P.L.I. Professional Lighting International ApS

Sommervej 23, Hasle, 8210 Aarhus V

CVR no. 37 20 77 64

Annual report 2017

Approved at the Company's annual general meeting on 24 April 2018

Chairman:

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Building a better working world

Contents

Statement by Management on the annual report

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of P.L.I. Professional Lighting International ApS for the financial year 1 January - 31 December 2017.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

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 2017 and of the results of the Group's and the Parent Company's operations and the consolidated cash flows for the financial year 1 January - 31 December 2017.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Parent Company's operations and financial matters and the results of the Group's and the Parent Company's operations and financial position.

We recommend that the annual report be approved at the annual general meeting.

Aarhus, 24 April 2018
Executive Board:

Peter Johansen

Board of Directors:

Paolo Covre
Chairman

Mario Radice

Peter Johansen

Independent auditor's report

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

Opinion

We have audited the financial statements of Selskab C Stor A/S for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2017 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibilities for the financial statements

Management is responsible for the preparation of 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 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 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 as to 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 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 the financial statements.

As part of an audit conducted in accordance with ISAs and 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.

Independent auditor's report

- 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 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 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 audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Aarhus, 24 April 2018
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Tom B. Lassen State Authorised Public Accountant MNE no.: mne24820	Christian Jøker State Authorised Public Accountant MNE no.: mne31471

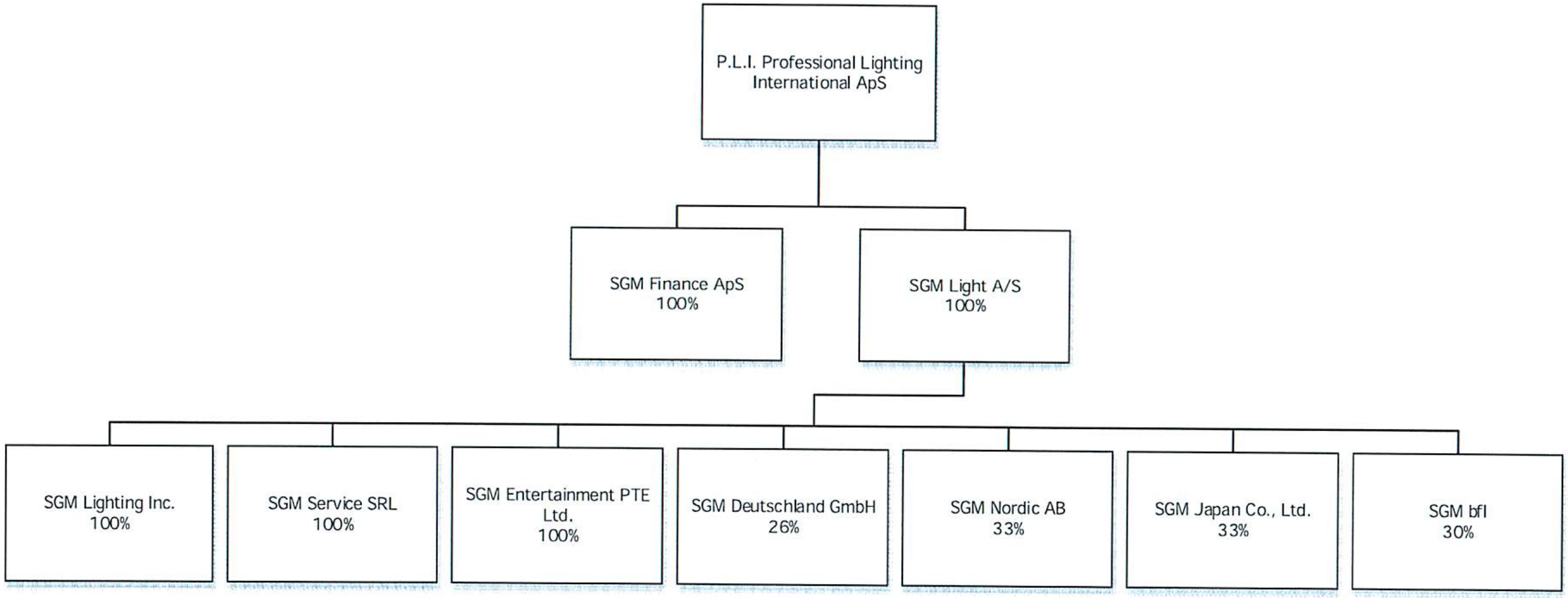
Management's review

Company details

Name	P.L.I. Professional Lighting International ApS
Address, zip code, city	Sommervej 23, 8210 Aarhus V
CVR no.	37 20 77 64
Established	4 November 2015
Registered office	Aarhus
Financial year	1 January - 31 December
Board of Directors	Paulo Covre, Chairman Mario Radice Peter Johansen
Executive Board	Peter Johansen, CEO
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Værkmestergade 25, P.O. Box 330, 8100 Aarhus C, Denmark

Management's review

Group chart



Management's review

Financial highlights for the Group

EUR 000	2017	2015/16
Key figures		
Gross margin	6,693	9,277
Operating profit	1,359	1,772
Loss from net financials	-900	-715
Profit for the year	324	1,042
Total assets	17,651	14,204
Investments in items of property, plant and equipment	436	1,049
Equity	1,377	1,048
Cash flows from operating activities	-243	-4.709
Cash flow from investing activities	-1,281	-4,554
Cash flows from financing activities	1,708	9,474
Total cash flows	184	211
Financial ratios		
Equity ratio	7,8 %	7,4 %
Return on equity	26,7 %	197,4 %
Average number of full-time employees	94	87

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios, "Recommendations and Financial Ratios".

Management's review

Management commentary

Business review

The parent company's principal activities 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 the architectural lighting business. The Group is represented globally and sells its products to more than 50 countries.

Financial review

The income statement shows a net profit after tax of EUR 324 thousand compared to EUR 1,042 thousand prior year, and the balance sheet at 31 December 2017 shows equity of EUR 1,377 thousand.

Special risks

It is an ongoing focal point for the Company 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.

Research and development activities

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

Outlook

The Group expects a satisfactory development for the next financial year and expects to realise results from operations in the range of approx. EUR 1 million.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Income statement

		Group		Parent	
Note	EUR	2017	2015/16	2017	2015/16
	Gross margin	6,693,372	9,276,513	0	0
	Distribution costs	-1,560,214	-2,684,139	0	0
	Administrative expenses	-3,773,780	-4,819,938	-6,883	-2,521
	Operating profit/loss	1,359,378	1,772,436	-6,883	-2,521
	Share of net profit in subsidiaries	0	0	391,868	1,120,027
	Share of net profit in associates	2,370	304,012	0	0
2	Financial income	0	20,300	575,130	550,248
3	Financial expenses	-900,214	-735,210	-655,030	-648,196
	Profit before tax	461,534	1,361,538	305,085	1,019,558
4	Tax for the year	-137,361	-319,877	19,088	22,103
	Profit for the year	324,173	1,041,661	324,173	1,041,661

Consolidated financial statements and parent company financial statements 1 January - 31 December

Balance sheet

Note	EUR	Group 2017	Group 2015/16	Parent 2017	Parent 2015/16
	ASSETS				
	Non-current assets				
5	Intangible assets				
	Acquired intangible assets	437,273	579,513	0	0
	Completed development projects	610,102	0	0	0
	Development projects in progress	127,256	0	0	0
		1,174,631	579,513	0	0
6	Property, plant and equipment				
	Fixtures and fittings, tools and equipment	685,559	589,517	0	0
		685,559	589,517	0	0
	Investments				
7	Investments in subsidiaries	0	0	3,523,351	3,126,827
8	Investments in associates	286,428	262,292	0	0
	Receivables from subsidiaries	0	0	9,125,000	7,500,000
		286,428	262,292	12,648,351	10,626,827
	Total non-current assets	2,146,618	1,431,322	12,648,351	10,626,827
	Current assets				
	Inventories				
	Raw materials and consumables	4,217,472	4,008,999	0	0
	Work in progress	781,596	182,318	0	0
	Finished goods and goods for resale	3,483,633	3,758,928	0	0
	Prepayments for goods	53,325	161,738	0	0
		8.536.026	8,111,983	0	0
	Receivables				
	Trade receivables	4,092,062	2,858,730	0	0
	Receivables from subsidiaries	0	0	624,442	57,968
	Receivables from associates	2,109,165	1,077,987	0	0
9	Deferred tax assets	0	180,943	15,863	0
	Income tax receivable	0	0	25,297	22,103
	Other receivables	258,859	269,039	0	0
	Prepayments	87,880	46,113	0	0
		6,547,966	4,432,812	665,602	80,071
	Cash	420,459	227,508	0	55
	Total current assets	15,504,451	12,772,303	665,602	80,126
	TOTAL ASSETS	17,651,069	14,203,625	13,313,953	10,706,953

Consolidated financial statements and parent company financial statements 1 January - 31 December

Balance sheet

Note	EUR	Group 2017	Group 2015/16	Parent 2017	Parent 2015/16
	EQUITY AND LIABILITIES				
	Equity				
10	Share capital	6,800	6,800	6,800	6,800
	Net revaluation reserve	236,845	0	1,516,552	900,028
	Reserve for development costs	575,140	0	0	0
	Retained earnings	558,506	1,041,661	-146,061	141,633
	Total equity	1,377,291	1,048,461	1,377,291	1,048,461
	Provisions				
9	Deferred tax	89,523	0	0	0
11	Other provisions	930,785	604,723	0	0
	Total provisions	1,020,308	604,723	0	0
12	Non-current liabilities other than provisions				
	Lease liabilities	71,623	34,602	0	0
	Payables to group entities	11,125,000	9,500,000	11,125,000	9,500,000
	Total non-current liabilities	11,196,623	9,534,602	11,125,000	9,500,000
	Current liabilities other than provisions				
12	Current portion of long-term liabilities	70,198	23,942	0	0
	Bank debt	18,904	9,727	0	0
	Lease liabilities	230,785	309,839	0	0
	Trade payables	1,664,885	1,158,290	4,141	2,525
	Payables to subsidiaries	807,521	152,493	807,521	155,967
	Payables to associates	0	13,451	0	0
	Income tax payable	379,750	500,820	0	0
	Other payables	884,804	847,277	0	0
	Total current liabilities other than provisions	4,056,847	3,015,839	811,662	158,492
	Total liabilities other than provisions	15,253,470	12,550,441	11,936,662	9,658,492
	TOTAL EQUITY AND LIABILITIES	17,651,069	14,203,625	13,313,953	10,706,953

1 Accounting policies
13 Staff costs
14 Contingencies, etc.
15 Collateral
16 Related parties

Consolidated financial statements and parent company financial statements 1 January - 31 December

Statement of changes in equity

		Group				
Note	EUR	Share capital	Net revaluation acc. to the equity method	Reserve for develop- ment costs	Retained earnings	Total
	Equity at 4 November 2015	6,800	0	0	0	6,800
	Profit for the year	0	0	0	1,041,661	1,041,661
	Equity at 1 January 2017	6,800	0	0	1,041,661	1,048,461
	Foreign exchange adjustments, foreign subsidiary	0	-724	0	5,381	4,657
	Transferred	0	235,199	0	-235,199	0
17	Profit for the year	0	2,370	575,140	-253,337	324,173
	Equity at 31 December 2017	6,800	236,845	575,140	558,506	1,377,291

		Parent			
Note	EUR	Share capital	Net revaluation acc. to the equity method	Retained earnings	Total
	Equity at 1 January 2015	6,800	0	0	6,800
	Profit for the year	0	1,120,027	-78,366	1,041,661
	Equity at 1 January 2017	6.800	1,120,027	-78,366	1,048,461
	Foreign exchange adjustments, foreign subsidiary	0	4,657	0	4,657
17	Profit for the year	0	391,868	-67,695	324,173
	Equity at 31 December 2017	6.800	1,516,552	-146,061	1,377,291

Consolidated financial statements and parent company financial statements 1 January - 31 December

Cash flow statement

Note	EUR	Group 2017	Group 2015/16
	Profit before net financials	1,359,378	1,772,436
	Amortisation/depreciation charges	565,264	620,685
	Other adjustments of non-cash operating items	345,125	605,720
	Cash generated from operations before changes in working capital	2,269,767	2,998,841
18	Changes in working capital	-1,613,495	-7,145,724
	Cash generated from operations	656,272	-4,146,883
	Interest received	0	20,300
	Interest paid	-900,214	-582,717
	Cash flows from operating activities	-243,942	-4,709,300
	Acquisition of intangible assets	-801,201	0
	Acquisition of property, plant and equipment	-456,870	-423,249
	Acquisition of business activities	0	-4,169,892
8	Acquisition of associates	-22,490	-27,093
8	Received dividends	0	66,599
	Cash flows from investing activities	-1,280,561	-4,553,635
	Raising lease liabilities	148,262	0
	Repayment of lease liabilities	-64,985	-26,084
	Raising of loan with group company	1,625,000	9,500,000
	Cash flows from financing activities	1,708,277	9,473,916
	Net cash flows	183,774	210,981
	Cash and cash equivalents, beginning of year	217,781	6,800
19	Cash and cash equivalents, year-end	401,555	217,781

The cash flow statement cannot be directly derived from the other components of the consolidated financial statements.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes

1 Accounting policies

The annual report of P.L.I. Professional Lighting International ApS for 2017 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to medium-sized reporting class C entities.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Reporting currency

The financial statements are presented in euros (EUR), as the Company's most significant transactions are settled in EUR.

Consolidated financial statements

The consolidated financial statements comprise the parent company, P.L.I. Professional Lighting International ApS, and subsidiaries in which P.L.I. Professional Lighting International ApS directly or indirectly holds more than 50% of the voting rights or over which it otherwise exercises control. Entities in which the Group holds between 20% and 50% of the voting rights and over which it exercises significant influence, but which it does not control, are considered associates, see the group chart.

The consolidated financial statements have been prepared as a consolidation of the parent company's and the individual subsidiaries' financial statements, which are prepared according to the Group's accounting policies. On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains on intra-group transactions are eliminated. Unrealised gains on transactions with associates are eliminated in proportion to the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains in so far as they do not reflect impairment.

In the consolidated financial statements, the items of subsidiaries are recognised in full. Non-controlling interests' share of the profit/loss for the year and of the equity of subsidiaries which are not wholly-owned are included in the Group's profit/loss and equity, respectively, but are disclosed separately.

Business combinations

Recently acquired or formed entities are recognised in the consolidated financial statements from the date of acquisition or formation. Entities sold or otherwise disposed of are recognised in the consolidated income statement until the date of disposal. Comparative figures are not restated in respect of recently acquired or sold entities.

Gains or losses on disposal of subsidiaries and associates are made up as the difference between the sales price and the carrying amount of net assets at the date of disposal plus non-amortised goodwill and anticipated selling costs.

Corporate acquisitions are accounted for using the purchase method according to which the acquired entity identifiable assets and liabilities are measured at fair value at the date of acquisition. Restructuring costs recognised in the acquired entity before the date of acquisition and not agreed as part of the acquisition are part of the acquisition balance sheet and, hence, the calculation of goodwill. Costs relating to restructuring decided by the acquiring entity must be recognised in the income statement. The tax effect of the restatement of assets and liabilities is taken into account.

Any excess of the cost over the fair value of the identifiable assets and liabilities acquired (goodwill) is recognised as intangible assets and amortised on a systematic basis in the income statement based on an individual assessment of the useful life of the asset.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes

1 Accounting policies (continued)

Negative differences (negative goodwill) are recognised as income in the income statement at the time of acquisition when the general revenue recognition criteria are met.

Intra-group business combinations

The book value method is applied to business combinations such as acquisition and disposal of investments, mergers, demergers, additions of assets and share conversions, etc. in which entities controlled by the parent company are involved, provided that the combination is considered completed at the time of acquisition without any restatement of comparative figures. Differences between the agreed consideration and the carrying amount of the acquired entity are recognised in equity.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rate at the transaction date and the rate at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at closing rates. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Foreign subsidiaries and associates are considered separate entities. Items in such entities' income statements are translated at average exchange rates for the month, and balance sheet items are translated at closing rates. Foreign exchange differences arising on translation of the opening equity of foreign entities to closing rates and on translation of the income statements from average exchange rates to closing rates are taken directly to equity.

Foreign exchange adjustments of balances with separate foreign subsidiaries which are considered part of the total investment in the subsidiary are taken directly to equity. Foreign exchange gains and losses on loans and derivative financial instruments designated as hedges of foreign subsidiaries are also recognised directly in equity.

On recognition of foreign subsidiaries which are integral entities, monetary items are translated at closing rates. Non-monetary items are translated at the exchange rates at the acquisition date or at the date of any subsequent revaluation or impairment of the asset. Income statement items are translated at the exchange rates at the transaction date, although items derived from non-monetary items are translated at the historical exchange rates applying to the non-monetary items.

Income statement

Revenue

Income from the sale of goods for resale and finished goods, is recognised in revenue when the most significant rewards and risks have been passed on to the buyer and provided the income can be measured reliably and payment is expected to be received. The date at which the most significant rewards and risks are passed on is based on standardised terms of delivery based on Incoterms® 2010.

Revenue is measured at fair value of the agreed consideration exclusive of VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes

1 Accounting policies (continued)

Gross margin

In the income statement, revenue, production costs and other operating income have been aggregated into one item called "gross margin", see section 32 of the Danish Financial Statements Act.

Production costs

Production costs comprise costs, including depreciation/amortisation charges and salaries, incurred in generating the year's revenue. Commercial entities recognise their cost of sales, and manufacturing entities recognise their production costs incurred in generating the revenue for the year. Such costs include direct and indirect costs related to raw materials and consumables, wages and salaries, rent and leases as well as impairment losses on production plant.

Production costs also comprise research and development costs that do not qualify for capitalisation and amortisation of capitalised development costs.

Distribution costs

Distribution costs comprise costs related to the distribution of goods sold in the year and to sales campaigns, etc. carried out in the year, including costs related to sales staff, advertising, exhibitions and amortisation/depreciation.

Administrative expenses

Administrative expenses comprise costs incurred in the year to manage and administer the Company, including expenses related to administrative staff, management, office premises, office expenses and amortisation/depreciation.

Amortisation/depreciation

The item comprises amortisation/depreciation of intangible assets and property, plant and equipment.

Other operating income

Other operating income comprises items secondary to the entities' activities, including gains on disposal of intangible assets and items of property, plant and equipment.

Other operating expenses

Other operating expenses comprise items secondary to the entities' activities, including losses on disposal of intangible assets and items of property, plant and equipment.

Profit/loss from investments in subsidiaries and associates

The proportionate share of the results after tax of the individual subsidiaries is recognised in the income statement of the parent company after full elimination of intra-group profits/losses.

The proportionate share of the results after tax of the associates is recognised in both the consolidated and the parent company income statement after elimination of the proportionate share of intra-group profits/gains.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes

1 Accounting policies (continued)

Financial income and expenses

Financial income and expenses comprise interest income and expenses, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Tax for the year

The parent company is subject to the Danish rules on mandatory joint taxation of the Group's Danish subsidiaries. Subsidiaries are included in the joint taxation arrangement from the date when they are included in the consolidated financial statements and up to the date when they are no longer consolidated.

The parent company acts as management company for the joint taxation arrangement and consequently settles all corporate income tax payments with the tax authorities.

On payment of joint taxation contributions, the Danish corporate income tax charge is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have been able to use the tax losses to reduce their own taxable income.

The tax expense for the year, which comprises the year's current tax charge, joint taxation contributions and changes in the deferred tax charge - including changes arising from changes in tax rates - is recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly in equity.

Balance sheet

Intangible assets

Acquired intangible assets are measured at cost less accumulated amortisation and impairment losses. Development costs comprise expenses, salaries and amortisation directly or indirectly attributable to development activities.

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities areidentifiable and where the Company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses and development costs. Other development costs are recognised in the income statement as incurred. Development costs that are recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

On completion of a development project, development costs are amortised on a straight-line basis over the estimated useful life. The amortisation period is usually 5 years.

Patents and licences are measured at cost less accumulated amortisation and impairment losses. Patents are amortised on a straight line basis over the remaining term of the patent, and licences are amortised over the term of the licence.

Gains and losses on the sale of intangible assets are recognised in the income statement under "Other operating income" or "Other operating expenses", respectively. Gains and losses are calculated as the difference between the selling price less selling expenses and the carrying amount at the time of sale.

Consolidated financial statements and parent company financial statements
1 January - 31 December

Notes

1 Accounting policies (continued)

Property, plant and equipment

Fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers, and wages and salaries as well as borrowing costs relating to specific and general borrowing directly attributable to the construction of the individual asset.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are 2-5 years.

The basis of depreciation is based on the residual value of the asset at the end of its useful life and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In case of changes in the depreciation period or the residual value, the effect on the amortisation charges is recognised prospectively as a change in accounting estimates.

Depreciation is recognised in the income statement as production costs, distribution costs and administrative expenses, respectively.

Gains and losses on the disposal of items of property, plant and equipment are calculated as the difference between the selling price less costs to sell and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as other operating income or other operating expenses, respectively.

Leases

On initial recognition, leases for assets that transfer substantially all the risks and rewards incident to ownership to the Company (finance leases) are measured in the balance sheet at the lower of fair value and the net present value of future lease payments. In calculating the net present value, the interest rate implicit in the lease or the incremental borrowing rate is used as discount factor. Assets held under finance leases are subsequently accounted for as the Company's other assets.

The capitalised residual lease liability is recognised in the balance sheet as a liability, and the interest element of the lease payment is recognised in the income statement over the term of the lease.

All other leases are considered operating leases. Payments relating to operating leases and any other leases are recognised in the income statement over the term of the lease. The Company's total liabilities relating to operating leases and other leases are disclosed in contingencies, etc.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes

1 Accounting policies (continued)

Investments in subsidiaries and associates

Investments in subsidiaries and associates are measured according to the equity method.

Investments in subsidiaries and associates are measured at the proportionate share of the entities' net asset value calculated in accordance with the Group's accounting policies minus or plus unrealised intra-group profits and losses and plus or minus any residual value of positive or negative goodwill determined in accordance with the purchase method of accounting.

Investments in subsidiaries and associates with negative net asset values are measured at DKK 0 (nil), and any amounts owed by such entities are written down in so far as the amount receivable is considered irrecoverable. If the parent company has a legal or constructive obligation to cover a deficit that exceeds the amount owed, the remaining amount is recognised under provisions.

Net revaluation of investments in subsidiaries and associates is recognised in the reserve for net revaluation according to the equity method in equity where the carrying amount exceeds cost. Dividends from subsidiaries which are expected to be declared before the annual report of P.L.I. Professional Lighting International ApS is adopted are not taken to the net revaluation reserve.

The purchase method of accounting is applied to corporate acquisitions, see the above description under "Consolidated financial statements".

Impairment of assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. Assets are written down to the lower of the carrying amount and the recoverable amount.

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the net present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct labour and production overheads. Indirect production overheads include the indirect cost of material and labour as well as maintenance and depreciation of production machinery, buildings and equipment and expenses relating to plant administration and management.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes

1 Accounting policies (continued)

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable is impaired.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the net present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable is used as discount rate.

Prepayments

Prepayments recognised under current assets comprise expenses incurred concerning subsequent financial years.

Equity

Reserve for net revaluation according to the equity method

Net revaluation of investments in subsidiaries and associates is recognised at cost in the reserve for net revaluation according to the equity method. The reserve can be eliminated in case of losses, realisation of investments or a change in accounting estimates. The reserve cannot be recognised at a negative amount.

Dividend

Dividend proposed for the year is recognised as a liability at the date when they are adopted at the annual general meeting (declaration date). Dividend expected to be distributed for the year is disclosed as a separate item under equity.

Provisions

Provisions comprise anticipated expenses relating to warranty commitments and other provisions. Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are measured at net realisable value or fair value. If the obligation is expected to be settled far into the future, the obligation is measured at fair value.

Warranty commitments include expenses for remedial action in respect of the contract work within the warranty period of 1-5 years. Provisions for warranty commitments are measured at net realisable value and recognised based on past experience. Liabilities that are expected to be settled after one year after the balance sheet date are discounted at average bond yields.

Income tax and deferred tax

Current tax payables and receivables are recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on prior-year taxable income and tax paid on account.

Joint taxation contribution payable and receivable is recognised in the balance sheet as "Income tax receivable" or "Income tax payable".

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes

1 Accounting policies (continued)

Deferred tax is measured using the statement of financial position liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes or on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting neither the profit/loss for the year nor the taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Adjustment is made to deferred tax resulting from elimination of unrealised intra-group profits and losses.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax.

In connection with corporate acquisitions, provisions for restructuring of the acquired entity are included in the calculation of the cost of acquisition and, accordingly, in goodwill or in goodwill on consolidation, provided that they have been adopted and published no later than at the date of the acquisition.

When it is probable that the total contract expenses will exceed the total contract revenue, a provision is made for the total anticipated loss on the contract. The provision is recognised under "Production costs".

Liabilities

Liabilities are measured at net realisable value.

Cash flow statement

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

The cash flow effect of acquisitions and disposals of entities is shown separately in cash flows from investing activities. Cash flows from corporate acquisitions are recognised in the cash flow statement from the date of acquisition. Cash flows from disposals of entities are recognised up until the date of disposal.

Cash flows from operating activities

Cash flows from operating activities are calculated as the Group's share of the profit/loss adjusted for non-cash operating items, changes in working capital and income taxes paid.

Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities, activities and intangible assets, property, plant and equipment and investments.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes

1 Accounting policies (continued)

Cash flows from financing activities

Cash flows from financing activities comprise changes in the size or composition of the Group's share capital and related costs as well as the raising of loans, repayment of interest-bearing debt, and payment of dividend to shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less which are subject to only minor risks of changes in value.

Financial rations

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios, "Recommendations and Financial Ratios".

The financial ratios stated under "Financial highlights" have been calculated as follows:

Return on investments $\dfrac{\text{Operating profit (EBIT) x 100}}{\text{Average invested capital}}$

Equity ratio $\dfrac{\text{Equity, year-end x 100}}{\text{Total equity and liabilities, year-end}}$

	Group		Parent	
EUR	2017	2015/16	2017	2015/16
2 Financial income				
Interest income from group entities	0	0	575,130	550,248
Other financial income	0	20,300	0	0
	0	20,300	575,130	550,248
3 Financial expenses				
Interest expenses to group entities	654,521	648,129	654,521	648,129
Other financial expenses	245,693	87,081	509	67
	900,214	735,210	655,030	648,196
4 Tax for the year				
Current tax charge for the year	0	-500,820	3,225	22,103
Adjustment of the deferred tax charge for the year	-137,361	180,943	15,863	0
	-137,361	-319,877	19,088	22,103

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes

5 Intangible assets

EUR	Group			
	Acquired intangible assets	Completed development projects	Development projects in progress	Total
Cost at 1 January 2017	739,804	0	0	739,804
Exchange rate adjustment	-1,043	0	0	-1,043
Additions	8,764	0	792,437	801,201
Transfer from other accounts	0	665,181	-665,181	0
Cost at 31 December 2016	747,525	665,181	127,256	1,539,962
Amortisation and impairment losses at 1 January 2017	160,291	0	0	160,291
Exchange rate adjustment	-226	0	0	226
Amortisation	150,187	55,079	0	205,266
Amortisation and impairment losses at 31 December 2017	310,252	55,079	0	365,331
Carrying amount at 31 December 2017	437,273	610,102	127,256	1,174,631
Amortised over	5 years	5 years		

6 Property, plant and equipment

EUR	Group Fixtures and fittings, plant and equipment
Cost at 1 January 2017	1,049,911
Exchange rate adjustment	-1,479
Additions	456,870
Cost at 31 December 2017	1,505,302
Depreciation and impairment losses at 1 January 2017	-460,394
Exchange rate adjustment	649
Depreciation	-359,998
Depreciation and impairment losses at 31 December 2017	-819,743
Carrying amount at 31 December 2017	685,559
Items of property, plant and equipment include assets held under finance leases with a carrying amount totalling	141,030
Depreciated over	2-5 years

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes

EUR	Parent 2017	Parent 2015/16
7 Investments in subsidiaries		
Cost at 1 January	2,006,800	0
Additions	0	2,006,800
Cost at 31 December	2,006,800	2,006,800
Value adjustments at 4 November	1,120,027	0
Profit/loss for the year	391,868	1,120,027
Exchange rate adjustment	4,656	0
Value adjustments at 31 December	1,516,551	1,120,027
Carrying amount at 31 December	3,523,351	3,126,827

Name and registered office	Voting rights and ownership
SGM Light A/S, Aarhus, Denmark	100%
SGM Finance, Aarhus, Denmark	100%

All subsidiaries are considered separate entities.

EUR	Group 2017	Group 2015/16
8 Investments in associates		
Cost at 1 January	27,093	0
Additions	22,490	27,093
Cost at 31 December	49,583	27,093
Value adjustments at 1 January	235,199	0
Exchange rate adjustment	-724	0
Dividend distributed	0	-66,599
Profit for the year	2,370	301,798
Value adjustments at 31 December	236,845	235,199
Carrying amount at 31 December	286,428	262,292

Name and registered office	Voting rights and ownership
SGM Deutschland GmbH, Germany	26%
SGM bfl, Belgium	30%
SGM Nordic AB, Sweden	33%
SGM Japan Co. Ltd., Japan	33%

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes

9 Deferred tax

EUR	Group 2017	Group 2015/16	Parent 2017	Parent 2015/16
Deferred tax at 1 January	-180,943	0	0	0
Transfer to current tax	133,105	0	0	0
Adjustment of the deferred tax charge	137,361	-180,943	-15,863	0
Deferred tax at 31 December	89,523	-180,943	-15,863	0

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

10 Share capital

The share capital consists of 6,800 shares of EUR 1.00 nominal value each.

11 Other provisions

EUR	Group 2017	Group 2015/16	Parent 2017	Parent 2015/16
The provisions are expected to be payable in:				
0-1 year	773,642	471,691	0	0
> 1 year	157,143	133,032	0	0
	930,785	604,723	0	0

12 Non-current liabilities

	Group			
EUR	Total debt at 31/12 2017	Repayment, next year	Long-term portion	Outstanding debt after 5 year
Lease liabilities	141,821	70,198	71,623	0
Payables to group entities	11,125,000	0	11,125,000	0
	11,266,821	70,198	11,196,623	0

	Parent			
EUR	Total debt at 31/12 2017	Repayment, next year	Long-term portion	Outstanding debt after 5 year
Payables to group entities	11,125,000	0	11,125,000	0

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes

EUR	Group 2017	Group 2015/16	Parent 2017	Parent 2015/16
13 Staff costs				
Wages and salaries	4,943,913	5,573,489	0	0
Pensions	407,599	334,446	0	0
Other social security costs	78,980	94,221	0	0
Other staff costs	164,549	121,859	0	0
Staff costs transferred to non-current assets	-3,357,315	-3,355,822	0	0
	2,237,726	2,768,193	0	0
Average number of full-time employees	94	87	0	0

By reference to section 98b(3), (ii), of the Danish Financial Statements Act, remuneration to Management is not disclosed.

14 Contingencies, etc.

Contingent liabilities

The Group has rent and lease liabilities including a rent obligation totalling EUR 2,668 thousand relating to interminable rent agreements with remaining contract terms of 8 years.

The parent company is jointly taxed with its Danish subsidiary. As management company, the Company has joint and several unlimited liability, together with the subsidiary, for all Danish income taxes for the year 2016 and onwards as well as withholding taxes on dividend, interest and royalties within the group of jointly taxed entities.

The jointly taxed entities' total known net liability in respect of income taxes and withholding taxes payable on dividend, interest and royalties fall due for payment on or after 4 November 2015. The Group as a whole is not liable vis-à-vis any third parties.

15 Collateral

The Group has provided assets worth of a total EUR 63 thousand as collateral for the Company's debt to creditors.

16 Related parties

P.L.I. Professional Lighting International ApS' related parties comprise the following:

Parties exercising control

Eurofinim SRL, Via Pedrina no. 1, 33082 Azzano Decimo (PN), Italy
Eurofinim SRL. holds the majority of the share capital in the entity.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes

EUR	Group 2017	Group 2015/16	Parent 2017	Parent 2015/16
17 Appropriation of profit				
Proposed profit appropriation				
Net revaluation reserve according to the equity method	2,370	0	391,868	1,120,027
Other statutory reserves	575,140	0	0	0
Retained earnings	-253,337	1,041,661	-67,695	-78,366
	324,173	1,041,661	324,173	1,041,661

EUR	Group 2017	Group 2015/16
18 Changes in working capital		
Change in inventories	-424,043	-5,222,712
Change in receivables	-2,296,097	-4,251,869
Change in trade and other payables	1,106,645	2,328,857
	-1,613,495	-7,145,724

19 Cash and cash equivalents

Cash and cash equivalents at 31 December comprise:

	Group 2017	Group 2015/16
Cash	420,459	227,508
Bank debt	-18,904	-9,727
	401,555	217,781