P.L.I. Professional Lighting International ApS

Åboulevarden 13, 8000 Aarhus C

CVR no. 37 20 77 64

Annual report 2015/16

(As of the establishment of the Company
4 November 2015 - 31 December 2016)

Approved at the Company's annual general meeting on 27/2-17

Chairman:

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Contents

Management's review 2

Independent auditor's report 3

Management's review 5
- Company details 5
- Group chart 6
- Financial highlights for the Group 7
- Management commentary 8

Consolidated financial statements and parent company financial statements 4 November 2015 - 31 December 2016 9
- Income statement 9
- Balance sheet 10
- Statement of changes in equity 12
- Cash flow statement 13
- Notes 14

Management's review

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 4 November 2015 - 31 December 2016.

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 Group's and the parent company's financial position at 31 December 2016 and of the results of the Group's and the parent company's operations and consolidated cash flows for the financial year 4 November 2015 – 31 December 2016.

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, 27 February 2017
Executive Board:

Peter Johansen

Board of Directors:

Paolo Covre Chairman	Mario Radice	Peter Johansen

Independent auditor's report

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

Opinion

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 4 November 2015 - 31 December 2016, which comprise an 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 consolidated financial statements and the parent company financial statements are 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 2016 and of the results of the Group's and parent company's operations as well as the consolidated cash flows for the financial year 4 November 2015 - 31 December 2016 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 consolidated financial statements and the parent company 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 additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the consolidated financial statements and the parent company 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 consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent company financial statements, Management is responsible for assessing the Group's and the parent 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 consolidated financial statements and the parent company financial statements unless Management either intends to liquidate the Group or the parent company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent company 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 these consolidated financial statements and parent company financial statements.

Independent auditor's report

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 consolidated financial statements and the parent company 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 Group's and the Parent 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 consolidated financial statements and the parent company 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 Parent 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 consolidated financial statements and the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent company financial statements, including the disclosures, and whether the consolidated financial statements and the parent company 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.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the consolidated financial statements and the parent company 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 consolidated financial statements and the parent company 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 consolidated financial statements or the parent company 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.

Independent auditor's report

Based on our procedures, we conclude that the 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 Statement Act. We did not identify any material misstatement of the Management's review.

Aarhus, 27 February 2017
Ernst & Young
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Mads Meldgaard
State Authorised
Public Accountant

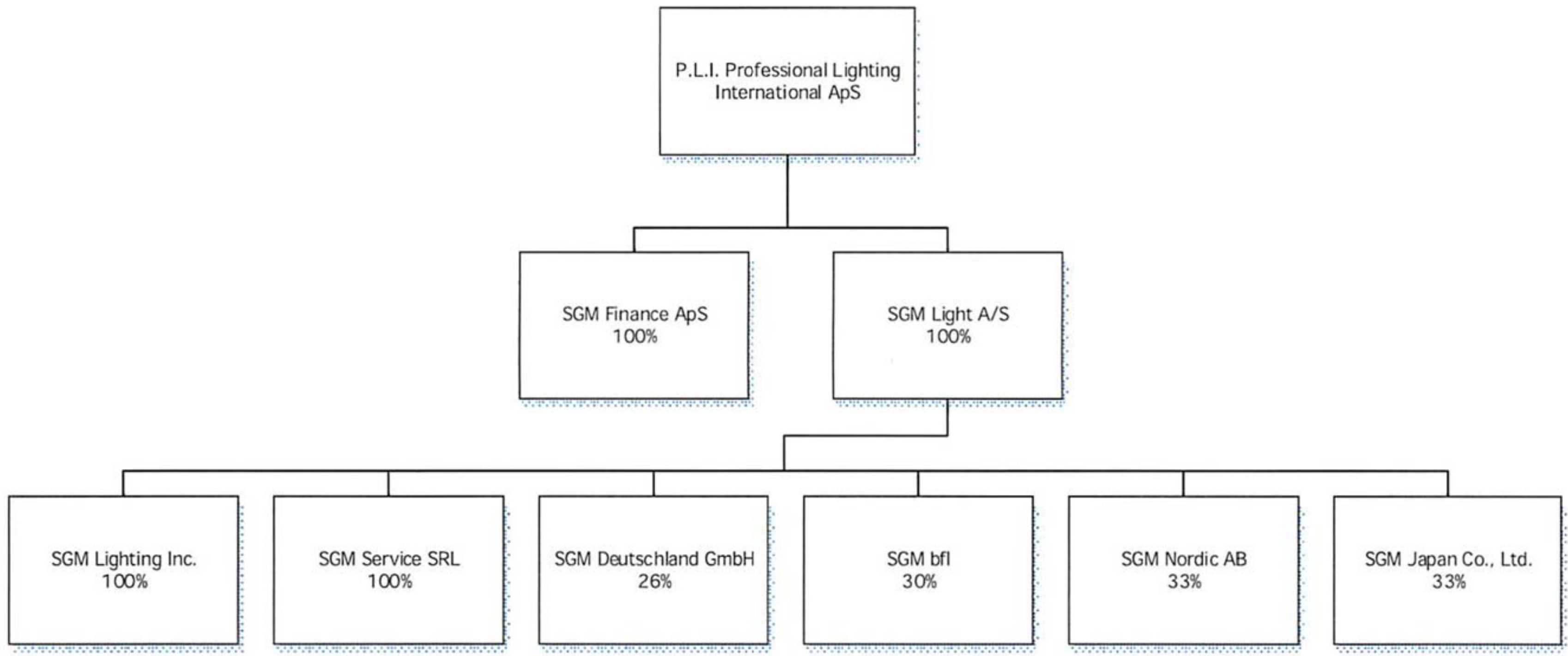
Christian Jøker
State Authorised
Public Accountant

Management's review

Company details

Name	P.L.I. Professional Lighting International ApS
Address, zip code, city	Åboulevarden 13, 8000 Aarhus C
CVR no.	37 20 77 64
Established	4 November 2015
Registered office	Aarhus
Financial year	1 January - 31 December
Board of Directors	Paoulo 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

Group chart


P.L.I. Professional Lighting International ApS
SGM Finance ApS 100%
SGM Light A/S 100%
SGM Lighting Inc. 100%
SGM Service SRL 100%
SGM Deutschland GmbH 26%
SGM bfl 30%
SGM Nordic AB 33%
SGM Japan Co., Ltd. 33%

Management's review

Financial highlights for the Group

EUR	2015/16
Key figures	
Gross margin	9,276,513
Operating profit	1,772,436
Loss from net financials	-714,910
Profit for the year	1,041,661
Total assets	14,203,625
Investments in items of property, plant and equipment	1,048,607
Equity	1,048,461
Cash flows from operating activities	-4.709.300
Cash flow from investing activities	-4,553,635
Cash flows from financing activities	9,473,916
Total cash flows	217,781
Financial ratios	
Equity ratio	7,4 %
Return on equity	197,4 %
Average number of full-time employees	87

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios, "Recommendations and Financial Ratios 2015".

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

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

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

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 Group was established on 4 November 2015 when the activities, including intellectual property and stocks, were taken over from SGM A/S.

The income statement shows a net profit after tax of EUR 1,042 thousand and the balance sheet at 31 December 2016 shows equity of EUR 1,048 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 1-2 million.

Consolidated financial statements and parent company financial statements 4 November 2015 - 31 December 2016

Income statement

Note	EUR	Group 2015/16	Parent 2015/16
	Gross margin	9,276,513	0
	Distribution costs	-2,684,139	0
	Administrative expenses	-4,819,938	-2,521
	Operating profit/loss	1,772,436	-2,521
	Share of net profit in subsidiaries	0	1,120,027
	Share of net profit in associates	304,012	0
2	Financial income	20,300	550,248
3	Financial expenses	-735,210	-648,196
	Profit before tax	1,361,538	1,019,558
4	Tax for the year	-319,877	22,103
	Profit for the year	1,041,661	1,041,661
	Proposed profit appropriation		
	Net revaluation reserve according to the equity method	0	1,120,027
	Retained earnings	1,041,661	-78,366
		1,041,661	1,041,661

Consolidated financial statements and parent company financial statements 4 November 2015 - 31 December 2016

Balance sheet

Note	EUR	Group 2015/16	Parent 2015/16
	ASSETS		
	Non-current assets		
5	Intangible assets		
	Acquired intangible assets	579,513	0
		579,513	0
6	Property, plant and equipment		
	Fixtures and fittings, tools and equipment	589,517	0
		589,517	0
	Investments		
7	Investments in subsidiaries	0	3,126,827
8	Investments in associates	262,292	0
	Receivables from subsidiaries	0	7,500,000
		262,292	10,626,827
	Total non-current assets	1,431,322	10,626,827
	Current assets		
	Inventories		
	Raw materials and consumables	4,008,999	0
	Work in progress	182,318	0
	Finished goods and goods for resale	3,758,928	0
	Prepayments for goods	161,738	0
		8,111,983	0
	Receivables		
	Trade receivables	2,858,730	0
	Receivables from subsidiaries	0	57,968
	Receivables from associates	1,077,987	0
9	Deferred tax assets	180,943	0
	Income tax receivable	0	22,103
	Other receivables	269,039	0
	Prepayments	46,113	0
		4,432,812	80,071
	Cash	227,508	55
	Total current assets	12,772,303	80,126
	TOTAL ASSETS	14,203,625	10,706,953

Consolidated financial statements and parent company financial statements 4 November 2015 - 31 December 2016

Balance sheet

Note	EUR	Group 2015/16	Parent 2015/16
	EQUITY AND LIABILITIES		
	Equity		
10	Share capital	6,800	6,800
	Net revaluation reserve	0	900,028
	Retained earnings	1,041,661	141,633
	Total equity	1,048,461	1,048,461
	Provisions		
	Provisions, warranties	604,723	0
	Total provisions	604,723	0
11	Non-current liabilities other than provisions		
	Lease liabilities	34,602	0
	Payables to group entities	9,500,000	9,500,000
	Total non-current liabilities	9,534,602	9,500,000
	Current liabilities other than provisions		
11	Current portion of long-term liabilities	23,942	0
	Bank debt	9,727	0
	Lease liabilities	309,839	0
	Trade payables	1,158,290	2,525
	Payables to subsidiaries	152,493	155,967
	Payables to associates	13,451	0
	Income tax payable	500,820	0
	Other payables	847,277	0
	Total current liabilities other than provisions	3,015,839	158,492
	Total liabilities other than provisions	12,550,441	9,658,492
	TOTAL EQUITY AND LIABILITIES	14,203,625	10,706,953

1 Accounting policies
12 Staff costs
13 Contractual obligations and contingencies, etc.
14 Collateral
15 Related parties

Consolidated financial statements and parent company financial statements 4 November 2015 - 31 December 2016

Statement of changes in equity

Note	EUR	Group Share capital	Retained earnings	Total
	Equity at 4 November 2015	6,800	0	6,800
16	Profit for the year	0	1,041,661	1,041,661
	Equity at 31 December 2016	6,800	1,041,661	1,048,461

Note	EUR	Parent Share capital	Net revaluation acc. to the equity method	Retained earnings	Total
	Equity at 4 November 2015	6.800	0	0	6,800
16	Profit for the year	0	1,120,027	-78,366	1,041,661
	Equity at 31 December 2016	6.800	1,120,027	-78,366	1,048,461

Consolidated financial statements and parent company financial statements 4 November 2015 - 31 December 2016

Cash flow statement

Note	EUR	Group 2015/16
	Profit before net financials	1,772,436
	Amortisation/depreciation charges	620,685
	Other adjustments of non-cash operating items	605,720
	Cash generated from operations before changes in working capital	2,998,841
17	Changes in working capital	-7,145,724
	Cash generated from operations	-4,146,883
	Interest received	20,300
	Interest paid	-582,717
	Cash flows from operating activities	-4,709,300
	Acquisition of property, plant and equipment	-423,249
	Acquisition of business activities	-4,169,892
8	Acquisition of associates	-27,093
8	Received dividends	66,599
	Cash flows from investing activities	-4,553,635
	Repayment of lease liabilities	-26,084
	Raising of loan with group company	9,500,000
	Cash flows from financing activities	9,473,916
	Net cash flows	210,981
	Cash and cash equivalents, beginning of year	6,800
18	Cash and cash equivalents, year-end	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 4 November 2015 - 31 December 2016

Notes

1 Accounting policies

The annual report of P.L.I. Professional Lighting International ApS for 2015/16 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to medium-sized reporting class C entities.

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.

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.

Consolidated financial statements and parent company financial statements 4 November 2015 - 31 December 2016

Notes

1 Accounting policies (continued)

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 4 November 2015 - 31 December 2016

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.

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.

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.

Consolidated financial statements and parent company financial statements 4 November 2015 - 31 December 2016

Notes

1 Accounting policies (continued)

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.

Gains and losses on sale of intangible assets are determined as the difference between the selling price less costs to sell and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating expenses, respectively.

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

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.

Consolidated financial statements and parent company financial statements 4 November 2015 - 31 December 2016

Notes

1 Accounting policies (continued)

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.

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.

Consolidated financial statements and parent company financial statements 4 November 2015 - 31 December 2016

Notes

1 Accounting policies (continued)

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.

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

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 or portfolio 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.

Consolidated financial statements and parent company financial statements
4 November 2015 - 31 December 2016

Notes

1 Accounting policies (continued)

Provisions

Provisions comprise anticipated expenses relating to warranty commitments, onerous contracts, restructuring, etc. 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".

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.

Consolidated financial statements and parent company financial statements
4 November 2015 - 31 December 2016

Notes

1 Accounting policies (continued)

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.

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.

Consolidated financial statements and parent company financial statements 4 November 2015 - 31 December 2016

Notes

EUR	Group 2015/16	Parent 2015/16
2 Financial income		
Interest income from group entities	0	550,248
Other financial income	20,300	0
	20,300	550,248

EUR	Group 2015/16	Parent 2015/16
3 Financial expenses		
Interest expenses to group entities	648,129	648,129
Other financial expenses	87,081	67
	735,210	648,196

EUR	Group 2015/16	Parent 2015/16
4 Tax for the year		
Current tax charge for the year	-500,820	22,103
Adjustment of the deferred tax charge for the year	180,943	0
	-319,877	22,103

5 Intangible assets

EUR	Group Acquired intangible assets
Cost at 4 November 2015	0
Additions	739,804
Cost at 31 December 2016	739,804
Amortisation and impairment losses at 4 November 2015	0
Amortisation	-160,291
Amortisation and impairment losses at 31 December 2016	-160,291
Carrying amount at 31 December 2016	579,513
Amortised over	5 years

Consolidated financial statements and parent company financial statements 4 November 2015 - 31 December 2016

Notes

6 Property, plant and equipment

EUR	Group Fixtures and fittings, plant and equipment
Cost at 4 November 2015	0
Additions	1,049,911
Cost at 31 December 2016	1,049,911
Depreciation and impairment losses at 4 November 2015	0
Depreciation	-460,394
Depreciation and impairment losses at 31 December 2016	-460,394
Carrying amount at 31 December 2016	589,517
Items of property, plant and equipment include assets held under finance leases with a carrying amount totalling	61,772
Depreciated over	2-5 years

EUR	Parent 2015/16
7 Investments in subsidiaries	
Cost at 4 November	0
Additions	2,006,800
Cost at 31 December	2,006,800
Value adjustments at 4 November	0
Profit/loss for the year	1,120,027
Value adjustments at 31 December	1,120,027
Carrying amount at 31 December	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.

Consolidated financial statements and parent company financial statements 4 November 2015 - 31 December 2016

Notes

EUR	Group 2015/16
8 Investments in associates	
Cost at 4 November	0
Additions	27,093
Cost at 31 December	27,093
Value adjustments at 4 November	0
Dividend distributed	-66,599
Profit for the year	301,798
Value adjustments at 31 December	235,199
Carrying amount at 31 December	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%

EUR	Group 2015/16	Parent 2015/16
9 Deferred tax		
Deferred tax at 4 November	0	0
Adjustment of the deferred tax charge	-180,943	0
Deferred tax at 31 December	-180,943	0

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

10 Share capital

The share capital consists of 6,800 shares of EUR 1,00 each.

Consolidated financial statements and parent company financial statements 4 November 2015 - 31 December 2016

Notes

11 Long-term liabilities

	Group			
	2016			
EUR	Total debt at 31/12 2016	Repayment, next year	Long-term portion	Outstanding debt after 5 year
Lease liabilities	58,544	23,942	34,602	0
Payables to group entities	9,500,000	0	9,500,000	0
	9,558,544	23,942	9,534,602	0

	Parent			
	2016			
EUR	Total debt at 31/12 2016	Repayment, next year	Long-term portion	Outstanding debt after 5 year
Payables to group entities	9,500,000	0	9,500,000	0

	Group	Parent
EUR	2015/16	2015/16
12 Staff costs		
Wages and salaries	5,573,489	0
Pensions	334,446	0
Other social security costs	94,221	0
Other staff costs	121,859	0
Staff costs transferred to non-current assets	-3,355,822	0
	2,768,193	0
Average number of full-time employees	87	0

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

13 Contingencies, etc.

Contingent liabilities

The Group has rent and lease liabilities including a rent obligation totalling EUR 3,053 thousand relating to interminable rent agreements with remaining contract terms of 9 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.

Consolidated financial statements and parent company financial statements 4 November 2015 - 31 December 2016

Notes

14 Collateral

The Group has provided assets worth of a total EUR 54 thousand as collateral for the Company's debt to creditors.

15 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.

		Group	Parent
	EUR	2015/16	2015/16
16	Appropriation of profit		
	Proposed profit appropriation		
	Net revaluation reserve according to the equity method	0	1,120,027
	Retained earnings	1,041,661	-78,366
		1,041,661	1,041,661

		Group
	EUR	2015/16
17	Changes in working capital	
	Change in inventories	-5,222,712
	Change in receivables	-4,251,869
	Change in trade and other payables	2,328,857
		-7,145,724

18 Cash and cash equivalents

Cash and cash equivalents at 31 December comprise:

Cash	217,781
	217,781