P.L.I. Professional Lighting International ApS

Sommervej 23, DK-8210 Aarhus V

Annual Report for 1 January - 31 December 2018

CVR No 37 20 77 64

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 21/5 2019

Paolo Covre
Chairman of the General Meeting

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Contents

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of P.L.I. Professional Lighting International ApS for the financial year 1 January - 31 December 2018.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2018 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2018.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Aarhus, 21 May 2019

Executive Board

Peter Johansen

Board of Directors

Paolo Covre Chairman	Peter Johansen	Massimo Covre

Independent Auditor's Report

To the Shareholders of P.L.I. Professional Lighting International ApS

Opinion
In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2018 and of the results of the Group's and the Parent Company's operations and of consolidated cash flows for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of P.L.I. Professional Lighting International ApS for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("the Financial Statements").

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review
Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Independent Auditor's Report

Management's responsibilities for the Financial Statements
Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

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

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the

Independent Auditor's Report

audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

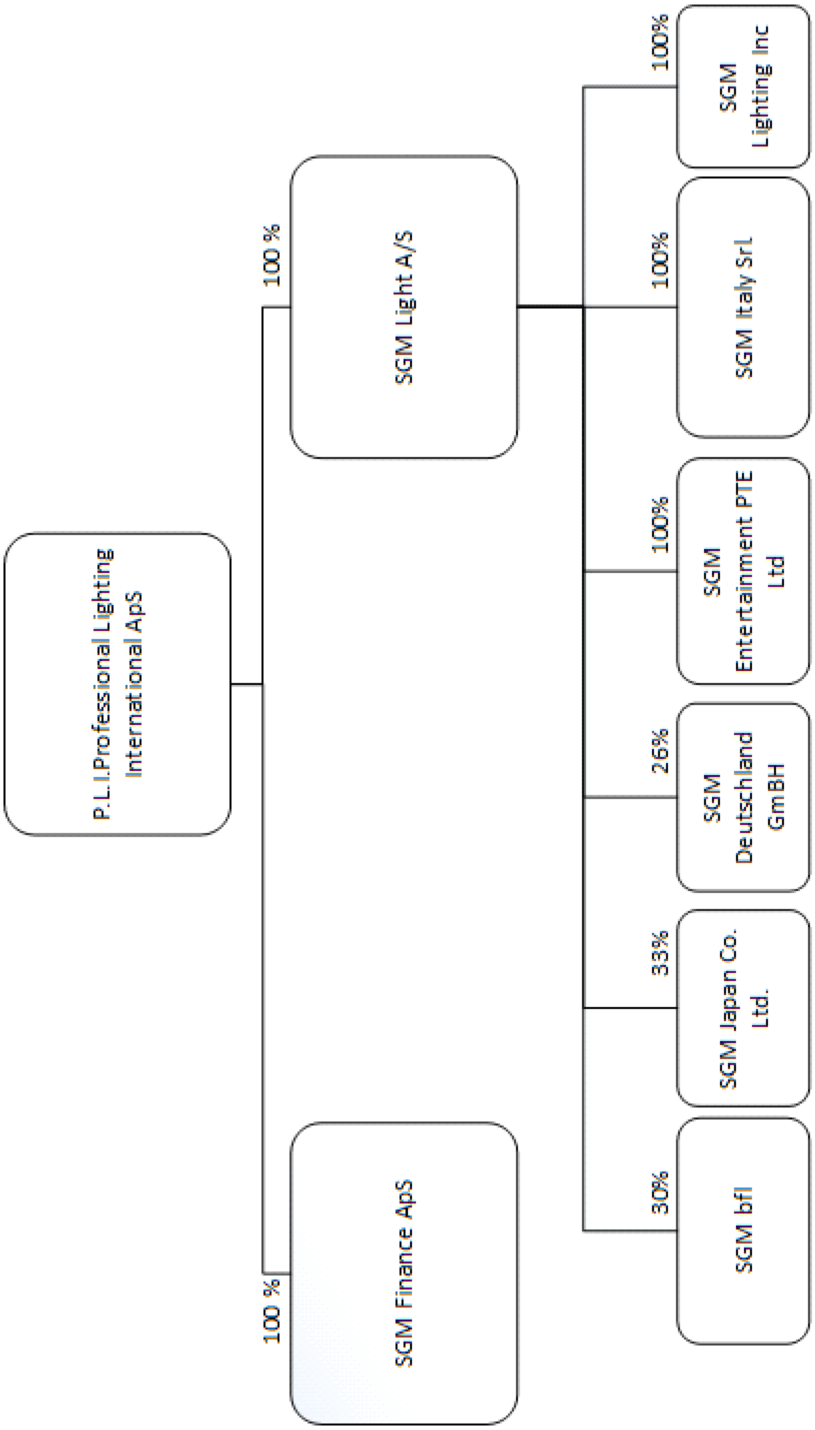
Aarhus, 21 May 2019
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Mads Meldgaard	Tina Østerby Najbjerg
State Authorised Accountant	State Authorised Accountant
mne24826	mne33802

Company Information

The Company	P.L.I. Professional Lighting International ApS Sommervej 23 DK-8210 Aarhus V CVR No: 37 20 77 64 Financial period: 1 January - 31 December Municipality of reg. office: Aarhus
Board of Directors	Paolo Covre, Chairman Peter Johansen Massimo Covre
Executive Board	Peter Johansen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Nobelparken Jens Chr. Skous Vej 1 DK-8000 Aarhus C

Group Chart


P.L.I.Professional Lighting International ApS
100 %
SGM Light A/S
100 %
SGM Finance ApS
100%
SGM Lighting Inc
100%
SGM Italy SrL
100%
SGM Entertainment PTE Ltd
26%
SGM Deutschland GmBH
33%
SGM Japan Co. Ltd.
30%
SGM bfl

Financial Highlights

Seen over a three-year period, the development of the Group is described by the following financial highlights:

	Group		
	2018	2017	2016
	T.EUR	T.EUR	T.EUR 14 months
Key figures			
Profit/loss			
Gross profit/loss	7,505	6,693	9,277
Operating profit/loss	1,077	1,359	1,772
Net financials	-632	-898	-715
Net profit/loss for the year	348	324	1,042
Balance sheet			
Balance sheet total	18,763	17,651	14,204
Equity	1,714	1,377	1,048
Cash flows			
Cash flows from:			
- operating activities	2,665	-243	-4,709
- investing activities	-1,832	-1,281	-4,554
including investment in property, plant and equipment	-680	436	1,049
- financing activities	425	1,708	9,474
Change in cash and cash equivalents for the year	1,258	184	211
Number of employees	104	94	87
Ratios			
Solvency ratio	9.1%	7.8%	7.4%
Return on equity	22.5%	26.7%	197.4%
Solvency ratio, incl. subordinate loan	19.8%	19.1%	21.5%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

In connection with changes to accounting policies, the comparative figures back to 2016 have not been restated. See the description under accounting policies.

Management's Review

Key activities

The parent company's principal activites include trade, holding of shares in other companies and related business.

The Group's principal activities comprise the development and sale of professional lighting products based on advanced LED technology for the entertainment lighting and architectural lighting business. The Group is represented globally and sells its products to more than 50 countries.

Development in the year

The income statement of the Group for 2018 shows a profit of EUR 347,619, and at 31 December 2018 the balance sheet of the Group shows equity of EUR 1,713,540.

Foreign exchange risks

It is an ongoing focal point for the Group to identify and reduce significant risks, including foreign exchange fluctuations.

The Group is operating in different currencies. Changes in currencies other than Euro will effect the operation.

Targets and expectations for the year ahead

The Group expects a satisfactory development for the next financial year and expects to realise results in the range of approx. EUR 1 million. It is the Group's expectation that it is possible to realise results in this range.

Research and development

The Group incurs significant costs on a regular basis for further development of existing products.

External environment

The Company does not believe that it has significant environmental impacts.

Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

Unusual events

The financial position at 31 December 2018 of the Group and the results of the activities and cash flows of the Group for the financial year for 2018 have not been affected by any unusual events.

Income Statement 1 January - 31 December

	Note	Group 2018 EUR	Group 2017 EUR	Parent company 2018 EUR	Parent company 2017 EUR
Gross profit/loss		**7,504,680**	**6,693,372**	**0**	**0**
Distribution expenses		-1,509,215	-1,560,214	0	0
Administrative expenses	1	-4,918,033	-3,773,780	-4,696	-6,883
Operating profit/loss		**1,077,432**	**1,359,378**	**-4,696**	**-6,883**
Profit/loss before financial income and expenses		**1,077,432**	**1,359,378**	**-4,696**	**-6,883**
Income from investments in subsidiaries		0	0	415,630	391,868
Income from investments in associates		50,088	2,370	0	0
Financial income	2	84,778	0	631,681	575,130
Financial expenses	3	-767,195	-900,214	-714,179	-655,030
Profit/loss before tax		**445,103**	**461,534**	**328,436**	**305,085**
Tax on profit/loss for the year	4	-97,484	-137,361	19,183	19,088
Net profit/loss for the year		**347,619**	**324,173**	**347,619**	**324,173**

Balance Sheet 31 December

Assets

		Group		Parent company	
	Note	2018	2017	2018	2017
		EUR	EUR	EUR	EUR
Completed development projects		1,064,053	610,102	0	0
Acquired other similar rights		285,508	437,273	0	0
Development projects in progress		640,256	127,256	0	0
Intangible assets	5	**1,989,817**	**1,174,631**	**0**	**0**
Other fixtures and fittings, tools and equipment		1,093,527	685,559	0	0
Property, plant and equipment	6	**1,093,527**	**685,559**	**0**	**0**
Investments in subsidiaries	7	0	0	3,926,901	3,523,351
Investments in associates	8	336,382	286,428	0	0
Receivables from group enterprises	9	0	0	9,124,997	9,125,000
Fixed asset investments		**336,382**	**286,428**	**13,051,898**	**12,648,351**
Fixed assets		**3,419,726**	**2,146,618**	**13,051,898**	**12,648,351**
Inventories	10	**8,536,852**	**8,482,701**	**0**	**0**
Trade receivables		2,681,122	4,092,062	0	0
Receivables from group enterprises		0	0	828,075	624,442
Receivables from associates		1,737,201	2,109,165	0	0
Other receivables		257,563	258,859	0	0
Deferred tax asset	13	0	0	15,816	15,863
Corporation tax		148,154	0	44,404	25,297
Prepayments	11	239,161	141,205	0	0
Receivables		**5,063,201**	**6,601,291**	**888,295**	**665,602**
Cash at bank and in hand		**1,743,000**	**420,459**	**2,121**	**0**
Currents assets		**15,343,053**	**15,504,451**	**890,416**	**665,602**
Assets		**18,762,779**	**17,651,069**	**13,942,314**	**13,313,953**

Balance Sheet 31 December

Liabilities and equity

		Group		Parent company	
	Note	2018	2017	2018	2017
		EUR	EUR	EUR	EUR
Share capital		6,800	6,800	6,800	6,800
Reserve for net revaluation under the equity method		286,837	236,845	1,920,101	1,516,552
Reserve for development costs		1,331,119	575,140	0	0
Retained earnings		88,784	558,506	-213,361	-146,061
Equity		**1,713,540**	**1,377,291**	**1,713,540**	**1,377,291**
Provision for deferred tax	13	330,836	89,523	0	0
Other provisions	14	657,266	930,785	0	0
Provisions		**988,102**	**1,020,308**	**0**	**0**
Subordinate loan capital		2,000,000	2,000,000	2,000,000	2,000,000
Lease obligations		63,571	71,623	0	0
Payables to group enterprises		9,125,000	9,125,000	9,125,000	9,125,000
Long-term debt	15	**11,188,571**	**11,196,623**	**11,125,000**	**11,125,000**
Credit institutions		83,802	18,904	0	0
Lease obligations	15	69,494	300,983	0	0
Trade payables		2,814,273	1,664,885	3,683	4,141
Payables to group enterprises	15	1,100,091	807,521	1,100,091	807,521
Payables to associates		61,784	0	0	0
Corporation tax		0	379,750	0	0
Other payables		743,122	884,804	0	0
Short-term debt		**4,872,566**	**4,056,847**	**1,103,774**	**811,662**
Debt		**16,061,137**	**15,253,470**	**12,228,774**	**11,936,662**
Liabilities and equity		**18,762,779**	**17,651,069**	**13,942,314**	**13,313,953**

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Statement of Changes in Equity

Group

	Share capital	Reserve for net revaluation under the equity method	Reserve for development costs	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR
Equity at 1 January	6,800	236,845	575,140	558,506	1,377,291
Exchange adjustments	0	-97	0	-11,273	-11,370
Development costs for the year	0	0	755,979	-755,979	0
Net profit/loss for the year	0	50,089	0	297,530	347,619
Equity at 31 December	**6,800**	**286,837**	**1,331,119**	**88,784**	**1,713,540**

Parent company

	Share capital	Reserve for net revaluation under the equity method	Reserve for development costs	Retained earnings	Total
Equity at 1 January	6,800	1,516,552	0	-146,061	1,377,291
Exchange adjustments	0	-12,081	0	711	-11,370
Net profit/loss for the year	0	415,630	0	-68,011	347,619
Equity at 31 December	**6,800**	**1,920,101**	**0**	**-213,361**	**1,713,540**

Cash Flow Statement 1 January - 31 December

	Note	Group 2018	Group 2017
		EUR	EUR
Net profit/loss for the year		347,619	324,173
Adjustments	16	1,322,966	1,945,594
Change in working capital	17	2,056,100	-1,613,495
Cash flows from operating activities before financial income and expenses		**3,726,685**	**656,272**
Financial income		84,778	0
Financial expenses		-767,195	-900,214
Cash flows from ordinary activities		**3,044,268**	**-243,942**
Corporation tax paid		-379,750	0
Cash flows from operating activities		**2,664,518**	**-243,942**
Purchase of intangible assets		-1,151,564	-801,201
Purchase of property, plant and equipment		-680,303	-456,870
Business acquisition		0	-22,490
Cash flows from investing activities		**-1,831,867**	**-1,280,561**
Reduction of lease obligations		-239,541	-64,985
Repayment of payables to group enterprises		0	-2,000,000
Repayment of other long-term debt		0	2,000,000
Lease obligations incurred		0	148,262
Raising of loans from group enterprises		292,569	1,625,000
Raising of loans from associates		371,964	0
Cash flows from financing activities		**424,992**	**1,708,277**
Change in cash and cash equivalents		**1,257,643**	**183,774**
Cash and cash equivalents at 1 January		401,555	217,781
Cash and cash equivalents at 31 December		**1,659,198**	**401,555**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		1,743,000	420,459
Overdraft facility		-83,802	-18,904
Cash and cash equivalents at 31 December		**1,659,198**	**401,555**

Notes to the Financial Statements

	Group		Parent company	
	2018	2017	2018	2017
	EUR	EUR	EUR	EUR
1 Staff				
Wages and salaries	5,762,430	4,303,003	0	0
Pensions	446,030	407,945	0	0
Other social security expenses	102,063	79,046	0	0
Other staff expenses	148,289	164,690	0	0
	6,458,812	**4,954,684**	**0**	**0**
Average number of employees	**104**	**94**	**0**	**0**

2 Financial income

Interest received from group enterprises	0	0	631,681	575,130
Other financial income	6,897	0	0	0
Exchange gains	77,881	0	0	0
	84,778	**0**	**631,681**	**575,130**

3 Financial expenses

Interest paid to group enterprises	710,687	654,521	710,688	654,521
Other financial expenses	35,343	245,693	3,491	509
Exchange loss	21,165	0	0	0
	767,195	**900,214**	**714,179**	**655,030**

4 Tax on profit/loss for the year

Current tax for the year	-143,949	0	-19,183	-3,225
Deferred tax for the year	241,433	137,361	0	-15,863
	97,484	**137,361**	**-19,183**	**-19,088**

Notes to the Financial Statements

5 Intangible assets

Group

	Completed development projects	Acquired other similar rights	Development projects in progress
	EUR	EUR	EUR
Cost at 1 January	665,181	747,525	127,256
Exchange adjustment	-1,995	-2,242	-382
Additions for the year	511,308	0	640,256
Transfers for the year	126,874	0	-126,874
Cost at 31 December	1,301,368	745,283	640,256
Impairment losses and amortisation at 1 January	55,079	310,252	0
Exchange adjustment	-124	-699	0
Amortisation for the year	182,360	150,222	0
Impairment losses and amortisation at 31 December	237,315	459,775	0
Carrying amount at 31 December	**1,064,053**	**285,508**	**640,256**
Amortised over	5 years	5 years	

Development projects relate to the development of new products and new versions of the Company’s existing products. All pending projects are expected to be completed in 2019, and the marketing will be initiated in the same period. The projects are progressing according to plan through the use of the resources allocated by Management to the development. The new products are primary expected to be sold in the present markets. Prior to the initiation of the projects, the Company inquired of its customers as to the need for the new products, which was well received.

Notes to the Financial Statements

6 Property, plant and equipment

Group

	Other fixtures and fittings, tools and equipment
	EUR
Cost at 1 January	1,505,302
Exchange adjustment	-4,450
Additions for the year	680,303
Cost at 31 December	2,181,155
Impairment losses and depreciation at 1 January	819,743
Exchange adjustment	-2,444
Depreciation for the year	270,329
Impairment losses and depreciation at 31 December	1,087,628
Carrying amount at 31 December	**1,093,527**
Depreciated over	2-5 years

Notes to the Financial Statements

7 Investments in subsidiaries

	Parent company 2018	Parent company 2017
	EUR	EUR
Cost at 1 January	2,006,800	2,006,800
Cost at 31 December	2,006,800	2,006,800
Value adjustments at 1 January	1,516,551	1,120,027
Exchange adjustment	-12,080	4,656
Net profit/loss for the year	415,630	391,868
Transfers for the year	0	0
Value adjustments at 31 December	1,920,101	1,516,551
Carrying amount at 31 December	**3,926,901**	**3,523,351**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes and ownership
SGM Light A/S	Aarhus, Denmark	100%
SGM Finance ApS	Aarhus, Denmark	100%

Notes to the Financial Statements

8 Investments in associates

	Group 2018	Group 2017	Parent company 2018	Parent company 2017
	EUR	EUR	EUR	EUR
Cost at 1 January	49,583	27,093	0	0
Exchange adjustment	-38	0	0	0
Additions for the year	0	22,490	0	0
Cost at 31 December	49,545	49,583	0	0
Value adjustments at 1 January	236,845	235,199	0	0
Disposals for the year	-13,100	0	0	0
Exchange adjustment	-97	-724	0	0
Net profit/loss for the year	70,867	2,370	0	0
Other adjustments	-7,678	0	0	0
Value adjustments at 31 December	286,837	236,845	0	0
Carrying amount at 31 December	**336,382**	**286,428**	**0**	**0**

Investments in associates are specified as follows:

Name	Place of registered office	Votes and ownership
SGM Deutschland GmbH	Germany	26%
SGM bfl	Belgium	30%
SGM Japan Co. Ltd.	Japan	33%

Notes to the Financial Statements

9 Other fixed asset investments

	Parent company
	Receivables from group enterprises
	EUR
Cost at 1 January	9,125,000
Exchange adjustment	-3
Cost at 31 December	9,124,997
Carrying amount at 31 December	**9,124,997**

10 Inventories

	Group		Parent company	
	2018	2017	2018	2017
	EUR	EUR	EUR	EUR
Raw materials and consumables	2,306,681	4,217,472	0	0
Work in progress	870,420	781,596	0	0
Finished goods and goods for resale	5,359,751	3,483,633	0	0
	8,536,852	**8,482,701**	**0**	**0**

11 Prepayments

Prepayments consist of prepaid expenses concerning goods, rent, insurance premiums, subscriptions and interest as well as fair value adjustments of derivative financial instruments with a postitive fair value.

Notes to the Financial Statements

	Group		Parent company	
	2018	2017	2018	2017
	EUR	EUR	EUR	EUR

12 Distribution of profit

Reserve for net revaluation under the equity method	50,089	0	415,630	0
Retained earnings	297,530	324,173	-68,011	324,173
	347,619	**324,173**	**347,619**	**324,173**

13 Provision for deferred tax

Provision for deferred tax at 1 January	89,523	-180,943	-15,863	0
Amounts recognised in the income statement for the year	241,433	137,361	0	-15,863
Amounts recognised in equity for the year	-120	133,105	47	0
Provision for deferred tax at 31 December	**330,836**	**89,523**	**-15,816**	**-15,863**

The provisions for deferred tax primarily relates to timing differences in respect of intangible assets, fixtures amd fittings, tools and equipment.

14 Other provisions

The Company provides warranties of 2 years on its products and is therefore obliged to repair or replace goods with defects. Based on previous experience in respect of the level of repairs and returns, other provisions of EUR 357k (2017: EUR 317k) have been recognised for expected warranty claims.

Warranties	357,266	317,246	0	0
Other provisions	300,000	613,539	0	0
	657,266	**930,785**	**0**	**0**

Notes to the Financial Statements

15 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	Group		Parent company	
	2018	2017	2018	2017
	EUR	EUR	EUR	EUR
Subordinate loan capital				
Between 1 and 5 years	2,000,000	2,000,000	2,000,000	2,000,000
Long-term part	2,000,000	2,000,000	2,000,000	2,000,000
Within 1 year	0	0	0	0
	2,000,000	**2,000,000**	**2,000,000**	**2,000,000**
Lease obligations				
Between 1 and 5 years	63,571	71,623	0	0
Long-term part	63,571	71,623	0	0
Within 1 year	69,494	300,983	0	0
	133,065	**372,606**	**0**	**0**
Payables to group enterprises				
Between 1 and 5 years	9,125,000	9,125,000	9,125,000	9,125,000
Long-term part	9,125,000	9,125,000	9,125,000	9,125,000
Other short-term debt to group enterprises	1,100,091	807,521	1,100,091	807,521
	10,225,091	**9,932,521**	**10,225,091**	**9,932,521**

Notes to the Financial Statements

16 Cash flow statement - adjustments

	Group 2018	Group 2017
	EUR	EUR
Financial income	-84,778	0
Financial expenses	767,195	900,214
Depreciation, amortisation and impairment losses, including losses and gains on sales	602,911	565,264
Income from investments in associates	-50,088	-2,370
Tax on profit/loss for the year	97,484	137,361
Other adjustments	-9,758	345,125
	1,322,966	**1,945,594**

17 Cash flow statement - change in working capital

	Group 2018	Group 2017
	EUR	EUR
Change in inventories	-54,151	-370,718
Change in receivables	1,376,064	-2,349,422
Change in trade payables, etc	734,187	1,106,645
	2,056,100	**-1,613,495**

18 Contingent assets, liabilities and other financial obligations

Contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of P.L.I. Professional Lighting International ApS, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

Notes to the Financial Statements

19 Accounting Policies

The Annual Report of P.L.I. Professional Lighting International ApS for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Consolidated and Parent Company Financial Statements for 2018 are presented in EUR.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, P.L.I. Professional Lighting International ApS, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

Notes to the Financial Statements

19 Accounting Policies (continued)

Business combinations

Acquisitions

On acquisition of subsidiaries, the difference between cost and net asset value of the enterprise acquired is determined at the date of acquisition after the individual assets and liabilities having been adjusted to fair value (the purchase method). Cost comprises the fair value of the consideration paid as well as expenses for consultants etc directly related to the acquisition. Any remaining positive differences are recognised in intangible assets in the balance sheet as goodwill, which is amortised in the income statement on a straightline basis over its estimated useful life. Any remaining negative differences are recognised as income in the income statement at the date of acquisition.

Positive and negative differences from enterprises acquired may, due to changes to the recognition and measurement of net assets, be adjusted until the end of the financial year following the year of acquisition. These adjustments are also reflected in the value of goodwill or negative goodwill, including in amortisation already made. Moreover, any change in contingent consideration is adjusted in the value of goodwill or negative goodwill.

Amortisation of goodwill is allocated in the Consolidated Financial Statements to the operations to which goodwill is related.

Leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Group.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Notes to the Financial Statements

19 Accounting Policies (continued)

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Group.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Cost of sales

Cost of sales comprises costs incurred to achieve revenue for the year. Cost comprises raw materials, consumables, direct labour costs and indirect production costs such as maintenance and depreciation, etc, as well as operation, administration and management of factories.

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, cost of sales and other operating income.

Distribution expenses

Distribution expenses comprise costs in the form of salaries to sales and distribution staff, advertising and marketing expenses as well as operation of motor vehicles, depreciation, etc. Amortisation of goodwill is also included to the extent that goodwill relates to distribution activities.

Notes to the Financial Statements

19 Accounting Policies (continued)

Administrative expenses

Administrative expenses comprise expenses for Management, administrative staff, office expenses, depreciation, etc. Amortisation of goodwill is also included to the extent that goodwill relates to administrative activities.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Group, including gains and losses on the sale of intangible assets and property, plant and equipment.

Income from investments in associates

The item “Income from investments in associates” in the income statement includes the proportionate share of the profit for the year.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Patents and licences are measured at the lower of cost less accumulated amortisation and recoverable amount. Patents are amortised over the remaining patent period, and licences are amortised over the licence period; however not exceeding 5 years.

Development costs and costs relating to rights developed by the Company are recognised in the income statement as costs in the year of acquisition.

Notes to the Financial Statements

19 Accounting Policies (continued)

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction. All indirectly attributable borrowing expenses are recognised in the income statement.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	2-5	years

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Investments in associates

Investments in associates are recognised and measured under the equity method.

The item “Investments in associates” in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in associates is transferred upon distribution of profit to “Reserve for net revaluation under the equity method“ under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the associates.

Notes to the Financial Statements

19 Accounting Policies (continued)

Associates with a negative net asset value are recognised at EUR 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Other fixed asset investments

Other fixed asset investments consist of receivables from group enterprises.

Inventories

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

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Group has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Other provisions include warranty obligations in respect of repair work within the warranty period of 1-5 years. Provisions are measured and recognised based on experience with guarantee work.

Notes to the Financial Statements

19 Accounting Policies (continued)

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Loans, such as loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Cash Flow Statement

The cash flow statement shows the Group´s cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group´s cash and cash equivalents at the beginning and end of the year.

Notes to the Financial Statements

19 Accounting Policies (continued)

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise ”Cash at bank and in hand” and ”Overdraft facilities”.

The cash flow statement cannot be immediately derived from the published financial records.

Financial Highlights

Explanation of financial ratios

Return on assets	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$
Solvency ratio, incl. subordinate loan	$\frac{\text{(Equity at year end + subordinate loan) x 100}}{\text{Total assets at year end}}$