185,164)
Net increase/(decrease) in cash and cash equivalents	648,608	500,819
Cash and cash equivalents at beginning of year	–	648,608
Cash and cash equivalents at end of year	648,608	1,149,427

This statement is to be read in conjunction with the notes set out in section 4.6.

Past performance is not a guide to future performance.

4.11. Management Discussion and Analysis of the Historical Financial Information

4.11.1. General factors affecting the operating results of FOS Group

Section 4.11 sets out a discussion of the key factors which affected FOS Group's operating and financial performance during FY 2019, FY 2020 and HY 2021.

The general matters discussed below are a summary only and do not represent everything that affected FOS Group's historical operating and financial performance, nor everything that may affect FOS Group's operating and financial performance in future periods. The information in this Section 4.11 should also be read in conjunction with the risk factors set out in Section 5 and the other information contained in this Prospectus.

The Historical Financial Information for FY 2019 relates predominately to the Frend Lighting business whilst it was under the ownership of the previous vendors. The Frend Lighting business had deteriorated over recent years as a result of poor management and a lack of attention given to the business by the previous owners. This deterioration is what led to the disposal of the business and was a key factor in enabling FOS Lighting Group to acquire the business for the sum of \$100,000.

The Directors of FOS Group believe they are better equipped to run this business and grow it into a substantial operation. The Directors have extensive experience in this industry and specifically running this type of manufacturing operation. The new management is providing strong leadership and making decisions both at the revenue growth line and cost management that are already having a positive effect on the business. Part of the turnaround strategy includes marketing the Frend product range on a national level and introducing new products that are required in the markets in which the Company operates. The financial position of the Frend business is expected to improve as volumes grow and gross margins increase.

4.11.1.1. Revenue and costs

The Company derives revenue through the sale of its extensive product range. Sales are driven by experienced sales executives who service a range of clients including electrical engineers, architects, builders, electrical contractors and wholesalers. The Company's business model is to design its products into a project thereby being specified enabling the Company to secure a high percentage of jobs that are quoted.

This method of sales also enables the Company to achieve +30% gross margins. Costs of sales are driven by raw materials and labour.

Materials are sourced from a wide range of suppliers both local and offshore. The Company continually monitors its supply chain to ensure lowest costs and high quality. The Company has a flexible labour force that is multi skilled and able to move from the different sections within the factory, this multiskilling enables high utilisation rates of labour. The Company also utilises outsourcing where it feels it provides greater efficiency and or resolves short term labour issues.

The factory in Brisbane has excess capacity and volumes can be ramped up quite easily by adding labour as required.

Gross profit margins are generally above 35% and are driven by the way the Company markets its products via the design and specification process.

The Company also has the exclusive distributorship of the Forma Lighting brand in Australia and this is a major contributor to healthy gross margins.

4.11.1.2. Dividend Policy

The Company has a number of growth strategies it is pursuing and does not anticipate paying a dividend for the period ending 30 June 2021. Following this period, dividends will be payable at the Board's discretion having regard to the performance of FOS Group at that time.

The ability to pay dividends and their franking will depend on a number of factors, many of which are beyond the control of FOS Group and its Directors.

4.12. Acquisition of JSB Lighting

Introduction

FOS Capital acquired a 50% equity interest in JSB Lighting in November 2020 from ASX listed HGL Limited and on the 1st of February 2021, having completed the majority of the restructure, the Company, via its wholly owned subsidiary FOS Lighting, acquired the remaining 50% and now owns 100% of JSB Lighting.

In consideration for the acquisition of JSB Lighting, HGL was issued with 3 million fully paid ordinary shares (representing 9.1% of the Company's issued capital prior to Completion of the Offer) in the Company (as FOS Lighting's parent company). The terms of the acquisition of JSB Lighting are summarized at section 3.8.

JSB Lighting Historical Financial Information

The JSB Lighting Historical Financial Information includes JSB Lighting (NZ) Limited, a wholly owned subsidiary of JSB Lighting. Historical Financial Information for JSB Lighting comprising summarised versions of:

- Consolidated Profit or loss and other comprehensive income statements for the financial years ended 30 September 2019 and 2020 and the interim financial report for the three months to 31 December 2020.
- Consolidated Cash flow statements for the financial years ended 30 September 2019 and 2020 and the interim financial report for the three months to 31 December 2020.

William Buck has audited the financial statements of JSB Lighting for the financial years ended 30 September 2019 and 30 September 2020 and they have reviewed the interim financial report for the three months to 31 December 2020, in accordance with Australian Auditing Standards.

4. Financial Information continued

Table 4.12: Consolidated Profit or Loss and other comprehensive Income statements of JSB Lighting

	Financial year to 30 September 2019 \$	Financial year to 30 September 2020 \$	Period 1 October 2020 to 31 December 2020 \$
Revenue	12,750,383	10,820,666	2,496,691
Less: Cost of sales	(6,688,936)	(6,217,522)	(1,391,355)
Gross Profit	6,061,447	4,603,144	1,105,336
Other income ¹	71,722	548,420	183,521
Operating expenses			
Sales & distribution expenses	(2,959,686)	(3,016,148)	(590,520)
Occupancy expenses	(691,087)	(446,655)	(94,494)
Admin & corporate expenses	(1,643,560)	(1,539,144)	(265,352)
Total operating expenses	(5,294,333)	(5,001,947)	(950,366)
Operating profit	838,836	149,617	338,491
Depreciation and amortisation	(442,120)	(726,913)	(87,007)
Finance costs	(17,718)	(123,140)	(11,793)
HGL management fees	(626,285)	(446,949)	–
Impairment expense	–	(1,550,796)	–
Restructure costs	–	(200,000)	–
Total other expenses	(1,086,123)	(3,047,798)	(98,800)
Profit / (loss) before income tax	(247,287)	(2,898,181)	239,691
Income tax credit / (expense)	53,339	(260,446)	(24,048)
Profit / (loss) after income tax	(193,948)	(3,158,627)	215,643
Other comprehensive income of the year, net of tax			
Foreign currency translation gain / (loss)	791	1,001	(1,170)
Total comprehensive Income / (loss)	(193,157)	(3,157,626)	214,473

Notes:

1. Other income received in the financial year ended 30 September 2020 and Interim three months period to 31 December 2020 includes \$492,544 and \$174,450 respectively, of revenue from a COVID support government grant.
2. Impairment expense in the financial year ended 30 September 2020 includes \$360,821 for Intralux Trademarks, \$335,000 for Intralux Inventory, \$854,975 for right of use leased assets on remeasurement of lease liabilities for leased properties.

Contractual obligations and commitments

Table 4.13: Summary of JSB Lighting's contractual obligation and commitments

	< 1 Year \$	> 1 Year \$	Total commitments \$
Operating Lease Commitments	\$483,391	\$779,260	\$1,262,651

JSB Lighting's manufacturing facility in Brisbane has been relocated to FOS Group's manufacturing facility in Brisbane and JSB Lighting Sales office in Brisbane and Melbourne will be merged with FOS Group office in Brisbane and Melbourne. Premises leased by JSB Lighting in Brisbane and Melbourne will be sub leased over coming months which will reduce the contracted obligation of JSB Lighting going forward.

Refer to Section 8.1 material contract for information on Operating Lease Contracts for leasing of office premises in Sydney, Brisbane and Melbourne.

Off-balance sheet items

JSB Lighting has no material contingent liabilities or off-balance sheet arrangements.

Table 4.14: Consolidated Cash Flow statement of JSB Lighting

	Financial year to 30 September 2019 \$	Financial year to 30 September 2020 \$	Period 1 October 2020 to 31 December 2020 \$
Cash Flow from operating activities			
Receipts from customers	15,463,119	12,976,540	2,656,414
Payments to suppliers and employees	(13,550,321)	(11,937,053)	(2,503,174)
Proceeds from grant income	–	414,544	191,400
Interest received	24,753	544	–
Payment of interest	(7,823)	(101,309)	–
Payment of income tax	(95,455)	(4,566)	–
Net cash flow from/ (used in) operating activities	1,834,273	1,348,700	344,640
Cash flow from Investing Activities			
Payment for equipment	(61,098)	(298,473)	(4,723)
Payment for security deposit	(40,064)	–	–
Net cash used in investing activities	(101,162)	(298,473)	(4,723)
Cash flow from financing Activities			
Payment of lease liabilities	(238,174)	(516,519)	(126,411)
Proceeds from loans from HGL Limited and its controlled entities	163,553	697,549	150,000
Repayment of loans from HGL Limited and its controlled entities	(2,360,000)	(1,691,532)	(150,000)
Net cash flow from/ (used in) financing activities	(2,434,621)	(1,510,502)	(126,411)
Net increase/(decrease) in cash and cash equivalents	(701,510)	(460,275)	213,506
Effects of exchange rate changes on cash and cash equivalents	791	1,009	(1,170)
Cash and cash equivalents at beginning of year	2,334,282	1,633,563	1,174,297
Cash and cash equivalents at end of year	1,633,563	1,174,297	1,386,633

5.

Risk Factors



5. Risk Factors

5.1. General

The Company is subject to a variety of risk factors. Some of these are specific to its business activities, while others are of a more general nature. Individually, or in combination, these risk factors may affect the future operating and financial performance of the Company, its investment returns and the value of an investment in the Shares.

The risks listed below are not an exhaustive list of risks associated with an investment in the Company, either now or in the future, and this information should be considered in conjunction with all other information presented in this Prospectus. The selection and order of risks has been based on an assessment of a combination of the probability of the risk occurring, the ability to mitigate the risk and impact of the risk if it did occur. Many of the risks described below are outside the control of the Company, the Directors and management. There is no guarantee that the Company will achieve its stated objectives or that any forward-looking statements or forecasts will eventuate.

This Section 5 should not be considered to be an exhaustive list of every possible risk associated with an investment in the Company. The types of risks the Company is exposed to can change over time and vary with changes in economic, technological, environmental and regulatory conditions both generally and within the commercial, retail and industrial lighting sectors.

An investment in the Company should also be considered in light of the potential risks associated with the following:

- early stage of the Company's businesses under the current ownership;
- recent acquisition of JSB Lighting which has experienced a recent significant trading loss and a 2-year period of declining sales and is also currently in a turn around phase;
- relationship of the Company's businesses to the economic cycle in the markets where the Company currently operates or may operate in the future;
- lack of formal or ongoing customer contracts; and
- the Existing Shareholders will retain a significant portion (up to 78%) of all Shares on issue following the Offer which will impact the Control of the Company and may impact adversely on the liquidity of Shares.

The risks in this Section have been separated into business risk factors specific to the Company and general risk factors associated with any investment in shares.

Before applying for Shares, you should read the entire Prospectus, you should be satisfied that you have a sufficient understanding of the matters identified in this Section 5 and you should consider whether the Shares are a suitable investment for you, having regard to your own investment objectives, financial circumstances, and tax issues.

We recommend you seek professional advice from your stockbroker, solicitor, accountant or other qualified professional adviser before deciding whether to invest.

5. Risk Factors continued

5.2. Risks specific to an investment in the Company

Company specific risk factors are as follows:

Risk	Summary
Limited trading history as FOS Group	<p>The FOS Group has limited financial and operating history as a combined enterprise. In November 2018, Mr Constantine Scrinis founded FOS Lighting Group Pty Ltd (formerly FOS Lighting Pty Ltd) as a new commercial, retail and industrial lighting business. The business only commenced operations in April 2019.</p> <p>In June 2019, FOS Lighting Group Pty Ltd acquired all of the issued share capital of FOS Lighting Pty Ltd (formerly Frennd Lighting Industries Pty Ltd).</p> <p>In October 2019, the Company was established as a special purpose entity for the purpose of effecting an IPO and listing on the ASX. Following an internal corporate restructure both FOS Lighting Group Pty Ltd and FOS Lighting Pty Ltd have become wholly owned subsidiaries of the Company.</p> <p>Although Frennd Lighting has been operating continuously since 1996, it has only been owned and operated by the current management team since June 2019.</p> <p>In November 2020 the Company acquired a 50% shareholding in JSB Lighting from ASX listed HGL limited and in February 2021 moved to 100% ownership. JSB Lighting was established over 28 years ago and has offices in all states of Australia and New Zealand.</p> <p>The Group's ability to achieve its objectives depends on the ability of the Board and Senior Management to successfully complete the turn-around of the former Frennd Lighting and JSB Lighting businesses, including by completing the JSB Restructure, scale its existing business, implement the proposed business strategy and to respond in a timely and appropriate manner to any unforeseen circumstances. Major changes of this nature carry high levels of implementation risk.</p> <p>Integration of an acquired business can be complex and costly, sometimes including combining relevant accounting and data processing systems, and management controls, as well as managing relevant relationships with employees, customers, counterparties, suppliers and other business partners. Integration efforts could divert management attention and resources, which could adversely affect the Group's operations or results. Additionally, there can be no assurance that employees, customers, counterparties, suppliers and other business partners will remain as such post-acquisition, and the loss of employees, customers, counterparties, suppliers and other business partners could adversely affect the Group's operations or results.</p> <p>As such, there is a risk that the FOS Group may not achieve these strategic objectives and there may be an adverse and material impact on the FOS Group's business, operating results and financial position.</p> <p>To assist investors, Financial Information is contained in Section 4 that incorporates underlying financial information of the FOS Group on a Pro forma and historical basis, however past performance is not a reliable indicator of future performance.</p>
Acquisition of JSB Lighting and recent poor trading performance	<p>FOS Lighting Pty Ltd recently acquired all of the issued capital of Baker & McAuliffe trading as JSB Lighting.</p> <p>JSB Lighting's operating revenue had declined significantly in the 2 years prior to the acquisition, resulting in an operating loss of approximately \$3.2M. The Company has implemented a restructure program to reduce JSB Lighting's overheads and increase sales in order to turn-around these significant losses. Details of the JSB Restructure are set out at Section 3.8.</p> <p>There is a risk that not all Restructure steps are completed in a timely and effective manner or at all and or that expected increases in sales and reduction of costs are not achieved.</p> <p>Where the losses of JSB Lighting cannot be turned-around, there is a risk that the Company will be required to fund JSB Lighting's operations directly affecting the financial performance of the Company. Accordingly, the Company may need to raise future capital through equity or debt financings or from other sources. If the Company is unable to generate sufficient cash flows from its operations or is unable to raise funds from additional sources on commercially acceptable terms, then its business and financial condition may be materially and adversely affected.</p>

Risk	Summary
Acquisition of JSB Lighting and recent poor trading performance continued	<p>Any existing or potential contractual, taxation or other liabilities in JSB Lighting may have an adverse effect on the Group's financial profile as a whole. The acquisition of JSB Lighting was conducted on an "as-is where is" basis and, except for taxation liabilities, the seller retained no liability for debts and other liabilities of JSB Lighting. Other than as to title, no warranties indemnities or guarantees were provided by the seller and effectively, such risks are being largely assumed by the Company.</p> <p>Further, the terms of the acquisition of JSB Lighting are recorded in a short form binding term sheet and not in a traditional detailed sale and purchase agreement. Accordingly, it does not contain detailed warranties, indemnities and guarantees addressing the risks of such liabilities and there is a risk that the Company may not be able to enforce its terms effectively.</p>
Liquidity Risk	<p>There is a likelihood that a material number (77%) of the Company's Shares will be subject to escrow upon completion of the Offer. As a result, there is an increased liquidity risk that a liquid market for Shares may not eventuate and that a large portion of the Company's issued capital may not be able to be freely traded for a period of time.</p>
Existing Shareholders will retain a significant shareholding	<p>Following Completion of the Offer, the Existing Shareholders will hold up to 78% of the Shares. Should the Existing Shareholders sell their Shares in a poorly managed sell down (especially on cessation of the escrow restrictions that apply to the Escrowed Shares – see Section 8.2), this may adversely affect the market price of the Shares.</p> <p>Furthermore, on Listing, SKM Investments Pty Ltd will hold approximately 66.7% of the Shares on issue.</p> <p>Consequently, SKM Investments Pty Ltd will have a significant influence over all matters that require approval by Shareholders, including the election and removal of Directors and approval of significant corporate transactions (unless prevented from voting under the Corporations Act or ASX Listing Rules). This concentration of ownership may limit other Shareholders' ability to influence corporate matters and, as a result, actions may be taken that some Shareholders may not view as beneficial.</p>
Risks associated with expansion into new markets	<p>As part of the Company's broader strategy, the Company plans to explore opportunities to pursue business acquisitions that complement its existing business or leverage existing business activities. This may include other lighting and complementary businesses.</p> <p>A risk exists that additional assets cannot be acquired given the quality of available assets, price expectations of relevant vendors or ability to raise additional capital. Even if viable assets are identified and acquired, continued expansion in new geographic or services markets may require significant financial investment. There is a risk that despite efforts from the Company, expansion efforts will fail which will adversely affect the growth and profitability of the Company.</p>
Industry downturn and general economic conditions	<p>If Australian economic conditions were to adversely deteriorate, there is a risk that the commercial, retail and industrial lighting sector will be affected as consumption is reduced and spending is redirected.</p> <p>Economic conditions may be affected by levels of business spending, inflation, interest rates, consumer confidence, access to debt and capital markets and government fiscal, monetary, tax, and regulatory policies.</p> <p>Sustained weak economic conditions may affect the Company's sales and margins and consequently have a material adverse impact on the Company's future financial performance and financial position.</p> <p>COVID-19 has affected global markets and international and local construction projects (see below).</p>
Increase in imported products	<p>Imported products from lower cost jurisdictions have impacted on Australian manufacturing. Industry revenue from manufacturing has declined during the last 10 years. This does, however, increase the opportunity for customisation and bespoke design solutions.</p>

5. Risk Factors continued

Risk	Summary
Lack of formal and ongoing customer contracts	<p>The Company does not have formal written contracts in place with its customers. Presently, customers order and purchase products from the Company on an ad hoc basis by submitting standard purchase orders to the Company.</p> <p>The key risks associated with this arrangement is that without being contractually obliged to make purchases, customers are not compelled to continue to purchase products and services from the Company and are free to negotiate purchase terms with the Company and otherwise procure products from alternative suppliers. This risk may be aggravated in circumstances where the Company's relationship with key customers has deteriorated.</p> <p>In such cases, the Company may suffer from a reduction in sales and loss of market share which may impact adversely and materially affecting its future financial performance.</p> <p>There can be no guarantee that the Company's relationships with key customers and industry partners will continue or, if they do continue, that they will purchase the same, similar or greater quantities of the FOS Group's products as they have historically.</p>
Product sourcing and failure	<p>FOS Group relies on the availability of supply of raw materials to meet the current and expected growth in demand for its products. FOS Group' business model relies on outsourcing key raw materials to third party suppliers, including from China and other countries.</p> <p>Customers may choose not to continue to use the Company's products and services over time, which may slow or reduce the Company's revenue and in turn, have an adverse impact on the Company's operating and financial performance.</p> <p>Other risks associated with the Company's product sourcing include the loss or interruption to the business of the Company's suppliers, increased cost of materials and manufacture, delays, reduction in the quality of the Company's product and the imposition of additional taxes and duties. There is also a risk that FOS Group may not be able to retain its key existing third party suppliers. FOS Group's relationships with its existing suppliers are typically not exclusive, and its suppliers also have relationships with third parties (including FOS Group' competitors). FOS Group' current third party suppliers and service providers may cease their supply to FOS Group – for example, as a result of a dispute – which would restrict FOS Group' ability to source supply from that supplier.</p> <p>Given a portion of the Company's products are sourced from overseas, this carries with it a degree of sovereign risk, as the actions of domestic and foreign government agencies may impact the Company's product sourcing. As such, it may result in an increase of product sourcing costs for the Company which may consequently reduce the Company's margins and profitability.</p> <p>As the Company also manufactures its own products, there is a risk of some product failure. The risk of potential liability is dependent on the extent of the failure rate and the volume of the product in the market. Potential liability could extend to warranty or rework costs or total product recalls.</p> <p>The effect of COVID-19 on the sourcing of materials was particularly felt in the months of February and March 2020. Since then supply has generally returned to normal levels.</p> <p>In addition, the Company's supply arrangements are generally governed by purchase orders and invoices, which means that suppliers may change the price or other terms on which products are supplied, as well as the range of products available, on short notice. If this was to occur in circumstances where alternative supply arrangements were not available, this could lead to a material adverse effect on the Company's operations, financial performance and growth prospects.</p>
Loss of key management personnel	<p>Oversight of day-to-day operations and the strategic management of the Company are substantially dependent upon the Company's management and key personnel, in particular Con Scrinis and Michael Koutsakis. Whilst these key personnel will be entering into service agreements with the Company or its wholly owned subsidiaries (wherever applicable), there can be no assurance given that there will no detrimental impact on the Company if one or a number of these key personnel cease their employment or involvement with the Company. The future success of the Company also depends upon its continuing ability to attract and retain highly qualified personnel. The ability to attract and retain the necessary personnel could have a material effect upon the Company's business, results of operations and financial condition.</p>

Risk	Summary
Competition	<p>The Company operates in mature markets with established competitors and faces competitive pressures. There is a risk that new competitors may enter the market and compete on factors such as range, price and technology.</p> <p>If the Company's competitors are better able to deliver lighting solutions on a more cost-effective basis, this could affect the Company's competitive position resulting in loss of market share, sales and margins and may have an adverse impact on the Company's future financial position.</p> <p>The Company maintains the view that manufacturing in Australia will assist it to achieve a high-quality product which is less susceptible to product failures.</p>
Change to government rebate schemes for LED products	<p>Changes to government rebate schemes may result in reduced incentives for customers to transition to LED products. Whilst it is expected that these schemes will be re-assessed from time to time, in general, there has been a greater awareness of the benefits of LED lighting.</p>
Company may be unable to access capital markets on attractive terms	<p>The Company may seek to raise new equity in the future to grow its business. If there is a deterioration in the level of equity market liquidity, this may prevent the Company from being able to raise new equity on attractive terms.</p>
Development and maintenance of reputation and brand	<p>The Company's success will depend on the maintenance of its reputation and brand. The Company's reputation and brand may be affected by factors within and outside of its control, including failure to provide customers with the quality of products and services they expect, disputes or litigation with third parties (which could include suppliers, team members or customers) and adverse media coverage. A significant erosion in the reputation of, or value associated with the Company's brand would have an adverse effect on the Company's future performance.</p>
Company faces other commercial and operational risks	<p>The Company may face a number of other commercial and operational risks, including but not limited to:</p> <ul style="list-style-type: none"> • interruptions to the Company's management information systems which are used by the Company to manage all key aspects of the business such as warehouse management, replenishment, forecasting, marketing, financial, payroll, human resources and safeguarding of critical and sensitive information; • the Company being exposed to interruptions to its operations arising from events which could include but are not limited to industrial disputes, work stoppages, acts of terrorism, fires, floods, earthquakes and other natural disasters; and • the risk that newly developed technology makes the Company's existing stock redundant.
Litigation	<p>In the ordinary course of its business, the Company is subject to the risk of litigation and other disputes with its employees, clients, regulators, partners, competitors and other third parties. Proceedings may result in high legal costs, adverse monetary judgments and/or damage to the Company's reputation, which could have an adverse effect on the financial performance of its business.</p>
Failure to achieve stated objectives and goals	<p>The Company's goals and objectives may not be achieved thereby affecting the Company's overall financial position.</p>

5. Risk Factors continued

5.3. General risks of an investment in the Company

General risks associated with any investment in listed securities are described below.

Risk	Summary
Fluctuation of Share price and market liquidity	<p>The market price of Shares can rise and fall and may be subject to varied and unpredictable influences on the share market. The trading price of Shares at any given time may be higher or lower than the price paid under the Offer. Further, you may be unable to sell or realise your investment because the market for Shares may be illiquid.</p> <p>Following Listing, it is expected that 73% of the Shares will be subject to ASX-mandated escrow as detailed in Section 8.2, which may also impact on liquidity. Following release from escrow, these Shares will be able to be freely traded on the ASX. A significant sell down of formerly escrowed shares, or the perception that a sell down may occur, could adversely impact the price of the Shares.</p> <p>Share market conditions are also affected by many factors, including:</p> <ul style="list-style-type: none"> • general economic outlook; • interest rates and inflation rates; • government policy and regulations; • currency fluctuations; • changes in investor sentiment towards equities or particular market sectors; • political instability; • short selling and other trading activities; • the demand for, and supply of, capital; and • force majeure events. <p>There is no assurance that the price of the Shares will increase following their quotation on the ASX, even if the FOS Group's earnings increase.</p>
Financial market volatility	<p>A fall in global or local equity markets or global or local bond markets may discourage investors from moving money into or out of equity markets. This may have a negative effect on the price at which the Shares trade on the ASX.</p>
Trading in shares may not be liquid	<p>There can be no guarantee that an active market in the Shares will develop. There may be relatively few potential buyers or sellers of the Shares on the ASX at any time. This may increase the volatility of the market price of the Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is less or more than the price that Shareholders paid.</p>
Changes in laws, including tax laws and accounting standards may occur	<p>The Company is subject to local laws and regulations in each of the jurisdictions in which it operates (including taxation, copyright and privacy legislation). From time to time, changes of the laws and regulations may require the Company to obtain additional approvals and/or licences that may significantly increase compliance costs and restrict the Company's activities.</p> <p>Any changes to taxation laws, regulations or policies in jurisdictions in which the Company operates may also adversely affect Shareholder returns. Any changes to the Australian Accounting Standards (AAS), as determined by the Australian Accounting Standards Board (AASB), may affect the future measurement and recognition of key income statement and balance sheet items. Such changes could materially and adversely affect the financial performance and position reported in the Company's financial statements.</p>
Risk of Shareholder dilution	<p>In the future, the Company may elect to issue new securities, to engage in fundraising activities and also to fund, or raise proceeds, for acquisitions which the Company may decide to undertake from time to time. Shareholders may be diluted as a result of the issue of such new securities.</p>

Risk	Summary
Failure to achieve stated objectives and goals	The Company's goal and objectives may not be achieved affecting the Company's overall financial position.
Force majeure events	Events could occur within or outside Australia which could impact upon the world economy, the Australian economy, the operations of the Company and the trading price of the Shares. These events could include war, acts of terrorism, international hostilities, labour strikes, fires, floods, earthquakes and other natural events.
COVID-19 (Coronavirus)	<p>The classification of the coronavirus disease (COVID-19) as a global pandemic has impacted global economic markets and resulted in 'lock-downs' which have specifically affected the construction industry. The full extent of the effect of COVID-19 is still not fully known and whilst production has generally returned to pre COVID-19 levels, COVID-19 is likely to continue to have some negative impact on the business. A detailed description of the impact of COVID-19 on the Company's operations is set out in Section 3.7.3. This impact may affect the share price post Listing depending on the measures adopted by local and overseas governments in the short to medium term.</p> <p>The Directors are monitoring the impact of COVID-19 and governmental measures in light of the Company's business and financial performance. However, the situation is continuously evolving. The Company post Listing, will ensure it meets its continuous disclosure obligations and ensure shareholders are fully informed of the continued COVID-19 impact.</p>

5.4. Investment Speculative

The above lists of risk factors set out in this Section 5 ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above may, in the future, materially affect the financial performance of the Company and the value of the Company's securities.

Therefore, the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Securities.

6.

Key People, Interests and Benefits



6. Key People, Interests and Benefits

6.1. Board of Directors

The Directors bring to the Board relevant experience and skills including commercial and industry knowledge, financial management and corporate governance.

	Director & Experience
	<p>Alexander (Sandy) Beard</p> <p>Chairman and Non-Executive Director</p> <p>Sandy was CEO and MD of CVC Limited since 2001 until 2019, having started in 1991 initially as Financial Controller following 3 years with Ernst & Young. He has extensive experience working with investee businesses, both in providing advice and in direct management roles, especially bringing management expertise to early-stage businesses and in turning around financial performance to deliver substantial shareholder returns for sustained periods.</p> <p>Sandy's key focus is extracting and overseeing the creation of shareholder value from the companies with which he is involved.</p> <p>Sandy is an experienced Board Director, including roles as Chairman and has played important roles in delivering value to shareholders over the past 20 years across a broad spectrum of industries and stages of company growth.</p> <p>Sandy Beard is currently Executive Chairman of HGL Limited (ASX:HNG), Chairman of Probiotec Limited (ASX:PBP), Director of Centrepoint Alliance (ASX:CAF), Director of Purefoods Tasmania (ASX:PFT).</p>
	<p>Constantine (Con) Scrinis</p> <p>Chief Executive Officer and Managing Director</p> <p>Con has been involved in the electrical and lighting industry for over 35 years. He founded commercial and industrial lighting manufacturer Moonlighting in 1991. At its peak, Moonlighting employed 150 staff with revenues of +\$30M. Moonlighting was sold to Gerard Lighting Holdings Pty Ltd in 2004.</p> <p>He then founded and was Managing Director of ASX listed Traffic Technologies which developed the first Australian Standard approved LED traffic light. Traffic Technologies had +\$100M in revenues across 3 divisions, Traffic lights, Traffic management and Traffic Signs. Con was a major shareholder and Director of ASX listed SKS Technologies Group Ltd (formerly Stokes Ltd) which transformed from an appliance parts manufacturer and distributor to a lighting and audio visual business.</p>
	<p>Michael Koutsakis</p> <p>Executive Director (Sales & Marketing)</p> <p>Michael completed his Degree in Electrical and Computing Engineering at Monash University and has been involved in the electrical/lighting industry for over 28 years. Michael has held senior sales & marketing positions at Sunlighting/Holophane, Moonlighting, Zumtobel/Bega, and WE-EF lighting. Michael then joined the ASX listed SKS Technologies Group Ltd (formerly Stokes Ltd) as Executive General Manager Lighting in order to further develop and grow the company's lighting division before joining FOS Group.</p>
	<p>Michael Monsonego</p> <p>Executive Director</p> <p>After graduating the IDF as field medic in 1999 Michael attended Hadassah College in Jerusalem to study computer engineering. He joined Israeli TV broadcast company TELAD as a software engineer working on digital broadcasting systems. After 2 years he was promoted to lead the software team of TELAD. In 2004 Michael took up a new position as software engineer at Optibase in Israel, leading provider of video over IP solutions. In 2009 he joined Forma Lighting in the R&D team responsible for developing LED lighting solutions. Michael then moved through the ranks and now holds the position of General manager of Forma Lighting HK.</p>

Each Director above has confirmed to the Company that he anticipates being available to perform his duties as a Non-Executive Director or Executive Director, as the case may be, of the Company without constraint from other commitments.

6. Key People, Interests and Benefits continued

No Director has been the subject of any disciplinary action, criminal conviction, personal bankruptcy or disqualification in Australia or elsewhere.

Con Scrinis was a Director of Signs All Pty Ltd which was placed into liquidation in May 2010. The company was subsequently deregistered in September 2014. Other than as noted above, no Director has been an officer of a company that has entered into any form of external administration as a result of insolvency during the time that they were an officer or within 12-month period after they ceased to be an officer.

The Board has considered the Company's immediate requirements as it transitions to an ASX-listed company and is satisfied that the composition of the Board represents an appropriate range of experience, qualifications and skills at this time.

6.2. Senior Management

6.2.1. Con Scrinis – Chief Executive Officer

See Section 6.1 for profile overview.

6.2.2. Michael Koutsakis – Sales and Marketing Director

See Section 6.1 for profile overview.

6.2.3. Hemant Amin CPA – Company Secretary and Chief Financial Officer

Hemant is a certified practicing accountant with over 30 years of accounting and business experience. He has worked for both large multinational and public companies as well as smaller family owned operations. Hemant now works as a management consultant.

He has been Company Secretary of ASX Listed Oakdale Resources Limited since 2010 and prior to this he was CFO-Company Secretary of Stokes Limited (now Enevis Ltd) during 2012 to 2017.

6.3. Interests and benefits

This Section 6.3 sets out the nature and extent of the interests and fees of certain persons involved in the Offer. Other than as set out below in this Section 6 or elsewhere in this Prospectus no:

- Director or proposed Director of the Company, FOS Lighting Group and FOS Lighting;
- person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of the Company; or
- a stockbroker or underwriter to the Offer,

holds at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or in connection with the Offer; or
- the Offer,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given to any such persons for services in connection with the formation or promotion of the FOS Group or the Offer or to any Director or proposed Director to induce them to become, or qualify as, a Director of the Company.

6.3.1. Interests of advisers

The Company has engaged the following professional advisers:

- Nicholson Ryan Lawyers has acted as Australian legal adviser to the Company in relation to the Offer (excluding in relation to taxation and stamp duty matters). The Company has paid, or agreed to pay, approximately \$35,000 (excluding disbursements and GST) for these services to the Prospectus Date. Further amounts may be paid to Nicholson Ryan Lawyers in accordance with its timed-based charge-out rates;

- PKF Melbourne Corporate Pty Ltd (**PKF**) has acted as the Investigating Accountant (for Historical Financial Information and Pro forma Historical Financial Information) and have prepared the Independent Limited Assurance Report for inclusion in the Prospectus. PKF Melbourne Corporate Pty Ltd has performed due diligence enquiries in relation to the Historical Financial Information and the Pro forma Historical Financial Information. The Company has paid, or agreed to pay, approximately \$20,000 (plus GST) for these services to Prospectus Date. Further amounts may be paid to PKF in accordance with their normal time-based charge-out rates; and
- William Buck has been appointed auditor to the Company. The Company has paid, or agreed to pay, approximately \$40,000 (excluding disbursements and GST) with respect to the audit and review (as relevant) of the Historical Financial Information.

On 8 January 2020, the Company entered into a mandate with K S Capital Pty Ltd (**Lead Manager Mandate**). Pursuant to the Lead Manager Mandate, K S Capital will act as corporate adviser and Lead Manager to the Offer and provide the Company with assistance in undertaking the Offer.

Pursuant to the Mandate, the following fees are payable to K S Capital:

- An upfront cash retainer fee of \$20,000 for corporate advisory services in connection with the Offer (**Upfront Retainer Fee**).
- Upon the Company reaching the Minimum Subscription amount of \$3,000,000 and receiving conditional approval to list on ASX, the Company has agreed to pay to K S Capital:
 - 1% of the gross proceeds on total capital raised under the Proposed Transaction;
 - 5% of the gross proceeds on capital raised by K S Capital under the Proposed Transaction;
 - \$40,000 cash success fee, less the Upfront Retainer Fee.
- Out-of-Pocket Expenses – the Company will reimburse K S Capital for all reasonable expenses incurred in connection with the engagement.

6.3.2. Directors' interests and remuneration

Table 6.1 – Remuneration of Executive and Non-Executive Directors

Director	Current base remuneration or director fees (as applicable) (\$)
Sandy Beard	\$50,000 per annum
Con Scrinis	\$240,000 per annum
Michael Koutsakis	\$240,000 per annum
Michael Monsonego	\$25,000 per annum

6.3.2.1. Non-Executive Director remuneration

Each of the Non-Executive Directors has entered into an appointment letter with the Company, confirming the terms of their appointment, their roles and responsibilities and the Company's expectations of them as Directors.

Under the Constitution, the Directors decide the total amount paid to all Directors as remuneration for their services as a Director. However, under the Listing Rules, the total amount paid to all Non-Executive Directors for their services must not exceed, in aggregate in any financial year, the amount fixed by the Company in general meeting. This amount has been fixed initially at \$200,000.

In calculating the Non-Executive Director remuneration pool, all directors' fees include superannuation payments to the extent applicable and must not include a commission on, or a percentage of, profits or operating revenue.

Directors may also be reimbursed for all reasonable travelling and other expenses incurred by the Directors in attending to the Company's affairs including attending and returning from Board meetings or any meetings of committees of Directors and in attending and returning from any general meetings of the Company.

Non-Executive Directors may be paid such additional or special remuneration if they, at the request of the Board, and for the purposes of the Company, perform any extra services or make special exertions.

There are no retirement benefit schemes for Non-Executive Directors, other than statutory superannuation contributions.

6. Key People, Interests and Benefits continued

6.3.2.2. Directors' Shareholdings

Directors are not required under the Constitution to hold any Shares. On Completion of the Offer, the Directors will hold the following Shares (either directly or through beneficial interests or entities associated with the Director).

The Directors (and their associates) are entitled to apply for additional Shares under the Offer.

Table 6.2 – Directors' Shareholdings on completion of the Offer

Director/Officer	Shares held on Prospectus Date	Shares held on Prospectus Date (%)	Shares held on Completion of the Offer	Shares held on Completion of the Offer (%)
Sandy Beard	nil	0%	nil	0%
Con Scrinis	11,250,000*	34.1%	11,250,000	25%
Michael Koutsakis	11,250,000*	34.1%	11,250,000	25%
Michael Monsonogo	7,500,000*	22.7%	7,500,000	16.7%

Note:

* Note Scrinis, Koutsakis & Monsonogo shareholdings are held indirectly via SKM Investment Group Pty Ltd which holds 30 million Shares. The shareholdings shown represent their respective proportional interests in SKM Investment Group Pty Ltd to an aggregate amount of 30 million.

6.4. Executive Remuneration

6.4.1. Chief Executive Officer & Managing Director

Con Scrinis is the Chief Executive Officer and Managing Director of the Company. He was appointed to both roles on 1st January 2020.

FOS Lighting had previously entered into an executive services agreement on 1 June 2019 with Con Scrinis and Boom Capital Pty Ltd, a company of which Con Scrinis is a director and shareholder, to document his executive role with FOS Lighting.

This agreement was subsequently replaced on 1st January 2020 to reflect Con's engagement by the Company rather than FOS Lighting.

Boom Capital Pty Ltd, will receive an annual fee of \$240,000 as payment for Con's services as Chief Executive Officer and any fees and other amounts to which he may be entitled to as a Director, officer or employee of the Company.

Either party may terminate the executive services agreement by giving six months' notice.

6.4.2. Sales and Marketing Director

Michael Koutsakis is the Sales and Marketing Director of the Company. He was appointed to this role on 1st January 2020.

FOS Lighting had previously entered into an executive services agreement on 1 June 2019 with Michael Koutsakis and Koutsi Design Pty Ltd., a company of which Michael Koutsakis is a director and shareholder, to document his executive role with FOS Lighting.

This agreement was subsequently replaced on 1st January 2020 to reflect Michael's engagement by the Company rather than FOS Lighting.

Koutsi Design Pty Ltd, will receive an annual fee of \$240,000 as payment for Michael's services as Chief Executive Officer and any fees and other amounts to which he may be entitled to as a Director, officer or employee of the Company.

Either party may terminate the executive services agreement by giving six months' notice.

6.4.3. Other senior management remuneration

Other senior members of management are a party to a contract of employment with a member of the FOS Group. These agreements document annual base salary and any incentive arrangements, as determined by the Board from time to time; confidentiality provisions; ownership of intellectual property provisions and a non-compete restraint following the termination of employment. Notice of termination provisions and leave entitlements vary depending on the timeframe that the Board believes it would reasonably require to replace a senior member of management.

6.5. Related party disclosures

6.5.1. Related Party Contracts

KMS Property's Pty Ltd, an entity associated with Con Scrinis and Michael Koutsakis, entered into a lease with FOS Lighting Pty Ltd (as lessee) on 30 November 2019 in respect of the Property located at Unit 3B/41 Rose Street, Richmond, Victoria.

Details of this lease are set out in Section 8.1.4.

6.5.2. General Directors' interests and remuneration

The Directors' interests in the Shares of the Company on completion of the Offer are set out in Table 6.2 above.

As noted at 6.4.1 and 6.4.2 above, the FOS Group has, since 1 July 2019, been party to consultancy agreements with Boom Capital Pty Ltd (for the provision of the services of Con Scrinis, CEO and Managing Director) and with Koutsi Design Pty Ltd, (for the provision of the services of Michael Koutsakis, Sales and Marketing Director), which are summarised in Sections 6.4.1 and 6.4.2 above. The Board considers that the remuneration payable under the consultancy agreements with each of Boom Capital and Koutsi Design Pty Ltd are reasonable.

6.6. Risks related to related party arrangements

The Board does not consider that there are any specific risks associated with the related party arrangements set out in this Section 6.5.

There is a general risk that related party transactions could be assessed and monitored less rigorously than arm's length, third party transactions.

It is important for Shareholders to be able to assess whether the Company takes an appropriate approach for related party transactions. The Company's corporate governance policies, which can be accessed on the Company's website, www.foscapital.com.au address related party transactions and provide a system to see those matters addressed at Board level, considered, determined and implemented in accordance with the law. At the opening of all Board meetings the Board discusses conflicts and any conflicted Board member is prohibited from participating in any matter causing the conflict. To the extent required, the company undertakes external assessment to determine whether any given related party transaction is reasonably considered 'fair' 'arm's length' or 'commercial'.

6.7. HGL Limited a substantial holder

HGL Limited currently holds 9.1% of the Company and is considered a substantial holder. HGL has agreed to subscribe for up to \$500,000 of new Share pursuant to this Offer and post completion of the Offer (if successful) will hold 11.1% if they subscribe for the full amount.

6. Key People, Interests and Benefits continued

6.8. Organisational structure



6.9. Corporate governance

This Section 6.8 explains how the Board will oversee the management of the Company's business. The Board is responsible for the overall corporate governance of the Company, including providing leadership and strategic guidance for the Company and its related entities. The Board monitors the operational and financial position and performance of the Company and oversees the implementation of the Company's strategic objectives, including approving operating budgets and significant expenditure.

The Board is committed to maximising performance, generating appropriate levels of Shareholder value and financial return, and sustaining the growth and success of the Company. In conducting business with these objectives, the Board is concerned to ensure that the Company is properly managed to protect and enhance Shareholder interests, and that the Company, its Directors, officers and employees operate in an environment of appropriate corporate governance. Accordingly, the Board has created a framework for managing the Company, including adopting relevant internal controls, risk management processes and corporate governance policies and practices, which it believes are appropriate for the Company's business and which are designed to promote the responsible management and conduct of the Company.

The main policies and practices adopted by the Company, which will take effect from Listing, are summarised below. In addition, many governance elements are contained in the Constitution.

6.10. Board of Directors

6.10.1. Composition of the Board

The Board of Directors is comprised of the Chief Executive Officer, Constantine (Con) Scrinis and Executive Director, Michael Koutsakis and two Non-Executive Directors, being Michael Monsonogo and Sandy Beard (who is also the Chairman). Biographies of the Directors are provided in Section 6.1.

Each Director has confirmed to the Company that he anticipates being available to perform his duties as a Non-Executive or Executive Director as the case may be, without constraint from other commitments.

6.10.2. Independence

The Board considers an independent Director to be a Non-Executive Director who is not a member of the Company's management and who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with, the independent and unfettered exercise of their judgement.

The Board considers quantitative and qualitative principles of materiality for the purpose of determining independence on a case-by-case basis. The Board will consider whether there are any factors or considerations that may mean that the Director's interest, business or relationship could, or could be reasonably perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

The Board considers that:

- Sandy Beard is not independent as he is the Chairman of HGL Limited, which is a substantial holder in the Company.
- Constantine Scrinis and Michael Koutsakis are not to be independent on the basis that they will perform the functions of Chief Executive Officer and Executive Director of the Company respectively, and
- Michael Monsonego as (a substantial holder) is not an independent Director having regard to ASX Recommendations.

Accordingly, upon Listing, the no member of the Board will be independent Directors as recommended in Recommendation 2.4 of the ASX Recommendations. Despite this, the Board has considered the Company's immediate requirements as it transitions to an ASX-listed company and is satisfied that the composition of the Board reflects an appropriate range of corporate memory, independence, skills and experience for the Company after Listing.

The Board will regularly review the independence of each Director, and any subsequent Directors appointed, in light of interests disclosed to the Board from time to time and will disclose any change to the ASX, as required by the ASX Listing Rules.

6.11. Board Charter

The Board has adopted a written Charter to provide a framework for the effective operation of the Board, which sets out:

- the Board's composition;
- the Board's role and responsibilities;
- the relationship and interaction between the Board and management; and
- the authority delegated by the Board to management and Board committees.

The Board's role is to:

- represent and serve the interests of Shareholders by overseeing and appraising the Company's strategies, policies and performance. This includes overseeing the financial and human resources the Company has in place to meet its objectives and reviewing management performance;
- protect and optimise the Company's performance and build sustainable value for Shareholders in accordance with any duties and obligations imposed on the Board by law and the Company's Constitution and within a framework of prudent and effective controls that enable risk to be assessed and managed;
- set, review and ensure compliance with the Company's values and governance framework (including establishing and observing high ethical standards); and
- ensure Shareholders are kept informed of the Company's performance and major developments affecting its state of affairs.

The day-to-day management of the Company's affairs and implementation of the corporate strategy and policy initiatives are formally delegated by the Board to the Chief Executive Officer. The Chief Executive Officer is responsible for the day-to-day operations, financial performance and administration of the Company within the powers authorised to him from time to time. The Company is committed to the circulation of relevant materials to Directors in a timely manner to facilitate Directors' participation in the Board discussions on a fully informed basis.

The Board will review the Company's Board Charter from time to time, and make amendments, as necessary. A copy of the Company's Board Charter will be made available on the Company's website.

6. Key People, Interests and Benefits continued

6.12. Board committees

The Board may from time to time establish appropriate committees to assist in the discharge of its responsibilities. The Board has established two committees to assist the Board in fulfilling its responsibilities as set out below, being the Audit and Risk Committee and the Nomination and Remuneration Committee. Other committees may be established by the Board as and when required.

Committee	Roles and Responsibilities	Initial Composition
Audit and Risk Committee	<p>Responsible for monitoring and advising the Board on the Company's financial reporting framework.</p> <p>Key roles of the committee include overseeing:</p> <ul style="list-style-type: none"> the adequacy of the Company's corporate reporting processes and the integrity of the Company's accounting and financial statements; the Company's external audit processes, including the appointment, independence, management and removal of the Company's external auditor; the Company's internal audit processes; and the Company's tax risk and tax governance arrangements. 	<ul style="list-style-type: none"> Sandy Beard (Non-Executive Director) – Chair Michael Monsonego (Non-Executive Director)
Nomination and Remuneration Committee	<p>Responsible for monitoring and advising the Board on appropriate nomination and remuneration strategies and policies consistent with business requirements.</p> <p>Key roles of this committee include:</p> <ul style="list-style-type: none"> assessing current and future director skills and experiences and identifying suitable candidates for succession; annually enquiring of the Chief Executive Officer of their process for evaluating their direct reports; ensuring the Company has remuneration policies and practices appropriate to attracting and retaining key talent; reviewing and making recommendations in relation to the remuneration of Directors and senior management; and reviewing and recommending the design of any executive incentive plans and approving the proposed awards to each executive under those plans. 	<ul style="list-style-type: none"> Sandy Beard (Non-Executive Director) – Chair Michael Monsonego (Non-Executive Director)

6.13. Corporate governance policies

The governance policies set out in this Section 6.12 have been adopted by the Board and will be made available on the Company's website prior to its admission to the Official List. The Company's corporate governance policies will continue to be reviewed regularly and will continue to be developed and refined as required to meet the needs of the Company.

6.13.1 Continuous disclosure policy

From Listing, the Company will be required to comply with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act. Subject to the exceptions contained in the ASX Listing Rules, the Company will be required to keep the ASX and the market fully informed of any information it becomes aware of concerning the Company which may have a material effect on the price or value of the Shares. The Company is committed to observing its disclosure obligations under the ASX Listing Rules and the Corporations Act.

The Company has adopted a Continuous Disclosure Policy, to take effect from Listing, which establishes procedures that are aimed at ensuring that Directors, management and other staff are aware of and fulfil their obligations in relation to the timely disclosure of material price sensitive information.

6.13.2. Securities Dealing Policy

The Board has adopted a Securities Dealing Policy, to take effect from Listing, which is intended to explain the types of conduct in dealings in securities that are prohibited under the Corporations Act and establish a best practice procedure for the buying and selling of securities that protects the Company Directors and employees against the misuse of unpublished information that could materially affect the value of securities.

The Securities Dealing Policy applies to all Directors, officers, senior executives and employees who have been advised by the Company Secretary that they have information that is or may become inside information and their connected persons.

The policy provides that relevant persons must not deal in the Company's securities:

- when they are in possession of material price-sensitive information;
- on a short-term trading basis; and
- during trading blackout periods (except in exceptional circumstances).

Outside of these periods, Directors and certain designated employees must receive prior approval for any proposed dealing in the Company's securities (including any proposed dealing by one of their connected persons), and in all instances, buying or selling Shares is not permitted at any time by any person who possesses material price-sensitive or 'inside' information.

6.13.3. Code of Conduct

The Board is committed to a high level of integrity and ethical standards in all business practices. Accordingly, the Board has adopted a formal Code of Conduct that outlines how the Company expects its representatives to behave and conduct business in the workplace and includes legal compliance and guidelines on appropriate ethical standards. All employees of the Company (including temporary employees, contractors and Company Directors) must comply with the Code of Conduct.

The Code is designed to:

- provide a benchmark for professional behaviour throughout the Company;
- support the Company's business reputation and corporate image within the community; and
- make Directors and employees aware of the consequences if they breach the policy.

6.13.4. Communication with Shareholders

The Company aims to communicate all important information relating to the Company to its Shareholders. Additionally, the Company recognises that potential investors and other interested stakeholders may wish to obtain information about the Company from time to time. To achieve this, the Company communicates information regularly to Shareholders and other stakeholders through a range of forums and publications, including the Company's website, at the annual general meeting, through the Annual Report and ASX announcements.

6.13.5. Diversity Policy

The Board has formally approved a Diversity Policy in order to, among other matters, provide a framework by which the Company will support and facilitate an environment of diversity and inclusion across the organisation.

The Board will include in the Annual Report each year a summary of the Company's progress towards achieving the measurable objectives set under the Diversity Policy for the year to which the Annual Report relates and details of the measurable objectives set under the Diversity Policy for the subsequent financial year.

6.13.6. Whistle-blower Policy

From 1 January 2020, a publicly listed company is required to have a Whistle-blower Policy. The Company has adopted a whistle-blower policy to ensure that concerns regarding breaches of the Company's codes of conduct or inappropriate behaviour can be raised without fear of reprisals, dismissal or reprimand or discriminatory treatment by the Company or members of the organisation. The purpose of the policy is to encourage and protect whistle-blowers to come forward with their concerns which may cause a risk to the interest of the community and organisation.

6. Key People, Interests and Benefits continued

6.13.7. Anti-Bribery and Corruption Policy

The Board has adopted an anti-bribery and anti-corruption policy to set out the Company's position in relation to potential and actual bribery and corruption events and the Company's expectation in relation to upholding its position. The policy sets out the process in relation to identifying, reporting and dealing with bribery and corruption issues.

6.14. ASX Corporate Governance Council's Corporate Governance Principles and Recommendations

The Company is seeking a listing on the ASX. The ASX Corporate Governance Council has developed and released its ASX Corporate Governance Principles and Recommendations (4th Edition) (**ASX Recommendations**) for entities listed on the ASX in order to promote good governance outcomes, confidence and to assist companies to meet stakeholder expectations. The ASX Recommendations are not prescriptions, but guidelines.

The Company is committed to achieving and maintaining the highest standards of conduct and has implemented initiatives to achieve this objective. The Company's corporate governance policies are intended to institutionalise good corporate governance and build a culture of best practice both in the Company's own internal businesses and in its dealings with others.

The Company has considered the ASX Recommendations to determine an appropriate system of control and accountability to best fit its business and operations commensurate with these guidelines. The Board will consider on an ongoing basis its corporate governance procedures and whether they are sufficient given the Company's nature of operations and size and will seek to follow these recommendations where possible.

Based on the Company's size and business on Listing, the Directors believe that they are able to objectively analyse the issues before them in the best interests of Shareholders and in accordance with their duties as Directors. The Directors consider that the Board and the Directors have the skills and commitment to enable the Board to discharge its duties effectively.

Where the Company determines it would be inappropriate to follow the ASX Recommendations because of its circumstances, the Company will provide reasons for not doing so in its Annual Report.

Departure from the ASX Recommendations

As at the Prospectus Date, the Board does not anticipate that it will depart from the recommendations in the ASX Recommendations, other than as set out below

Recommendation	Comment
1.5 – Gender Diversity	The Board has departed from recommendation 1.5 which provides that a listed entity should, through its board or a committee of the board, set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally. The Company has not set measurable diversity objectives. The Company has a relatively small workforce. Accordingly, the Board intends to set measurable objectives over the course of 2021 and 2022. The size of the Company and the scale of its operations will be taken into account.
2.1 – Nomination Committee	<p>The Board has departed from Recommendation 2.1 as it has not adopted a nomination committee which has at least three members, a majority of whom are independent directors. The Company's Nomination and Remuneration Committee is comprised of only two members, being Sandy Beard (a Non-Executive Director) and Michael Monsonogo (a Non-Executive Director) and no members of the nomination committee are considered independent.</p> <p>The Board does not consider the departure to be materially detrimental to the Company. The Board is of the view that the relative size and the particular industry in which the Company operates, does not justify appointing additional independent directors in order to satisfy the Recommendation.</p>

2.2 – Board skills matrix	<p>The Board has departed from Recommendation 2.2 as it has not adopted a board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve. The Board has been structured to be comprised of experienced executives with a broad and diverse range of business experience and has appointed the Nomination and Remuneration Committee to make recommendations to the Board to ensure the most appropriate mix of skills, expertise and experience to effectively govern the Company.</p> <p>Although the Board Charter provides for the use of the board skills matrix to identify gaps in the skills, qualifications, diversity and experience of the Directors of the Board, the Board does not consider it is necessary to develop a board skills matrix at this time. The experience and skills of each Director are set out in Section 6.1.</p>
2.4 – Majority of Board should be independent	<p>The Board has departed from Recommendation 2.4 by having a Board which is comprises no independent Directors. The Board does not consider the departure to be materially detrimental to the Company as it considered the Board's independence and concluded that Non-Executive Directors, Sandy Beard and Michael Monsonego, bring experience, objective and unbiased judgement to the Board's deliberations and that Executive Director, Con Scrinis and Michael Koutsakis provide a deep understanding of the lighting industry. The Company will continue to assess the Board composition following Listing and if deemed appropriate will make any necessary changes to ensure effective governance of the Company.</p>
4.1 – Audit Committee	<p>The Board has departed from Recommendation 4.1 as it has not adopted an audit committee which has at least three members, a majority of whom are independent directors. No members of the audit committee are considered independent.</p> <p>Moreover, whilst the Company's audit committee is chaired by Mr Beard, he is also the chair of the Board and therefore this is another departure from Recommendation 4.1.</p> <p>The Company's Audit Committee is comprised of only two members, being Sandy Beard (an Non-Executive Director and also Non-Executive Chairman of the Company) and Michael Monsonego (a Non-Executive Director).</p> <p>The Board does not consider the departures to be materially detrimental to the Company. The Board was of the view that the relative size and the particular industry in which the Company operates, did not justify appointing additional independent directors in order to satisfy the Recommendation.</p>
7.1 – Risk Committee	<p>The Board has departed from Recommendation 7.1 as it has not adopted a risk committee which has at least three members, a majority of whom are independent directors. No members of the risk committee are considered independent.</p> <p>The Company's Risk Committee is comprised of only two members, being Sandy Beard (a Non-Executive Director and also Non-Executive Chairman of the Company) and Michael Monsonego (a Non-Executive Director).</p> <p>The Board does not consider this departure to be materially detrimental to the Company. The Board was of the view that the relative size and the particular industry in which the Company operates, did not justify appointing additional independent directors in order to satisfy the Recommendation.</p>
8.1 – Remuneration Committee	<p>The Board has departed from Recommendation 8.1 as it has not adopted a remuneration committee which has at least three members, a majority of whom are independent directors. No members of the remuneration are considered independent.</p> <p>The Company's Remuneration Committee is comprised of only two members, being Sandy Beard (a Non-Executive Director and also Non-Executive Chairman of the Company) and Michael Monsonego (a Non-Executive Director).</p> <p>The Board does not consider this departure to be materially detrimental to the Company. The Board was of the view that the relative size and the particular industry in which the Company operates, did not justify appointing additional independent directors in order to satisfy the Recommendation.</p>

7.

Details of the Offer



7. Details of the Offer

7.1. Introduction

7.1.1. The Offer

This Prospectus relates to an initial public offering. The Company is offering for subscription 12,000,000 fully paid ordinary Shares to raise the Minimum Subscription of \$3,000,000, before costs of the Offer. The Minimum Subscription for the Offer to proceed is \$3.0 million. Under the Offer, the Shares have an Application Price of \$0.25 per Share. The rights attaching to the Shares are set out in Section 10.4. The Shares offered under this Prospectus will represent approximately 27% of the Shares on issue on Completion of the Offer being 45,000,000 million Shares. The balance of the Shares will be held by the Existing Shareholders.

All Shares will rank equally with each other.

The Offer is not underwritten.

The Offer is made on the terms, and is subject to the conditions, set out in this Prospectus.

7.1.2. Structure of the Offer

The Offer will be made to investors who have a registered address in Australia only. The allocation of Shares will be determined by the Board.

7.1.3. Minimum Subscription

The Minimum Subscription for the Offer is \$3,000,000. The Company will not issue any Shares pursuant to this Prospectus until the Offer is fully subscribed and a conditional approval letter for admission to the Official List has been received from the ASX.

Should the Offer not be fully subscribed within 3 months after the Prospectus Date, the Company will either:

- not issue the Shares and repay all Application Monies to Applicants without interest within the time prescribed under the Corporations Act; or
- issue a supplementary prospectus and allow Applicants one month to withdraw their Applications and be repaid their Application monies without interest.

7.1.4. Purpose of the Offer

The Offer is being conducted to:

- provide the Company with funds to allow Australian sales and marketing growth, recruit sales staff and provide additional working capital;
- satisfy the admission requirements to ASX;
- provide the Existing Shareholders with a more liquid market to facilitate trading in Shares and enable others to invest in the Company which it expects will provide additional financial flexibility to pursue further growth opportunities;
- provide the Company with the benefits of access to the capital markets and an increased profile that comes from being a listed entity; and
- cover capital raising costs including the costs of the Offer.

7.1.5. Sources and uses of funds

Offer proceeds from the issue of New Shares will be utilised as follows:

Use of funds	On a fully subscribed basis \$3,000,000	Percentage of Funds
Costs of IPO	\$436,000	14.5%
General working capital purposes	\$594,000	19.8%
JSB restructure	\$620,000	20.6%
Installation of photometric lighting laboratory	\$250,000	8.3%
Product research & development	\$300,000	10%
Stock, plant & equipment	\$500,000	16.6%
Business Development	\$300,000	10%
Total	\$3,000,000	100%

7. Details of the Offer continued

The above table is a statement of current intentions as of the date of lodgement of this Prospectus with the ASIC. As with any budget, intervening events and new circumstances have the potential to affect the ultimate way funds will be applied. The Board reserves the right to alter the way funds are applied on this basis.

On successful completion of the Offer, the Board believes the Company will have sufficient working capital to achieve these objectives.

Actual expenditure may differ significantly from the above estimates due to a change in market conditions, the development of new opportunities and other factors (including the risk factors outlined in Section 5).

7.1.6. Expenditure program

Key items of expenditure planned and expected timeframes are as follows:

Expenditure Item	2H21	1H22	2H22
JSB restructure	620,000	–	–
Product research & development	–	\$150,000	\$150,000
Installation of photometric lighting laboratory	–	\$250,000	–
Stock, plant & equipment	–	\$250,000	\$250,000
Business development	–	\$300,000	–
Total	620,000	\$700,000	\$400,000

7.1.7. Pro Forma Historical Balance Sheet

The Company's Pro forma Historical Statement of Financial Position following Completion of the Offer, including details of the pro forma adjustments is set out in Section 4.4.

7.1.8. Capital structure

The Company's capital structure before and following Completion of the Offer is set out in Section 7.3.

7.1.9. Working Capital Statement

On Completion of the Offer the Company expects to have working capital of \$4,921,666 available to carry out its stated business objectives:

Cash and working capital	Amount (\$)
Pro forma cash at Completion of the Offer	\$5,100,169
Working capital (current assets less current liabilities) on Completion of the Offer	\$4,921,666

7.2. Terms and conditions of the Offer

Topic	Summary
What is the type of security being offered?	Shares (being fully paid ordinary shares in the Company).
What are the rights and liabilities attached to the Shares?	A description of the Shares, including the rights and liabilities attaching to them, is set out in Section 10.4.
What is the consideration payable for each security?	The Offer Price is \$0.25 per Share.

Topic	Summary
What is the Offer Period?	<p>The key dates, including details of the Offer Period, relating to each component of the Offer are set out in the Key Dates on page “Key Offer Information” on page 3 of this Prospectus.</p> <p>The timetable is indicative only and may change. Unless otherwise indicated, all times are stated in AEST.</p> <p>The Company reserves the right to amend any and all of these dates without notice (including, subject to the ASX Listing Rules and the Corporations Act, to close the Offer early, to extend the Closing Date, to accept late Applications (either generally or in particular cases) or to cancel the Offer before Shares are issued by the Company.</p> <p>If the Offer is cancelled before the issue of Shares, then all Application Monies will be refunded in full (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.</p> <p>No Shares will be issued on the basis of this Prospectus later than the Expiry Date.</p>
What are the cash proceeds to be raised under the Offer?	\$3 million will be raised from investors under the Offer (if successful).
How is the Offer structured?	The Offer is open to the general public who are resident in Australia.
What is the allocation policy?	<p>The allocation of Shares will be determined by the Board.</p> <p>The Company has absolute discretion regarding the allocation of Shares to Applicants under the Offer and may reject an Application, or allocate fewer Shares than the number, or the equivalent dollar amount than applied for.</p>
Will the Shares be quoted?	<p>The Company will apply for admission to the official list of the ASX and quotation of Shares on the ASX under the code ‘FOS’. Completion of the Offer is conditional on the ASX approving this application.</p> <p>If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.</p>
Is the Offer underwritten?	No.
Are there any escrow arrangements?	Yes. Details are provided in Section 8.2.
Has any ASIC relief or ASX waiver been obtained or relied on?	No.
How can I apply?	<p>Applications for Shares may only be made on an Application Form attached to or accompanying this Prospectus.</p> <p>To apply for Shares, Applicants must complete and return the Application Form together with the Application Monies in full prior to 5.00pm 31 May 2021 on the Closing Date.</p> <p>To the extent permitted by law, an Application by an Applicant under the Offer is irrevocable.</p>
Is there any brokerage, commission or stamp duty payable by Applicants?	No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer.
What are the tax implications of investing in the Shares?	<p>Given that the taxation consequences of an investment will depend upon the investor’s particular circumstances, it is the obligation of each investor to make their own enquiries concerning the taxation consequences of an investment in the Company.</p> <p>If you are in doubt as to the course you should follow, you should consult your stockbroker, solicitor, accountant, tax adviser or other independent and qualified professional adviser.</p> <p>An overview of the tax treatment for Australian resident investors is included in Section 10.6.</p>

7. Details of the Offer continued

Topic	Summary
When will I receive confirmation that my Application has been successful?	It is expected that initial holding statements will be despatched by standard post on or about 4 June 2021.
Can the Offer be withdrawn?	<p>The Company reserves the right not to proceed with the Offer at any time before the issue of Shares to successful Applicants.</p> <p>If the Offer does not proceed, Application Monies will be refunded.</p> <p>No interest will be paid on any Application Monies refunded as a result of the withdrawal of the Offer.</p>
Where can I find more information about this Prospectus or the Offer?	<p>If you have any questions about this Prospectus or how to apply for Shares, please call FOS Group on 07 3277 7222 (within Australia) or +617 3277 7222 (outside Australia) from 9am to 5 pm (AEST), Monday to Friday (excluding public holidays).</p> <p>If you are unclear or uncertain as to whether the Company is a suitable investment for you, you should seek professional guidance from your lawyer, stockbroker, accountant or other independent and qualified professional adviser before deciding whether to invest in Shares.</p>

7.3. Shareholding structure

7.3.1. Ownership

The Company's capital structure both prior to, and on Completion of the Offer, is as follows:

Shares	On fully subscribed basis	
	Number	%
Existing Shares on Issue prior to Offer	33,000,000	73%
New Shares issued under the Offer	12,000,000	27%
Total Shares	45,000,000	100%

Details of Existing Shares subject to escrow restrictions are set out in section 8.2.

7.3.2. Control of the Company

SKM Investment Group will control the Company on Completion of the Offer.

7.4. Applying for Shares

7.4.1. Who can apply in the Offer

The Offer is open to retail and other investors who are resident in Australia and who have received a copy of the Prospectus.

7.4.2. How to apply for Shares

Applications for Shares may only be made on an Application Form attached to or accompanying this Prospectus or by completing the online Priority Offer Application Form in accordance with the instructions provided on the website containing the Application Form.

To apply for Shares, Applicants must complete and submit the Application Form together with the Application Monies in full prior to 5.00pm 31 May 2021 on the Closing Date.

Please refer to the instruction on the back of the Application Form when completing your Application. Applications must be for a minimum of 8,000 Shares (\$2,000) and thereafter in increments of 4,000 Shares (\$1,000). There is no maximum Application size.

By making an Application, you declare that you were given access to the Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus.

7.4.3. Payment methods

Applicants must complete the Application Form and send it, together with an accompanying cheque for the Application Monies, to the Share Registry in accordance with the instructions on the back of the Application Form.

For online Applications, Applicants can apply online with payment made electronically via BPAY[®]. Investors applying online will be directed to use an online Application Form at www.foscapital.com.au and make payment by BPAY[®]. Applicants will be given a BPAY[®] biller code and a customer reference number (CRN) unique to the online Application once the online Application Form has been completed.

BPAY[®] payments must be made from an Australian dollar account of an Australian institution.

You should be aware that your financial institution may implement earlier cut off times with regard to electronic payment and you should take this into consideration when making payment. None of the Company, the Lead Manager or the Share Registry takes any responsibility for any failure to receive Applications Monies or payment before the Offer closes arising as a result of, among other things, delays in processing of payments by financial institutions.

7.4.4. Application Monies

Applicants whose Applications are not accepted, or who are allocated a lesser dollar amount of Shares than the amount applied for, will receive a refund of all or part of their Application Monies, as applicable. Interest will not be paid on any monies refunded.

Applicants whose Applications are accepted in full will receive the whole number of Shares calculated by dividing the Application Monies by the Offer Price.

Cheque(s) must be in Australian dollars and drawn on an Australian branch of an Australian financial institution, must be crossed "Not Negotiable" and must be made payable to FOS Capital Ltd.

You should ensure that sufficient funds are held in the relevant account(s) to cover the amount of the cheque(s) or bank draft(s). If the amount of your cheque(s) or bank draft(s) for Application Monies (or the amount for which those cheque(s) or bank draft(s) clear in time for allocation) is less than the amount specified on the Application Form, you may be taken to have applied for such lower dollar amount of Shares as for which your cleared Application Monies will pay (and to have specified that amount on your Application Form) or your Application may be rejected.

7.4.5. Acceptance of Applicants

An Application is an offer by the Applicant to the Company to subscribe for Shares for all or any of the Application Monies specified in and accompanying the Application Form at the Offer Price on the terms and conditions set out in this Prospectus including any supplementary or replacement Prospectus and the Application Form (including the conditions regarding quotation on ASX in Sections 7.2 and 7.8.1). To the extent permitted by law, an Application by an Applicant under the Offer is irrevocable.

An Application may be accepted by the Company in respect of the full number of Shares specified in the Application Form or any of them, without further notice to the Applicant. Acceptance of an Application will give rise to a binding contract.

The Company reserves the right to decline any Application and all Applications in whole or in part, without giving any reason. Applicants whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will receive a refund of all or part of their Application Monies, as applicable. Interest will not be paid on any Application Monies refunded.

7.4.6. Allotment policy

HGL Limited has agreed to subscribe for up to \$500,000 worth of Shares pursuant to this Offer. The Company retains the discretion to allocate Shares the subject of this Offer as the Company deems fit. The Company reserves the right to reject, aggregate or scale back Applications at its absolute discretion. This may mean that some subscribers, including HGL Limited, may be allocated less Shares than what have been subscribed for.

In order to confirm your allocation under the Offer, Applicants should contact the Share Registry on 1300 737 760 (within Australia) or +61 292 909 631 (outside Australia) from 9:00 am to 5:00 pm (AEST), Monday to Friday (excluding public holidays).

The Company and the Lead Manager disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their holding statement, whether on the basis of a confirmation of allocation provided by any of them, by the Share Registry or otherwise.

7. Details of the Offer continued

7.5. No Underwriting

The Offer is not underwritten.

7.6. Ownership restrictions

The sale and purchase of Shares in the Company is regulated by Australian laws that restrict the level of ownership or control by any one person (either alone or in combination with others). This Section 7.6 contains a general description of these laws.

7.6.1. Corporations Act

The takeover provisions in Chapter 6 of the Corporations Act restrict acquisitions of shares in listed companies, and unlisted companies with more than 50 members, if the acquirer's (or another party's) voting power would increase to above 20%, or would increase from a starting point that is above 20% and below 90%, unless certain exceptions apply.

The Corporations Act also imposes notification requirements on persons having voting power of 5% or more in the Company.

7.6.2. Foreign Acquisitions and Takeovers Act

Generally, the *Foreign Acquisitions and Takeovers Act 1975* (Cth) (**FATA**) applies to acquisitions of shares and voting power in a company of 20% or more by a single foreign person and its associates (**substantial interest**), or 40% or more by two or more unassociated foreign persons and their associates (**aggregate substantial interest**). Where an acquisition of a substantial interest meets certain criteria, the acquisition may not occur unless notice of it has been given to the Federal Treasurer and the Federal Treasurer has either stated that there is no objection to the proposed acquisition in terms of the Commonwealth Government's Foreign Investment Policy or a statutory period has expired without the Federal Treasurer objecting. An acquisition of a substantial interest or an aggregate substantial interest meeting certain criteria may also lead to divestment orders unless a process of notification, and either a statement of non-objection or expiry of a statutory period without objection, has occurred. Direct investments by foreign governments and their agencies irrespective of their size may be required to be notified under the FATA and associated regulations for prior approval.

7.6.3. Selling restrictions

No action has been taken to register or qualify this Prospectus, the Shares or the Offer or otherwise to permit a public offering of the Shares in any jurisdiction outside Australia. The Shares have not been, and will not be, registered under the US Securities Act of 1933, as amended (**US Securities Act**) or the securities laws of any state or other jurisdiction in the United States and may not be offered, sold, pledged or transferred in the United States except in accordance with an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act laws and any other applicable laws.

This Prospectus may only be distributed in Australia and, outside Australia, to persons to whom the Offer may be lawfully made in accordance with the laws of the applicable jurisdiction, provided that this Prospectus may not be distributed in the United States.

The Offer is not an offer or invitation in any jurisdiction where, or to any person to whom, such an offer or invitation would be unlawful.

Each Applicant will be taken to have represented, warranted and agreed as follows:

- it understands that the Shares have not been, and will not be, registered under the US Securities Act and may not be offered, sold or resold in the United States, except in a transaction exempt from, or not subject to, registration under the US Securities Act and any other applicable securities laws;
- it is not in the United States;
- it has not and will not send this Prospectus or any other material relating to the Offer to any person in the United States; and
- it will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia except in transactions exempt from, or not subject to, registration under the US Securities Act and in compliance with all applicable laws in the jurisdiction in which the Shares are offered and sold.

7.7. Discretion regarding the Offer

The Company reserves the right not to proceed with the Offer at any time before the issue and transfer of Shares to successful Applicants. If the Offer does not proceed, Application Monies will be refunded. No interest will be paid on any Application Monies refunded as a result of the withdrawal of the Offer.

The Company also reserves the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications or bids either generally or in particular cases, reject any Application or bid, or allocate to any Applicant or bidder fewer Shares than applied or bid for.

The Company reserves the right to pay a commission of up to 6% (exclusive of goods and services tax) of amounts subscribed through any licensed securities dealers or Australian financial services licensee in respect of any valid applications under the Offer lodged and accepted by the Company and bearing the stamp of the licensed securities dealer or Australian financial services licensee. Payments will be subject to the receipt of a proper tax invoice from the licensed securities dealer or Australian financial services licensee.

7.8. ASX listing, registers and holding statements, deferred settlement trading

7.8.1. Application to the ASX for listing of the Company and quotation of Shares

The Company will, on or about the date of this Prospectus, apply for admission to the official list of the ASX and quotation of the Shares on the ASX. The Company's code is expected to be FOS.

Neither ASIC nor ASX takes any responsibility for this Prospectus or the investment to which it relates. The fact that the ASX may admit the Company to the official list is not to be taken as an indication of the merits of the FOS Group or the Shares offered for issue.

If the Company does not make such an application within seven days after the Prospectus Date, or permission is not granted for the official quotation of the Shares on the ASX within three months after the Prospectus Date (or any later date permitted by law), all Application Monies received by the Company will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.

The Company will be required to comply with the ASX Listing Rules, subject to any waivers obtained by the Company from time to time.

The Directors expect that trading of the Shares on the stock market conducted by ASX will commence as soon as practicable after approval for admission to the Official List of ASX is granted and all conditions (if any) applicable thereto have been fulfilled.

7.8.2. CHESS and Issuer sponsored holdings

The Company will apply, on or about the date of this Prospectus, to participate in the ASX's Clearing House Electronic Sub register System (**CHESS**) and will comply with the ASX Listing Rules and the ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on the ASX under which transfers are effected in an electronic form.

When the Shares become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two sub registers, being an electronic CHESS sub register or an issuer sponsored sub register.

For all successful Applicants, the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored by a participant in CHESS will be registered on the CHESS sub register. All other Shares will be registered on the issuer sponsored sub register.

Following Completion of the Offer, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder's Holder Identification Number (HIN) for CHESS holders or, where applicable, the Securityholder Reference Number (SRN) of issuer sponsored holders. Shareholders will subsequently receive statements showing any changes to their Shareholding. Certificates will not be issued.

Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker in the case of a holding on the CHESS sub register or through the Share Registry in the case of a holding on the issuer sponsored sub register. FOS Capital and the Share Registry may charge a fee for these additional issuer sponsored statements.

7. Details of the Offer continued

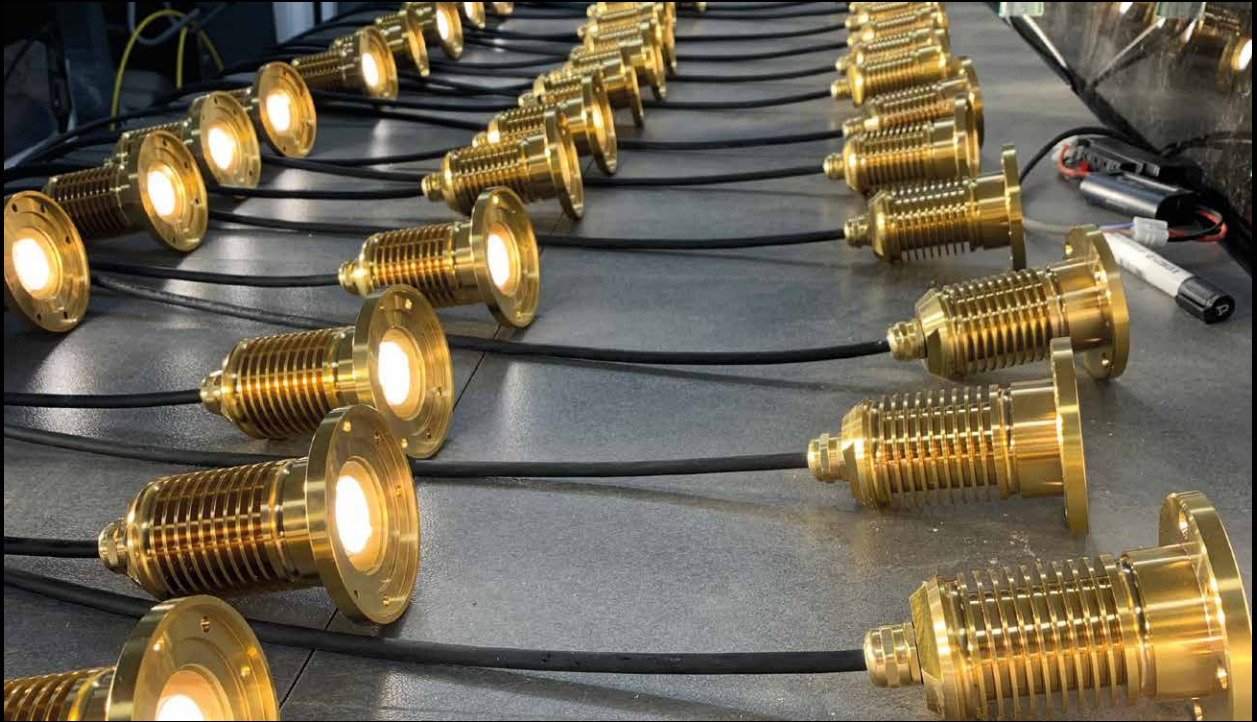
7.9. Acknowledgements

Each Applicant under the Offer will be deemed to have:

- agreed to become a member of the Company and to be bound by the terms of the Constitution and the terms and conditions of the Offer;
- acknowledged having personally received a printed or electronic copy of this Prospectus (and any supplementary or replacement prospectus) including or accompanied by the Application Form and having read them all in full;
- declared that all details and statements in their Application Form are complete and accurate;
- declared that the Applicant, if a natural person, is over 18 years of age and have full legal capacity and power to perform all its rights and obligations under the Application Form;
- acknowledged that, once the Company, the Lead Manager, or the Share Registry receives an Application Form, it may not be withdrawn;
- applied for the number of Shares at the Australian dollar amount shown on the front of the Application Form, or such lesser amount as represented by the Application Monies paid;
- agreed to being allocated and issued the number of Shares applied for (or a lower number allocated in a way described in this Prospectus), or no Shares at all;
- authorised the Company, the Lead Manager and their respective officers or agents, to do anything on behalf of the Applicant necessary for Shares to be allocated to the Applicant, including to act on instructions received by the Share Registry upon using the contact details in the Application Form;
- acknowledged that the Company has no current intention to pay dividends, and that if any dividends are paid in the future (about which there is no guarantee) they may not be franked;
- acknowledged that the information contained in this Prospectus (or any supplementary or replacement prospectus) is not financial product advice or a recommendation that Shares are suitable for the Applicant, given the investment objectives, financial situation or particular needs (including financial and taxation issues) of the Applicant;
- acknowledges that the Shares have not, and will not be, registered under the securities laws in any other jurisdictions outside Australia and accordingly, the Securities may not be offered, sold or otherwise transferred except in accordance with an available exemption from, or in a transaction not subject to, the registration requirements of applicable securities laws;
- declared that the Applicant is a resident of Australia; and
- acknowledged and agreed that the Offer may be withdrawn by the Company or may otherwise not proceed in the circumstances described in this Prospectus.

8.

Material Contracts



8. Material Contracts

8.1. Material Contracts

8.1.1. Share Exchange Agreement Between the Company and an Existing Shareholder (SKM Investment Group)

Under the terms of a share exchange agreement dated 3rd February 2020 between the Company and SKM Investment Group, SKM Investment Group agreed to transfer to the Company 400,000 fully paid ordinary shares in FOS Lighting Group Pty Ltd (representing 100% of the issued capital of FOS Lighting Group) in consideration for the Company issuing of 30,000,000 fully ordinary shares to SKM Investment Group (**Share Exchange Agreement**). The result of this share exchange is that the Company owns all of the issued capital in FOS Lighting Group and SKM Investment Group holds a proportionate shareholding in the Company.

Each of the shareholders in SKM Investment Group provided customary representations and warranties to the Company as to, amongst other things, the ownership of, and title to, their shares in FOS Lighting Group, their power and authority to enter into the Share Exchange Agreement and their solvency.

8.1.2. Distribution Agreement between Forma Lighting (Hong Kong) Ltd and FOS Lighting

Pursuant to an agreement dated 1 April 2019, FOS Lighting was appointed by Forma Lighting (Hong Kong) Ltd (**Forma**) as the exclusive distributor of Forma's commercial, architectural, decorative, motorised and industrial interior and exterior lighting products in Australia. The term of the agreement is 5 years commencing on 1 April 2019 (**Commencement Date**) and ending on 31 March 2024, following which the agreement will terminate unless mutually extended by the parties by giving 3 months' notice.

The exclusivity granted to FOS Lighting is contingent on FOS Lighting achieving the following guaranteed annual purchase turnover:

- (a) \$200,000.00 USD in the 12 month period between 1 April 2019 to 31 March 2020, which has been achieved;
- (b) \$300,000.00 USD in the 12 month period between 1 April 2020 to 31 March 2021, which has been achieved;
- (c) \$400,000.00 USD in the 12 month period between 1 April 2021 to 31 March 2022;
- (d) \$500,000.00 USD in the 12 month period between 1 April 2022 to 31 March 2023; and
- (e) \$600,000.00 USD in the 12 month period between 1 April 2023 to 31 March 2024.

Where FOS Lighting fails to meet the above turnover at any time after the first 12 months following the Commencement Date, Forma may withdraw (at its sole discretion) the exclusivity under the agreement. Whilst an agreed price list has been attached to the agreement (with FOS Lighting to receive the benefit of discounts on purchases), Forma reserves the right to make unilateral amendments to that price list by giving 30 days' written notice.

Forma is entitled to terminate the agreement for cause where FOS Lighting has committed an unremediable breach, is subject to a change of control or otherwise subject to an insolvency event. Other than as noted above there are no other material issues present and the agreement reflects an arrangement typical of distribution arrangements of this nature.

As at the Prospectus Date, the Company is not aware of any grounds on which Forma is entitled to terminate this agreement.

8.1.3. Share Purchase Agreement for acquisition of Frend Lighting Industries Pty Ltd

On 21 June 2019, FOS Lighting Group and Gerard Lighting Holdings Pty Ltd (**seller**) entered into a share purchase agreement to give effect to the sale and purchase of all of the issued share capital in Frend Lighting Industries Pty Ltd (since renamed FOS Lighting Pty Ltd). This transaction was completed on 21 June 2019 and FOS Lighting is now a wholly-owned subsidiary of the Company.

The cash purchase price for the acquisition of all the shares in FOS Lighting was the sum of \$100,000 and on a tax-free/debt free basis.

The Seller provided FOS Lighting Group with standard warranties as to title, authority, solvency and tax and otherwise on terms consistent with market practice. The Seller also agreed to indemnify FOS Lighting Group to the extent that Frend Lighting received or suffered a tax claim after completion and that tax claim related to an act or omission of FOS Lighting or its membership in a consolidated tax group, which pre-dated completion.

FOS Lighting Group was also specifically indemnified by the Seller for any deductible payable under FOS Lighting's worker's compensation insurance resulting from a worker's compensation claim made by a specific employee and any damages that FOS Lighting Group or FOS Lighting was required to pay that employee as a result of that claim, to the extent not covered by WorkCover Queensland.

No post-completion restrictive (non-compete) covenants were imposed on the Seller with respect to its sale of the issued share capital in FOS Lighting.

8.1.4. Binding Term Sheet for acquisition of Baker & McAuliffe Holdings Pty Ltd T/A JSB Lighting

On 20 November 2020, FOS Lighting Pty Ltd and HGL Limited (**Seller**) entered into a binding term sheet to give effect to the sale and purchase of 50% of the issued share capital in Baker & McAuliffe Holdings Pty Ltd. This transaction was completed on 23 November 2020. The purchase price for the acquisition of 50% of the shares in Baker & McAuliffe Holdings Pty Ltd was the issue of three million shares in FOS Capital Limited. On 1st February 2021 FOS Lighting completed the acquisition of the remaining 50% of the shares in Baker & McAuliffe Holdings Pty Ltd for a purchase price of \$1.00 being the agreed net tangible asset value of Baker & McAuliffe Holdings Pty Ltd.

The terms of the acquisition of JSB Lighting are contained in a short form agreement and contained the following additional terms:

- The Seller agreed to give warranties in relation to title, authority and tax as well as an indemnity on the basis that FOS Lighting Pty Ltd was acquiring the shares in JSB Lighting on a “tax free” basis from Australian tax purposes (i.e. JSB Lighting was exiting clear from the Seller’s consolidated tax group);
- Except as set out above, the sale and purchase of the shares in JSB Lighting was on an “as-is where-is” basis and the Seller would not give customary representations, warranties and indemnities nor any restrictive (non-compete) covenants;
- The Seller expressly disclaimed any liability for debts and other liabilities of JSB Lighting after completion of the acquisition.
- The Seller would sub-underwrite \$500,000 of the funds to be raised under the Company’s IPO (for a 2% sub-underwriting fee and 3% subscription fee); and
- All intercompany debt owed by and to the Seller’s Group was forgiven.

Following completion the parties agreed that HGL would subscribe up to \$500K to the Offer instead of sub-underwriting the Offer.

The parties have not subsequently formalised any of the terms of the term sheet in a traditional detailed sale and purchase agreement.

8.1.5. Contractual arrangements with Intralux Australia Pty Ltd

Details of this contractual relationship are set out in section 3.8.

8.1.6. Lease over the premises at Unit 3B/41 Rose Street, Richmond, Victoria

KMS Property’s Pty Ltd, an entity associated with Con Scrinis and Michael Koutsakis, entered into a lease with FOS Lighting Pty Ltd on 22 August 2018 in respect of the property located at Unit 3B/41 Rose Street, Richmond, Victoria. FOS Lighting uses the premises for office and warehousing purposes.

The lease commenced on 30 November 2019 for a term of 5 years, with an option to renew the lease for a further terms of 5 years. The rent payable under the lease is \$72,000 per annum plus GST and increases by 4% annually. Rent is reviewed at market on each anniversary of the date of commencement, however the lease contains a ratchet provision which ensures that the rent cannot be decreased despite a market review determining a lower amount.

Outgoings are to be met entirely by the tenant and the tenant has provided a bond equivalent to one months’ rent plus GST. In all other respects, the lease is otherwise considered to be on standard commercial terms.

8.1.7. Lease over the premises at 14 Jaybel Street, Salisbury, Queensland

This lease was entered into between FOS Lighting (formerly Frend Lighting Industries Pty Ltd) and Frend Investments Pty Ltd ACN 083 193 300 and relates to the use of the above premises by FOS Lighting as a manufacturing facility. The lease was extended for a period of 3 years commencing on 1 October 2018 and ending on 30 September 2021, noting there is one remaining option for renewal for a further period of 3 years which can be exercised at a later date. Rent is \$337,459 per annum plus GST, and on each anniversary that rental amount is increased by CPI or 4% (whichever is greater). The balance of the lease terms are otherwise consistent with usual market practice.

8.1.8. Lease over the premises at Suite A2.3, 15-21 Doody Street, Alexandria, NSW 2015

This lease was entered into between Baker & McAuliffe Holdings Pty Ltd and Citadel Group Properties Pty Ltd ACN 059 756 811 and relates to the use of the above premises by JSB Lighting as an office. The lease was entered into for a period of 3 years commencing on 1 November 2019 and ending on 31 October 2022, noting there is an option for renewal for a further period of 3 years which can be exercised at a later date. Rent is \$180,000 per annum plus GST, and on each anniversary that rental amount is increased by CPI or 4% (whichever is greater). The balance of the lease terms are otherwise consistent with usual market practice.

The Company has determined to retain these premises.

8. Material Contracts continued

8.1.9. Lease over the premises at 193 Swan Street, Richmond 3121

This lease was entered into between Baker & McAuliffe Holdings Pty Ltd and Roshel Nominees Pty Ltd ACN 005 538 581 and relates to the use of the above premises by JSB Lighting as an office. The lease was entered into for a period of 4 years commencing on 1 December 2019 and ending on 30 November 2023, noting there is an option for renewal for a further period of 4 years which can be exercised at a later date. Rent is \$58,000 per annum plus GST, and on each anniversary that rental amount is increased by 4%. The balance of the lease terms are otherwise consistent with usual market practice.

The company has determined it does not require these premises and are currently looking to exit the lease.

8.1.10. Lease Over premises at 2/31 Helen Street, Teneriffe, Qld 4005

This lease was entered into between Baker & McAuliffe Holdings Pty Ltd and Joda Consulting Pty Ltd ACN 101 536 181 and Robert Montes and relates to the use of the above premises by JSB Lighting. The current term of the leases commenced on 1 June 2020 for a period of 2 years, with an option to renew for 1 year. Rent is \$44,516 exclusive of GST and on each anniversary that rental amount will increase by 4%.

The company has determined it does not require these premises and are currently looking to exit the lease.

8.1.11. Lease over premises at Unit B5, 431 Roberts Road, Subiaco

This lease was entered into between Baker & McAuliffe Holdings Pty Ltd and Davey Holdings Pty Ltd ACN 059 756 711 and relates to the use of the above premises by JSB Lighting as an office. The current term of the lease commenced on 1 November 2018 for a period of 3 years, with two remaining options to extended for a further 3 years. Rent is \$16,740.000 plus GST and outgoings.

8.1.12. Lease over the premises at 78 Bluestone Circuit, Seventeen Mile Rocks, Queensland

This lease was entered into between Baker & McAuliffe Holdings Pty Ltd and Lockcar Investments Pty Ltd ACN 073 353 938 and relates to the use of the above premises by JSB Lighting as a manufacturing facility. The lease was entered into for a period of 5 years commencing on 15 October 2019 and ending on 14 October 2024, noting there is an option for renewal for a further period of 3 years which can be exercised at a later date. Rent is \$156,250 per annum plus GST, and on each anniversary that rental amount is increased by 3.5%. The balance of the lease terms are otherwise consistent with usual market practice.

Baker and McAuliffe has entered into a sub-lease agreement pursuant to which, a third party who has agreed to take on the majority of Baker and McAuliffe's lease obligations, (including 100% of the make-good at the expiration of the lease), from 15 April 2021.

8.1.13. Lead Manager Mandate

The Company and the Lead Manager have entered into a mandate agreement (as amended), pursuant to which the Company has appointed the Lead Manager to act as the exclusive manager of the Offer and to allocate Shares by agreement with the Company. The following is a summary of the principal provisions of the Lead Manager Mandate.

Fees and expenses

Fees and expenses payable to the Lead manager are summarised in Section 6.3.1

The Company has agreed to reimburse the Lead Manager for all reasonable costs and expenses incurred as part of the Offer.

Termination

The Company or the Lead Manager may terminate the Lead Manager Mandate by giving written notice to the other. The termination will take effect upon receipt by the other party of the written notice.

In the event of expiry or termination, the Lead Manager will only be entitled to receive payment in full of any fees and legal and out-of-pocket expenses that have accrued or been incurred which have not yet been invoiced or paid together with a break fee of \$30,000 if notice is given by the Company unless due to the fraud, gross negligence or wilful misconduct of the Lead Manager.

Representations, warranties and undertakings

The Lead Manager Mandate contains warranties, representations and undertakings standard for an agreement of this nature.

Indemnity

The Company agrees to keep the Lead Manager and certain of its affiliated parties indemnified from losses suffered in connection with the Offer, subject to customary exclusions (including gross negligence, recklessness, misconduct, wilful default or fraud).

8.2. Escrow arrangements – Restricted Securities

The Company believes that it is likely that ASX, as a condition of granting the Company's application for admission to the Official List (and official quotation of its Shares), will treat the Existing Shares held by SKM Investment Group and HGL Limited as restricted securities (**Restricted Securities**). In this event, the Restricted Securities will not be quoted by ASX and will be issued on the issuer sponsored sub-register and a holding lock will be placed over the Restricted Securities to prevent those securities being traded on the ASX or off-market for the specified period.

SKM Investment Group and HGL Limited will enter into restriction deed in respect of all Restricted Securities on Completion of the Offer (other than any Shares acquired under the Offer), which prevents it from dealing with the Restricted Securities for the applicable escrow period first obtaining the written consent of ASX to the dealing.

The restriction on dealing is broadly defined and includes, among other things, selling, transferring or otherwise disposing of any interest in the Shares, encumbering or granting a security interest over the Shares, doing, or omitting to do, any act where the act or omission would have the effect of transferring effective ownership or control of any the Shares or agreeing to do any of those things.

There are limited circumstances in which the escrow may be released, namely to enable:

- the holder to accept an offer under a takeover bid in relation to its Restricted Securities if holders of at least half of the Shares the subject of the bid that are not escrowed have accepted the takeover bid; and
- the Restricted Securities held by the holder to be transferred or cancelled as part of a merger by a scheme of arrangement under Part 5.1 of the Corporations Act.

The Company will announce to the ASX full details (quantity and duration) of the Shares that are Restricted Securities and subject to mandatory escrow prior to the Shares commencing trading on ASX.

The table below sets out the periods during which certain Shareholders will be restricted from dealing in their Shares pursuant to the mandatory escrow arrangements:

Escrowed Shareholder	Shares held on Completion of the Offer	Total Shares subject to escrow	% of issued capital subject to escrow on Completion of the Offer	Escrow Period
SKM Investment Group Pty Ltd	30,000,000	30,000,000	66.66%	2 years from Listing
HGL Limited	5,000,000*	3,000,000	6.66%	2 years from Listing
TOTAL	35,000,000	33,000,000	73.3%	

- Assumes HGL subscribes for \$500,000 Shares under the Offer.

9.

Independent Limited Assurance Report



9. Independent Limited Assurance Report

PKF Melbourne



7 May 2021

The Directors
FOS Capital Limited
Unit 3B/41 Rose Street
Richmond VIC 3121

Dear Directors

INDEPENDENT LIMITED ASSURANCE REPORT ON HISTORICAL FINANCIAL INFORMATION AND PRO FORMA FINANCIAL INFORMATION

1. Introduction

We have been engaged by FOS Capital Limited ("FOS Capital" or "the Company") to prepare an Independent Limited Assurance Report on the Historical Financial Information and the Pro Forma Financial Information of the Company for inclusion in a prospectus to be dated on or about 7 May 2021 ("Prospectus") relating to the offer of 12 million ordinary shares at an issue price of \$0.25 per share to raise \$3 million ("the Offer") in the proposed initial public offering and listing of the Company on the Australian Securities Exchange ("ASX").

Expressions and terms defined in the Prospectus have the same meaning in this report.

This report has been prepared by PKF Melbourne Corporate Pty Ltd ("PKF Corporate"), which holds an Australian financial services licence under the Corporations Act 2001 (AFS Licence No. 222050).

This report is an Independent Limited Assurance Report, the scope of which is set out below. A copy of the Financial Services Guide is attached at Appendix A.

FOS Capital was incorporated on 31 October 2019 and on 30 December 2019 it acquired all of the issued capital of FOS Lighting Group. This has been accounted for as a capital reorganisation where there has been a new head company inserted above FOS Lighting Group. FOS Lighting Group was incorporated on 17 November 2018 and it acquired FOS Lighting on 21 June 2019.

On 23 November 2020 FOS Lighting acquired a 50% equity interest in Baker & McAuliffe Holdings Pty Ltd trading as JSB Lighting ("JSB Lighting"). On 1 February 2021 FOS Lighting acquired the remaining 50% equity interest in JSB Lighting.

2. Scope

You have requested PKF Corporate to perform a limited assurance engagement in relation to the Financial Information described below and disclosed in Section 4 of the Prospectus ("Financial Information").

The Financial Information comprises of:

1. The Historical Financial Information

The Historical Financial Information comprises of:

- the consolidated statement of profit or loss and other comprehensive income for FOS Capital, FOS Lighting Group and FOS Lighting (as applicable) for the years ended 30 June 2019 and 30 June 2020, and for the half years ended 31 December 2019 and 31 December 2020;

PKF Melbourne Corporate Pty Ltd
ACN 063 564 045
AFSL No. 222050

Melbourne
Level 12, 440 Collins Street
Melbourne VIC 3000 Australia
p +61 3 9679 2350

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For office locations visit www.pkf.com.au

9. Independent Limited Assurance Report continued



- the consolidated statement of cash flows for FOS Capital, FOS Lighting Group and FOS Lighting (as applicable) for the years ended 30 June 2019 and 30 June 2020, and for the half years ended 31 December 2019 and 31 December 2020;
- the Statutory consolidated statement of profit or loss and other comprehensive income for FOS Capital for the period since its incorporation on 31 October 2019 and 30 June 2020, and for the half year ended 31 December 2020;
- the Statutory consolidated statement of cash flows for FOS Capital for the period since its incorporation on 31 October 2019 and 30 June 2020, and for the half year ended 31 December 2020;
- the consolidated statement of profit or loss and other comprehensive income for JSB Lighting for the years ended 30 September 2019 and 30 September 2020, and for the three months period ended 31 December 2020;
- the consolidated statement of cash flows for JSB Lighting for the years ended 30 September 2019 and 30 September 2020, and for the three months period ended 31 December 2020; and
- the consolidated statements of financial position for FOS Capital and JSB Lighting as at 31 December 2020.

The Historical Financial Information is presented in an abbreviated form insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

However, the Historical Financial Information has been prepared in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards and other mandatory professional reporting requirements, and the significant accounting policies summarised in Section 4.6 of the Prospectus.

The Historical Financial Information for FOS Capital, FOS Lighting Group and FOS Lighting (as applicable) has been based on the financial statements for the years ended 30 June 2019 and 30 June 2020 which were audited by William Buck Audit (Vic) Pty Ltd ("William Buck") in accordance with the Australian Auditing Standards. William Buck issued a qualified opinion in respect of FOS Lighting Group's financial statements for the financial year ended 30 June 2019. The qualified opinion was due to William Buck only being appointed as auditor on 22 October 2019 and hence the auditor did not observe the counting of the physical inventories as at 30 June 2018 and William Buck was unable to perform alternative audit procedures to confirm the existence of the inventory balances at that date. William Buck issued an unqualified audit opinion in respect of the financial report for the year ended 30 June 2020.

The Historical Financial Information for FOS Capital, FOS Lighting Group and FOS Lighting (as applicable) for the half years ended 31 December 2019 and 31 December 2020 has been based on the financial statements for the Company which were reviewed by William Buck. William Buck issued an unqualified review opinion in respect of the financial report for the half year ended 31 December 2020.

The Statutory Financial Information for FOS Capital for the period since its incorporation on 31 October 2019 and 30 June 2020 has been based on the financial statements for the Company which were audited by William Buck. William Buck issued an unqualified audit opinion in respect of the financial report for the year ended 30 June 2020. The Statutory Financial Information for FOS Capital for the half year ended 31 December 2020 (which include comparative financial information for the half year ended 31 December 2019) has been based on the financial statements for the Company which were reviewed by William Buck. William Buck issued an unqualified review opinion in respect of the financial report for the half year ended 31 December 2020.

The Statutory Historical Financial Information for JSB Lighting has been based on the financial statements for that entity for the years ended 30 September 2019 and 30 September 2020 which were audited by William Buck. William Buck issued an unqualified audit opinion in respect of these financial statements.



The Statutory Historical Financial Information for JSB Lighting for the three month period to 31 December 2020 has been based on the financial statements for the Company which were reviewed by William Buck. William Buck issued an unqualified review opinion in respect of the financial report for the three month period ended 31 December 2020.

2. Pro Forma Historical Financial Information

The pro forma financial information includes:

- the pro forma profit or loss and other comprehensive income statements for FOS Capital and its subsidiaries for the years ended 30 June 2019 and 2020;
- the pro forma statements of cash flows for FOS Capital and its subsidiaries for the years ended 30 June 2019 and 2020; and
- the pro forma statements of financial position for FOS Capital as at 31 December 2020.

(together the "Pro forma Historical Financial Information").

The Pro Forma Historical Financial Information includes the effects of the pro forma adjustments described in Section 4 of the Prospectus. The stated basis of preparation are the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies applied to the historical financial information and the events or transactions to which the pro forma adjustments relate, as described in Section 4 of the Prospectus, as if those events or transactions had occurred as at the date of the historical information.

The Pro Forma Historical Financial Information has been compiled by FOS Capital to illustrate the impact of the events or transactions described in Section 4 of the Prospectus on FOS Capital's financial position as at 31 December 2020.

3. Directors' Responsibility

The Directors of the Company are responsible for the Historical Financial Information and the Pro Forma Historical Financial Information, including its basis of preparation and the selection and determination of the pro forma adjustments made to the Pro Forma Historical Financial Information.

The Directors are also responsible for such internal controls as the Directors determine are necessary to enable the preparation of the Historical Financial Information and the Pro Forma Historical Financial Information that are free from material misstatement.

4. Our responsibility

Our responsibility is to express a limited assurance conclusion on the Historical Financial Information and the Pro Forma Historical Financial Information. We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information.

Our procedures consisted of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures to the accounting records in support of the Financial Information.

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for an audit. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed an audit. Accordingly, we do not express an audit opinion about the Historical Financial Information and the Pro Forma Historical Financial Information.

9. Independent Limited Assurance Report continued



5. Subsequent Events

Apart from the matters dealt with in this Report and elsewhere in the Prospectus, and having regard to the scope of our engagement, nothing has come to our attention that would cause us to believe that matters arising after 31 December 2020, other than matters dealt with in this Report, would require comment on, or adjustments to, the Financial Information contained in Section 4 of the Prospectus, or would cause that information to be misleading or deceptive.

6. Conclusions

Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Historical Financial Information of the Company as described in Section 4 of the Prospectus is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 4 of the Prospectus being:

- the recognition and measurement principles contained in Australian Accounting Standards; and
- the Company's adopted accounting policies applied to the Historical Financial Information.

Pro Forma Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information of the Company as described in Section 4 of the Prospectus is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 4 of the Prospectus being:

- the recognition and measurement principles contained in Australian Accounting Standards;
- the Company's adopted accounting policies applied to the Pro Forma Historical Financial Information; and
- the events or transactions to which the pro forma adjustments relate, as described in Section 4 of the Prospectus, as if those events or transactions had occurred as at 31 December 2020.

7. Restrictions on use

Without modifying our conclusions, we draw attention to Section 4 of the Prospectus, which describes the purpose of the financial information prepared, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose. We disclaim any assumption of responsibility for any reliance on this report, or on the financial information to which it relates, for any purpose other than that for which it was prepared.

8. Notice to investors outside Australia

Under the terms of our engagement this report has been prepared solely to comply with the Standard on Assurance Engagements applicable to Corporate Fundraisings and/or Prospective Financial Information.

This report does not constitute an offer to sell, or a solicitation of an offer to buy, any securities. We do not hold any financial services licence or other licence outside of Australia. We are not recommending or making any representation as to the suitability of any investment to any person.



9. Consent

PKF Corporate has consented to the inclusion of this report in the Prospectus in the form and context in which it is included, but has not authorized the issue of the Prospectus. Accordingly, PKF Corporate makes no representations regarding, and takes no responsibility for, any other statements, or material in, or omissions from, the Prospectus.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Paul Lom'.

Paul Lom
Director
PKF Melbourne Corporate Pty Ltd

A handwritten signature in black ink, appearing to read 'SP'.

Steven Perri
Director
PKF Melbourne Corporate Pty Ltd

9. Independent Limited Assurance Report continued



Financial Services Guide

This Financial Services Guide provides information to assist retail and wholesale investors in making a decision as to their use of the general financial product advice included in the above report.

PKF Corporate

PKF Corporate holds Australian Financial Services Licence No. 222050, authorizing it to provide general financial product advice in respect of securities to retail and wholesale investors.

Financial Services Offered by PKF Corporate

PKF Corporate prepares reports commissioned by a company or other entity ("Entity"). The reports prepared by PKF Corporate are provided by the Entity to its members.

All reports prepared by PKF Corporate include a description of the circumstances of the engagement and of PKF Corporate's independence of the Entity commissioning the report and other parties to the transactions.

PKF Corporate does not accept instructions from retail investors. PKF Corporate provides no financial services directly to retail investors and receives no remuneration from retail investors for financial services. PKF Corporate does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice to retail investors.

General Financial Product Advice

In this report, PKF Corporate provides general financial product advice. This advice does not take into account the personal objectives, financial situation or needs of individual retail investors.

Investors should consider the appropriateness of a report having regard to their own objectives, financial situation and needs before acting on the advice in a report. Where the advice relates to the acquisition or possible acquisition of a financial product, an investor should also obtain a product disclosure statement relating to the financial product and consider that statement before making any decision about whether to acquire the financial product.

Independence

At the date of this report, none of PKF Corporate, Mr Paul Lom nor Mr Steven Perri have any interest in the outcome of the capital raising, nor any relationship with FOS Capital or any of its Directors that may impact on our independence.

Drafts of this report were provided to and discussed with the Directors and management of FOS Capital and its advisers. Certain changes were made to factual statements in this report as a result of the reviews of the draft reports. There were no alterations to the methodology or conclusions that have been formed by PKF Corporate.

PKF Corporate and its related entities do not have any shareholding in or other relationship with FOS Capital that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to this independent report on the Historical Financial Information and the Pro Forma Historical Financial Information.

PKF Corporate had no part in the formulation of the Historical Financial Information, the Pro Forma Historical Financial Information, the Proposed Capital Raising and ASX Listing. Its only role has been the preparation of this report.

Remuneration

PKF Corporate is entitled to receive a fee of approximately \$20,000 for the preparation of this report. With the exception of the above, PKF Corporate will not receive any other benefits, whether directly or indirectly, for or in connection with the making of this report.

Complaints Process

As the holder of an Australian Financial Services Licence, PKF Corporate is required to have suitable compensation arrangements in place. In order to satisfy this requirement PKF Corporate holds a professional indemnity insurance policy that is compliant with the requirements of Section 912B of the Act.

PKF Corporate is also required to have a system for handling complaints from persons to whom PKF Corporate provides financial services. All complaints should be in writing and sent to the Complaints Officer, PKF Corporate at Level 12, 440 Collins Street, Melbourne VIC 3000.

PKF Corporate will make every effort to resolve a complaint within 45 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Australian Financial Complaints Authority – GPO Box 3, Melbourne VIC 3000.

10.

Additional Information



10. Additional Information

10.1. Registration

The Company was incorporated as an Australian public company limited by shares on 31 October 2019. The Company is registered in Victoria.

10.2. Company tax status

The Company will be taxed in Australia as a resident public company. The accounts of the FOS Group will have a 30 June year end.

10.3. Corporate structure

The following diagram represents the corporate structure of FOS Group at the Prospectus Date. Each entity in FOS Group is 100% owned, directly or indirectly, by the Company, and is engaged in the business of the Company. See Section 3.1 which contains a diagram of the Company structure.



10.4. Constitution and rights attaching to the Shares

10.4.1. Introduction

The rights and liabilities attaching to ownership of Shares arise from a combination of the Constitution, statute, the ASX Listing Rules and general law.

A summary of the significant rights, liabilities and obligations attaching to the Shares and a description of other material provisions of the Constitution are set out below. This summary is not exhaustive, nor does it constitute a definitive statement of the rights and liabilities of Shareholders. The summary assumes that the Company is admitted to the official list of the ASX.

10.4.2. Voting at a general meeting

At a general meeting of the Company, every Shareholder present in person or by proxy, representative or attorney has one vote on a show of hands and, on a poll, one vote for each Share held. If the votes are equal on a proposed resolution, the chairperson of the meeting has a casting vote, in addition to any deliberative vote.

10.4.3. Meetings of members

Each Shareholder is entitled to receive notice of, attend and vote at general meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, Corporations Act and Listing Rules. The Company must give at least 28 days' written notice of a general meeting.

10.4.4. Dividends

The Board may pay any interim and final dividends that, in its judgement, the financial position of the Company justifies. The Board may also pay any dividend required to be paid under the terms of issue of a Share and fix a record date for a dividend and the timing and method of payment.

10.4.5. Transfer of Shares

Subject to the Constitution and to any restrictions attached to a Shareholder's Share, Shares may be transferred in accordance with the ASX Settlement Operating Rules, Corporations Regulations and ASX Listing Rules or by a written transfer in any usual form or in any other form approved by the Board and permitted by the relevant laws and ASX requirements. The Board may decline to register a transfer of Shares or apply a holding lock to prevent a transfer in accordance with the Corporations Act or the ASX Listing Rules.

10.4.6. Issue of further Shares

The Board may, subject to the Constitution, Corporations Act and the ASX Listing Rules issue, allot or grant options for, or otherwise dispose of, Shares in the Company on such terms as the Board decides.

10.4.7. Winding up

If the Company is wound up, then subject to the Constitution, the Corporations Act and any rights or restrictions attached to any Shares or classes of shares, Shareholders will be entitled to a share in any surplus property of the Company in proportion to the number of Shares held by them.

If the Company is wound up, the liquidator may, with the sanction of a special resolution, divide among the Shareholders the whole or part of the Company's property and decide how the division is to be carried out as between Shareholders or different classes of shareholders.

10.4.8. Non-marketable parcels

In accordance with the ASX Listing Rules, the Board may sell Shares that constitute less than a marketable parcel by following the procedures set out in the Constitution. An unmarketable parcel of shares is defined in the ASX Listing Rules and is generally, a holding of shares with a market value of less than \$500.

10.4.9. Proportional takeover provisions

The Constitution contains provisions requiring Shareholder approval in relation to any proportional takeover bid. These provisions will cease to apply unless renewed by Shareholders passing a special resolution by the third anniversary of either the date those rules were adopted or the date those rules were last renewed.

10.4.10. Variation of class rights

The procedure set out in the Constitution must be followed for any variation of rights attached to the Shares. Under that section, and subject to the Corporations Act and the terms of issue of a class of shares, the rights attached to any class of Shares may be varied:

- with the consent in writing of the holders of 75% of the issued shares included in that class; or
- by a special resolution passed at a separate meeting of the holders of those shares.

10.4.11. Directors – appointment and removal

Under the Constitution, the Board is comprised of a minimum of three Directors and a maximum of ten Directors, unless the Shareholders pass a resolution varying that number at a general meeting. Directors are elected or re-elected at annual general meetings of the Company.

No Director (excluding the CEO) may hold office without re-election beyond the third annual general meeting following the meeting at which the Director was last elected or re-elected. The Board may also appoint any eligible person to be a Director either to fill a casual vacancy on the Board or as an addition to the existing Directors, who will then hold office until the conclusion of the next annual general meeting of the Company following their appointment.

10. Additional Information continued

10.4.12. Directors – voting

Questions arising at a meeting of the Board must be decided by a majority of votes of the Directors present at the meeting and entitled to vote on the matter. In the case of an equality of votes on a resolution, the chairperson of the meeting has a casting vote in addition to his or her deliberative vote, unless there are only two Directors present or entitled to vote in which case the chairperson of the meeting does not have a second or casting vote and the proposed resolution is taken as lost.

10.4.13. Directors – remuneration

Under the Constitution, the Board may decide the remuneration from the Company to which each Non-Executive Director is entitled for his or her services as a Non-Executive Director. However, the total aggregate amount provided to all Non-Executive Directors for their services as Non-Executive Directors must not exceed in any financial year the amount fixed by the Company in general meeting. The remuneration of a Non-Executive Director must not include a commission on, or a percentage of, profits or operating revenue. The current maximum aggregate sum of Non-Executive Director remuneration is set out in Section 6.3.2. Any change to that maximum aggregate amount needs to be approved by Shareholders.

Non-Executive Directors may be paid for all travelling and other expenses the Non-Executive Directors incur in attending to the Company's affairs, including attending and returning from general meetings of the Company or meetings of the Board or of committees of the Board. Any Non-Executive Director who performs extra services which, in the opinion of the Board, are outside the scope of ordinary duties of a Non-Executive Director, may be remunerated for the services (as determined by the Board) out of the funds of the Company.

Directors' remuneration is discussed in Section 6.3.2.

10.4.14. Powers and duties of Directors

The business and affairs of the Company are to be managed by or under the direction of the Board, which (in addition to the powers and authorities conferred on it by the Constitution) may exercise all powers and do all things that are within the Company's power and the powers that are not required by law or by the Constitution to be exercised by the Company in general meeting.

10.4.15. Preference shares

The Company may issue preference Shares including preference Shares which are, or at the option of the Company or holder are, liable to be redeemed or convertible to ordinary shares. The rights attaching to preference Shares are those set out in the Constitution unless other rights have been approved by special resolution of the Company.

10.4.16. Indemnities

The Company, to the extent permitted by law, indemnifies each Director and executive officer of the Company on a full indemnity basis against all losses, liability, costs, charges and expenses incurred by that person as an officer of the Company or of a related body corporate.

The Company may, to the extent permitted by law, purchase and maintain insurance or pay, or agree to pay, a premium for a contract insuring each Director and executive officer of the Company against any liability incurred by that person as an officer of the Company or of a related body corporate, including for negligence or for reasonable costs and expenses incurred by that person in defending or responding to proceedings (whether civil or criminal and whatever the outcome).

10.4.17. Access to records

The Company may enter into contracts with a Director or former Directors agreeing to provide continuing access for a specified period after the Director ceases to be a Director to Board papers, books, records and documents of the Company which relate to the period during which the Director or former Director was a Director. The Company may procure that its subsidiaries provide similar access to board papers, books, records or documents.

10.4.18. Amendment

The Constitution can only be amended by special resolution passed by at least three-quarters of Shareholders present (in person or by proxy) and entitled to vote on the resolution at a general meeting of the Company.

10.4.19. Escrow Restrictions

In the event that ASX determines that certain Shares should be classified as ‘restricted securities’, a Shareholder must not dispose of those restricted securities (and the Company must refuse to acknowledge a disposal) during the applicable escrow period, except as permitted by the ASX Listing Rules. Shareholders who hold restricted securities are taken to have agreed that the restricted securities are kept on the Company’s issuer sponsored sub-register and to have a holding lock applied for the duration of the escrow period. Shareholders will not be entitled to participate in any return of capital on restricted securities during the escrow period except as permitted by the ASX Listing Rules.

10.5. Consents and disclaimers of responsibility

Each of the parties referred to below, to the maximum extent permitted by law, expressly disclaims all liabilities in respect of, makes no representations regarding and takes no responsibility for any statements in or omissions from this Prospectus, other than the reference to its name in the form and context in which it is named and a statement or report included in this Prospectus with its consent as specified below.

Written consents to the issue of this Prospectus have been given and, at the time of lodgement of this Prospectus with ASIC, had not been withdrawn by the following parties:

- Nicholson Ryan Lawyers has given and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Australian legal advisor to the Company (except in relation to taxation and stamp duty) in the form and context in which it is named. Nicholson Ryan Lawyers has not authorised or caused the issue of this Prospectus and does not make or purport to make any statement in the Prospectus.
- William Buck (Audit Vic) Pty Ltd has given and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as auditor to the Company in the form and context in which it is named. William Buck Audit (Vic) Pty Ltd has not authorised or caused the issue of this Prospectus and does not make or purport to make any statement in the Prospectus.
- PKF Melbourne Corporate Pty Ltd has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Investigating Accountant to the Company in the form and context in which it is named and has given and not withdrawn its consent to the inclusion in this Prospectus of its Independent Limited Assurance Report in the form and context in which it is included. PKF Melbourne Corporate Pty Ltd has not authorised or caused the issue of this Prospectus and does not make or purport to make any statement in the Prospectus other than any reference to its name and the Independent Limited Assurance Report.
- Boardroom Pty Limited has given and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the Share Registry in the form and context in which it is named. Boardroom Pty Limited has not authorised or caused the issue of this Prospectus and does not make or purport to make any statement in the Prospectus.
- KS Capital Pty Ltd has given and has not withdrawn prior to the lodgement of this prospectus with ASIC, its written consent to be named in this Prospectus as lead manager of the offer to the Company in the form and context in which it is named. KS Capital Pty Ltd has not authorised or caused the issue of this Prospectus and does not make or purport to make any statement in the Prospectus.

The Third Party Data includes data published by IBIS World who has not consented to the inclusion of that data in this Prospectus.

As permitted by ASIC Corporations (Consents to Statements) Instrument 2016/72 this Prospectus may include or be accompanied by certain statements fairly representing a statement by an official person, or from a public official document or a published book, journal or comparable publication.

10.6. What are the taxation considerations?

The comments below provide a general summary of Australian tax issues for Australian tax resident Shareholders who acquire Shares under this Prospectus. The categories of Shareholders considered in this summary are limited to individuals, companies (other than life insurance companies), trusts, partnerships and complying superannuation funds that hold their Shares on capital account.

These comments do not apply to Shareholders that hold their Shares on revenue account or as trading stock, or to non-Australian tax resident Shareholders. They also do not apply to Shareholders that are banks, insurance companies or taxpayers that carry on a business of trading in Shares, or Shareholders who are exempt from Australian tax. This summary also does not cover the consequences for Shareholders who are subject to Taxation of Financial Arrangements rules contained in Division 230 of the *Income Tax Assessment Act 1997*. These Shareholders should seek their own professional advice based on their particular facts.

10. Additional Information continued

Tax laws are complex and subject to ongoing change. The comments below are based on the *Income Tax Assessment Act 1936*, the *Income Tax Assessment Act 1997*, the *A New Tax System (Goods and Services Tax) Act 1999*, relevant stamp duty legislation, applicable case law and published Australian Taxation Office and State/Territory Revenue Authority rulings, determinations and statements of administrative practice at the date of this Prospectus. The tax consequences discussed below may alter if there is a change to the tax law after the date of this Prospectus. If there is a change, including a change having retrospective effect, the income tax, stamp duty and GST consequences should be reconsidered by Shareholders in light of the changes. The tax consequences discussed below do not take into account the tax law of countries other than Australia.

This summary is general in nature and is not intended to be an authoritative or complete statement of the applicable law. This summary does not constitute financial product advice as defined in the Corporations Act. The Company and its advisors disclaim all liability to any Shareholder or other party for all costs, loss, damage and liability that the Shareholder or other party may suffer or incur arising from, relating to or in any way connected with the contents of this summary or the provision of this summary to the Shareholder or other party or the reliance on this summary by the Shareholder or other party.

Shareholders should seek professional advice on the taxation implications of acquiring, owning and disposing of Shares, taking into account their specific circumstances.

10.6.1. Dividends on a Share for Australian tax resident Shareholders

Dividends distributed by the Company on a Share will constitute assessable income of an Australian tax resident Shareholder. Australian tax resident Shareholders should include in their assessable income the dividend actually received, together with any franking credit attached to that dividend.

Where the franking credit is included in the Shareholder's assessable income, the Shareholder will generally be entitled to a corresponding tax offset against tax payable by the Shareholder. To be eligible for the franking credit tax offset, a Shareholder must satisfy the "holding period" rule and "related payments" rule. These rules require that a Shareholder hold the Shares 'at risk' for a continuous period of not less than 45 days (excluding the days of acquisition and disposal) and that the benefit of the dividend is not passed on within 45 days. Any day on which a Shareholder has a materially diminished risk or loss of opportunity for gain (through transactions such as granting options or warrants over Shares or entering into a contract to sell the Shares) will not be counted as a day on which the Shareholder held the Shares "at risk". A Shareholder must not be obliged to make a "related payment" in respect of any dividend, unless they hold the Shares "at risk" for the required holding period around the dividend dates. Special rules apply to trusts and beneficiaries. Shareholders should seek professional advice to determine if these requirements, as they apply to them, have been satisfied. The holding period rules will not apply to a Shareholder who is an individual whose tax offset entitlement (for all franked distributions received in the income year) does not exceed A\$5,000.

Legislation has recently been enacted to deny franking tax offsets to certain "distribution washing" arrangements. Shareholders should consider the impact of these as well as other integrity measures which may apply to the claiming of tax offsets, having regard to their own facts and circumstances.

Where a Shareholder is an individual or a complying superannuation entity, the Shareholder will generally be entitled to a refund of tax to the extent that the franking credit tax offset exceeds the Shareholder's income tax liability for the income year.

Where a Shareholder is a company, the Shareholder will generally be entitled to a carry forward loss calculated by reference to any excess of the franking credit attached to the Shareholder's dividends over the Shareholder's tax liability for the income year. Shareholders that are companies should seek specific advice regarding the tax consequences of dividends received in respect of the Shares they hold and the calculation and availability of carry forward tax losses arising from excess tax offsets.

Franked dividends received by a corporate Shareholder will generally give rise to a franking credit in the Shareholder's franking account (subject to the Shareholder satisfying the rules outlined above for claiming a tax offset). Special rules apply to Shareholders that are trustees (other than trustees of complying superannuation entities) or partnerships. These Shareholders should seek specific advice regarding the tax consequences of dividends received in respect of Shares held.

To the extent a dividend distributed by the Company is unfranked, the Shareholders should generally be taxed at their respective rate of income tax with no franking tax offset.

10.6.2. Disposal of Shares by Australian tax resident Shareholders

The disposal of a Share by a Shareholder will be a capital gains tax (CGT) event where the Shareholder holds their Share on capital account. The Shareholder will make a capital gain where the capital proceeds received on the disposal of the Share exceeds the cost base of the Share and will make a capital loss where the reduced cost base of the Share exceeds the capital proceeds from the disposal of that Share. Capital losses may only be offset against capital gains made by the Shareholder in the same income year or future income years. Capital losses cannot be offset against other forms of assessable income. Broadly, the cost base and reduced cost base of a Share will be equal to the amount paid to acquire the Share (including certain other costs, such as incidental costs of acquisition and disposal).

Generally, all capital gains and losses made by a Shareholder for an income year, plus any net capital losses carried forward from an earlier income year, will need to be aggregated to determine whether the Shareholder has made a net capital gain or net capital loss for the year. A net capital gain is included in a Shareholder's assessable income whereas a net capital loss is carried forward and may be available to be offset against capital gains of later years (subject to the satisfaction of the loss recoupment rules for companies).

If a Shareholder is an individual, complying superannuation entity or trust, and has held the Share for at least 12 months or more before disposal of the Share, the Shareholder may be entitled to a "CGT discount" for any capital gain made on the disposal of the Share. Where the CGT discount applies, any capital gain arising may be reduced by 50% in the case of individuals and trusts, and by one-third in the case of complying superannuation entities. Shareholders that are companies are not entitled to a CGT discount.

Where the Shareholder is a trustee of a trust that has held the Share for at least 12 months or more before disposal, the CGT discount may flow through to the beneficiaries of that trust if those beneficiaries are not companies. Shareholders that are trustees should seek specific advice regarding the tax consequences of distributions to beneficiaries who may qualify for discounted capital gains after offsetting current year or prior year capital losses.

10.6.3. Tax File Numbers

Shareholders are not required to quote their Tax File Number (TFN) or, where relevant, Australian Business Number (ABN) to the Company. However, if a valid TFN, a valid ABN or exemption details are not provided, Australian tax may be required to be deducted by the Company from distributions and/or unfranked dividends at the maximum marginal tax rate plus any relevant levy (e.g. Medicare levy). Australian tax should not be required to be deducted by the Company in respect of fully franked dividends.

A Shareholder that holds Shares as part of an enterprise may quote their ABN instead of their TFN.

10.6.4. GST implications

No GST should be payable by Shareholders in respect of the acquisition or disposal of their Shares in FOS Group, regardless of whether or not the Shareholder is registered for GST.

Shareholders may not be entitled to claim full input tax credits in respect of any GST included in the costs they have incurred in connection with their acquisition of the Shares. Separate GST advice should be sought by Shareholders in this respect, relevant to their particular circumstances.

No GST should be payable by Shareholders on receiving dividends distributed by the Company.

10.6.5. Stamp duty

Shareholders should not be liable for stamp duty in respect of the acquisition of their Shares, unless in certain circumstances, they acquire, either a loan or with an associated/related person, an interest of 90% or more in the Company. Under current stamp duty legislation, no stamp duty would ordinarily be payable by Shareholders on any subsequent transfer of their Shares while the Company remains listed.

10.7. Control implications of the Offer

SKM Investment Group will hold approximately 66.6% of the Shares from Completion of the Offer. This significant shareholding means it will control the Company, including the appointment of directors and, potentially, the outcome of matters submitted to shareholders. The interests of SKM Investment Group may differ from the other shareholders.

10. Additional Information continued

10.8. Expenses of the Offer

If the Offer proceeds, the total estimated costs in connection with the Offer payable by the Company (including advisory, legal, accounting, tax, listing and administrative fees, Prospectus design and printing, advertising, marketing, Share Registry and other expenses) are currently estimated to be \$430,000 as follows:

Item of Expenditure	Total Costs \$
IPO COSTS	
Accounting Fees	20,000
ASIC Fees	3,000
ASX Fees	78,000
Audit Fees	40,000
Investigating Accountant's Fees	20,000
Legal Fees	35,000
Printing Costs	10,000
Share Registry	4,000
Capital Raising Costs	
Lead Manager's Fee (including Broker commissions)	220,000
TOTAL	430,000

10.9. Litigation and claims

So far as the Directors are aware, as at the Prospectus Date, there are no legal proceedings to which the Company is a party that it believes are likely to have a material adverse impact on the future financial results of the Company and the Directors are not aware of any such legal proceedings that are pending or threatened.

JSB Lighting is currently in the buy back process pursuant to the Buy Back Agreement (forming part of the Intralux Sale Agreement), referred to in section 3.1.6. As the parties are unable to agree on the stock to be bought back, an independent expert has been appointed. Pursuant to the Buy Back Agreement, the expert's decision is final and binding on the parties, other than where there is manifest error. The Directors believe that the amount in dispute is immaterial.

10.10. ASX Waivers and ASIC relief

The Company has not obtained any exemptions, declarations or confirmations from ASIC or ASX in relation to the Offer.

10.11. Brokerage

Applicants will not be required to pay any brokerage, commission or stamp duty on acquisition of the Shares.

10.12. Governing law

This Prospectus and the contracts that arise from the acceptance of the Applications and bids under this Prospectus are governed by the law applicable in Victoria, Australia and each Applicant submits to the exclusive jurisdiction of the courts of Victoria, Australia.

10.13. Statement of Directors

The issue of this Prospectus has been authorised by each Director. Each Director has consented to lodgement of the Prospectus with ASIC in accordance with section 720 of the Corporations Act and has not withdrawn that consent.

Signed for and on behalf of FOS Capital Ltd in accordance with section 351 of the Corporations Act.



Con Scrinis
Managing Director

11.

Glossary



11. Glossary

Term	Meaning
AAS	Australian Accounting Standards other authoritative pronouncements issued by the AASB.
AASB	Australian Accounting Standards Board.
AEST	Australian Eastern Standard Time.
Applicant	A person who submits an Application.
Application	An application for Shares under the Offer described in this Prospectus.
Application Form	Each of the paper and electronic application forms attached to, or accompanying this Prospectus upon which an Application may be made.
Application Monies	The amount accompanying an Application Form submitted by an Applicant.
ASIC	Australian Securities & Investments Commission.
ASX	ASX Limited (ABN 98 008 624 691) or the Australian Securities Exchange (as the context requires).
ASX Recommendations	The ASX Corporate Governance Principles and Recommendations (fourth edition).
Board	The board of Directors of the Company.
Chairman	The chairman of the Board.
Chess	Clearing House Electronic Sub register System, operated in accordance with the Corporations Act.
Closing Date	The date on which the Offer is expected to close, being 5.00pm (Melbourne time) on 31 May 2021, or such other date and time determined by the Board.
Company	FOS Capital Ltd ACN 637 156 275.
Completion of the Offer	Completion of the allocation and issue of Shares to Applicants under the Offer.
Constitution	The constitution of the Company.
Corporations Act	<i>Corporations Act 2001</i> (Cth).
Directors	The directors of the Company.
Dollars or \$ or A\$ or AUD	The lawful currency of the Commonwealth of Australia.
EBIT	Earnings before net interest and taxation.
EBITDA	Earnings before net interest, depreciation, amortisation and taxation.
Escrowed Shares	The Shares held by those Shareholders that are subject to escrow restrictions as set out in Section 8.2.
Existing Shareholders	A person holding Existing Shares as at the Prospectus Date, being SKM Investment Group Pty Ltd ACN 637 156 033 and HGL Limited.
Existing Shares	The Shares held by the Existing Shareholder as at the Prospectus Date.
Expiry Date	The date that is 13 months after the Prospectus Date.

Term	Meaning
Exposure Period	The period commencing on the date of lodgement of this Prospectus with ASIC and ending seven days after lodgement, subject to any extension of the period by ASIC.
Financial Information	As defined in Section 4.1.
FOS Group	The Company and each of its subsidiaries and controlled entities (and, where the context requires, the businesses conducted by those entities) and in this Prospectus mean one or more of those entities.
FOS Lighting	FOS Lighting Pty Ltd ACN 072 502 311.
FOS Lighting Group	FOS Lighting Group Pty Ltd ACN 630 070 638.
Frend Lighting	As defined in Section 3.1.1.
FY	the abbreviation for a financial year, which ends on: <ul style="list-style-type: none"> • 30 June for the Company; and • 30 September for JSB Lighting.
Historical Financial Information	As defined in Section 4.1.
HY 2021	The six month period ended 31 December 2020.
Investigating Accountant	PKF Melbourne Corporate Pty Ltd ACN 063 584 045 AFSL 222050.
Investigating Accountants' Report	The Independent Limited Assurance Report provided by the Investigating Accountant and included in Section 9.
IFRS	International Financial Reporting Standards, as issued by the International Accounting Standards Board.
JSB Lighting	Baker & McAuliffe Pty Ltd ACN 059756811 or the business it operates, as the case requires.
Lead Manager	K S Capital Pty Limited AFSL No. 316880.
LED	Light-emitting diode.
Listing	Admission of the Company to the Official List, quotation of the Shares on the ASX and commencement of unconditional trading of the Shares on the ASX.
Listing Rules	The official listing rules of the ASX.
Minimum Subscription	The minimum amount to be raised under the Offer made by this Prospectus, being \$3.0 million.
Offer	The offer under this Prospectus of 12,000,000 Shares for issue by the Company at an issue price of \$0.25 per Share to raise \$3,000,000.
Offer Period	The period commencing on the Opening Date and ending on the Closing Date.
Offer Price	\$0.25 per Share.
Official List	The Official List of the ASX.

11. Glossary continued

Term	Meaning
Opening Date	The date the Offer opens being 10 May 2021, or such other date determined by the Board.
Pro Forma Historical Financial Information	Has the meaning given in Section 4.1.
Prospectus	This document (including the electronic form of this Prospectus), under which the Offer is made and which is dated 7 May 2021, which is a replacement prospectus which replaces the Original Prospectus (and any supplementary or replacement prospectus in relation to this document).
Prospectus Date	The date on which a copy of this Prospectus is lodged with ASIC, being Friday, 7 May 2021.
Restructure	The restructuring and other actions in respect of JSB Lighting described in section 3.1.6.
Share	A fully paid ordinary share in the capital of the Company.
Share Exchange Agreement	Is defined at section 8.1 of this Prospectus.
Shareholder	A holder of Shares from time to time.
Share Registry	Boardroom Registry Services.
SKM Investment Group	SKM Investment Group Pty Ltd ACN 637 156 033.
Third Party Data	Is defined in the “Important Notices” on the inside front cover of this Prospectus.
United States or US	United States of America.
US Persons	A person resident in the United States.
US Securities Act	US Securities Act of 1933, as amended.

Corporate Directory

Company's Registered Address

Unit 3B/41 Rose Street
Richmond VIC 3121

Directors

Alexander (Sandy) Beard
(Non-Executive Chairman)

Con Scrinis
(Managing Director, Chief Executive Officer)

Michael Koutsakis
(Executive Director)

Michael Monsonego
(Non-Executive Director)

Lead Manager

K S Capital Pty Limited

AFSL No. 316880
Level 36, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000

Legal Advisors

Nicholson Ryan Lawyers

Level 7, 420 Collins Street
Melbourne VIC 3000

Investigating Accountants

PKF Melbourne Corporate Pty Ltd

Level 12, 440 Collins Street
Melbourne VIC 3000

Share Registry

Boardroom Pty Ltd

Level 12, 225 George Street
Sydney NSW 2000

Auditor

William Buck Audit (Vic) Pty Ltd

Level 20, 181 William Street
Melbourne VIC 3000

FOS Group IPO Information Line

1300 241087 (within Australia)
+617 32777222 (outside Australia)
between 9 am and 5 pm (AEST),
Monday to Friday (excluding public holidays)

Offer Website

www.foscapital.com.au

