P.L.I. Professional Lighting International ApS

Sommervej 23, DK-8210 Aarhus V

Annual Report for 1 January - 31 December 2020

CVR No 37 20 77 64

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 25/06 2021

Massimo Covre
Chairman of the General Meeting

Contents

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of P.L.I. Professional Lighting International ApS for the financial year 1 January - 31 December 2020.

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

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2020 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2020.

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

Friuli-Venezia Giulia, 25 June 2021

Executive Board

Massimo Covre

Board of Directors

Paolo Covre Chairman	Massimo Covre	Filipo Bortolini

Independent Auditor's Report

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

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2020 and of the results of the Group's and the Parent Company's operations and of consolidated cash flows for the financial year 1 January - 31 December 2020 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of P.L.I. Professional Lighting International ApS for the financial year 1 January - 31 December 2020, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("the Financial Statements").

Basis for opinion

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

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

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

Independent Auditor’s Report

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

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

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

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

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

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

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

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

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

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

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

Aarhus, 25 June 2021
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

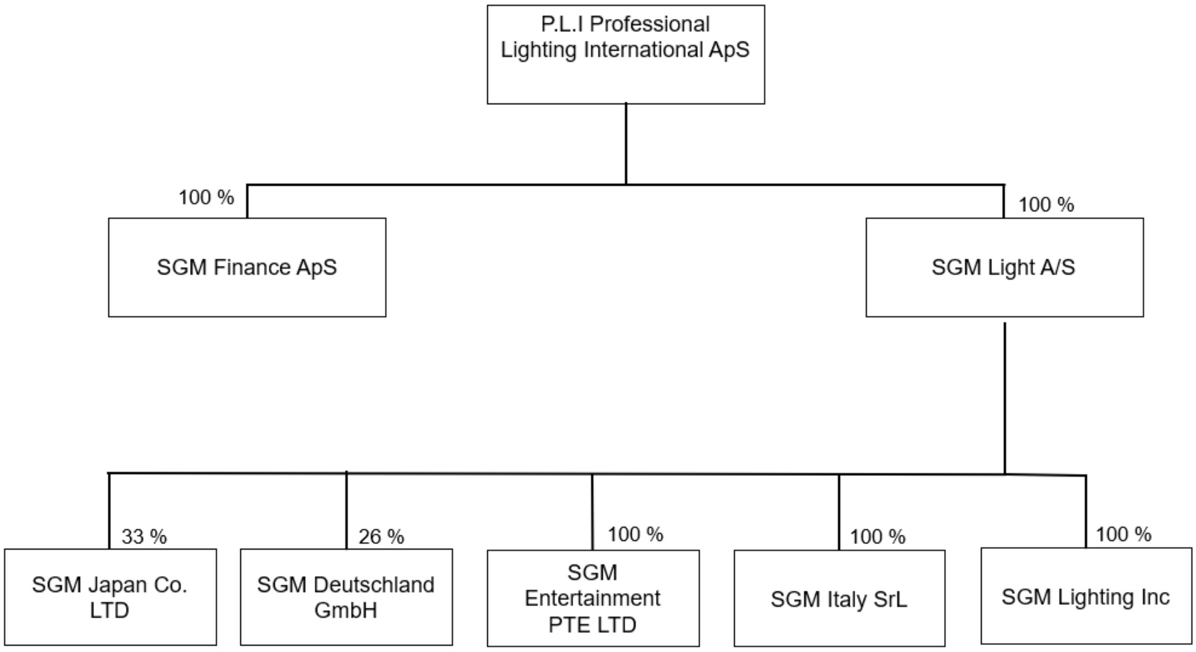
Mads Meldgaard
State Authorised Public Accountant
mne24826

Martin Stenstrup Toft
State Authorised Public Accountant
mne42786

Company Information

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

Group Chart


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

Financial Highlights

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

	Group				
	2020	2019	2018	2017	2016
	TEUR	TEUR	TEUR	TEUR	TEUR
Key figures					
Profit/loss					
Gross profit/loss	1,744	7,947	7,505	6,693	9,277
Operating profit/loss	-3,539	1,136	1,077	1,359	1,772
Net financials	-1,077	-681	-632	-898	-715
Net profit/loss for the year	-3,585	390	348	324	1,042
Balance sheet					
Balance sheet total	17,678	21,278	18,763	17,651	14,204
Equity	-1,378	2,113	1,714	1,377	1,048
Cash flows					
Cash flows from:					
- operating activities	-2,948	1,698	-2,665	-243	-4,709
- investing activities	-603	-1,899	-1,832	-1,281	-4,554
including investment in property, plant and equipment	-108	-569	-680	436	1,049
- financing activities	4,331	-17	425	1,708	9,474
Change in cash and cash equivalents for the year	780	-219	-4,072	184	211
Number of employees	90	111	106	94	87
Ratios					
Solvency ratio	-7.8%	9.9%	9.1%	7.8%	7.4%
Return on equity	-975.5%	20.4%	22.5%	26.7%	198.9%
Solvency ratio, incl. subordinate loan	4.0%	19.3%	19.8%	19.1%	21.5%

Management's Review

Key activities

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

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

Development in the year

The income statement of the Group for 2020 shows a loss of EUR 3,585,403, and at 31 December 2020 the balance sheet of the Group shows negative equity of EUR 1,378,111.

In the financial year 2020, the company's financial situation was negatively affected by Covid 19. As a result of the forced closure of the company's activities, the company has received financial support in the form of government assistance packages. See note 2 for a further description.

Foreign exchange risks

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

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

Targets and expectations for the year ahead

The Group's expectations for the future will be adversely affected by the Covid-19 outbreak and the measures taken by the government in most of the world to mitigate the effects of the outbreak, cf. also note 1 on subsequent events.

The company's expectations for the future will be adversely affected by the Covid-19 outbreak and the measures taken by governments in most of the world to mitigate the effects of the outbreak.

Research and development

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

External environment

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

Management's Review

Unusual events

The financial position at 31 December 2020 of the Group and the results of the activities and cash flows of the Group for the financial year for 2020 have not been affected by any unusual events.

Subsequent events

In the subsequent period, the company's financial situation continued to be negatively affected by Covid-19. In addition, no circumstances have occurred after the balance date that have a material effect on the assessment of the annual report.

Income Statement 1 January - 31 December

	Note	Group 2020	Group 2019	Parent company 2020	Parent company 2019
		EUR	EUR	EUR	EUR
Gross profit/loss		**1,743,507**	**7,946,529**	**0**	**0**
Distribution expenses		-898,362	-1,666,391	0	0
Administrative expenses	3	-4,384,457	-5,144,534	-4,747	-4,604
Operating profit/loss		**-3,539,312**	**1,135,604**	**-4,747**	**-4,604**
Other operating expenses		-2,683	0	0	0
Profit/loss before financial income and expenses		**-3,541,995**	**1,135,604**	**-4,747**	**-4,604**
Income from investments in subsidiaries		0	0	-3,531,615	471,704
Income from investments in associates		-66,237	124,452	0	0
Financial income	4	74,006	36,797	640,105	636,795
Financial expenses	5	-1,084,504	-842,203	-724,896	-730,809
Profit/loss before tax		**-4,618,730**	**454,650**	**-3,621,153**	**373,086**
Tax on profit/loss for the year	6	1,033,327	-64,225	35,751	17,339
Net profit/loss for the year		**-3,585,403**	**390,425**	**-3,585,402**	**390,425**

Balance Sheet 31 December

Assets

	Note	Group 2020	Group 2019	Parent company 2020	Parent company 2019
		EUR	EUR	EUR	EUR
Completed development projects		2,398,058	2,478,746	0	0
Acquired patents		0	135,244	0	0
Acquired trademarks		79,839	99,392	0	0
Development projects in progress		238,244	25,494	0	0
Intangible assets	7	**2,716,141**	**2,738,876**	**0**	**0**
Other fixtures and fittings, tools and equipment		882,402	1,284,052	0	0
Leasehold improvements		77,294	0	0	0
Property, plant and equipment	8	**959,696**	**1,284,052**	**0**	**0**
Investments in subsidiaries	9	0	0	885,128	4,413,095
Investments in associates	10	396,246	460,725	0	0
Receivables from group enterprises	11	0	0	9,325,025	9,124,997
Fixed asset investments		**396,246**	**460,725**	**10,210,153**	**13,538,092**
Fixed assets		**4,072,083**	**4,483,653**	**10,210,153**	**13,538,092**
Inventories	12	**8,282,389**	**9,364,860**	**0**	**0**
Trade receivables		1,518,729	4,572,012	0	0
Receivables from group enterprises		0	0	1,097,244	718,264
Receivables from associates		415,940	475,811	0	0
Other receivables		597,708	488,829	0	0
Deferred tax asset	14	497,649	0	35,774	15,864
Corporation tax		0	124,444	0	17,286
Prepayments		72,528	235,268	0	0
Receivables		**3,102,554**	**5,896,364**	**1,133,018**	**751,414**
Cash at bank and in hand		**2,220,824**	**1,533,324**	**0**	**0**
Currents assets		**13,605,767**	**16,794,548**	**1,133,018**	**751,414**
Assets		**17,677,850**	**21,278,201**	**11,343,171**	**14,289,506**

Balance Sheet 31 December

Liabilities and equity

	Note	Group 2020	Group 2019	Parent company 2020	Parent company 2019
		EUR	EUR	EUR	EUR
Share capital		100,000	6,800	100,000	6,800
Reserve for net revaluation under the equity method		369,373	411,345	0	2,420,293
Reserve for development costs		0	1,953,307	0	0
Reserve for value exchange adjustments		1,948	0	0	0
Retained earnings		-1,849,432	-258,199	-1,478,111	-313,840
Equity		**-1,378,111**	**2,113,253**	**-1,378,111**	**2,113,253**
Provision for deferred tax	14	0	519,398	0	0
Other provisions	15	496,811	651,312	0	0
Provisions		**496,811**	**1,170,710**	**0**	**0**
Subordinate loan capital		2,000,000	2,000,000	2,000,000	2,000,000
Lease obligations		149,533	214,955	0	0
Payables to group enterprises		9,325,000	9,125,000	9,325,000	9,125,000
Long-term debt	16	**11,474,533**	**11,339,955**	**11,325,000**	**11,125,000**
Credit institutions		3,784,905	92,781	0	3
Lease obligations	16	112,174	94,142	0	0
Trade payables		559,845	3,916,582	3,697	3,681
Payables to group enterprises	16	1,392,586	906,771	1,392,585	1,047,569
Payables to associates		0	7,818	0	0
Other payables		1,235,107	1,636,189	0	0
Short-term debt		**7,084,617**	**6,654,283**	**1,396,282**	**1,051,253**
Debt		**18,559,150**	**17,994,238**	**12,721,282**	**12,176,253**
Liabilities and equity		**17,677,850**	**21,278,201**	**11,343,171**	**14,289,506**

Going concern	1
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Statement of Changes in Equity

Group

	Share capital	Reserve for net revaluation under the equity method	Reserve for value exchange adjustments	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR
Equity at 1 January	6,800	411,345	0	1,695,108	2,113,253
Exchange adjustments	0	0	1,948	-7,910	-5,962
Cash capital increase	100,000	0	0	0	100,000
Cash capital reduction	-6,800	0	0	6,800	0
Net profit/loss for the year	0	-41,972	0	-3,543,430	-3,585,402
Equity at 31 December	**100,000**	**369,373**	**1,948**	**-1,849,432**	**-1,378,111**

Parent company

	Share capital	Reserve for net revaluation under the equity method	Reserve for value exchange adjustments	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR
Equity at 1 January	6,800	2,420,293	0	-313,840	2,113,253
Exchange adjustments	0	1,948	0	-7,910	-5,962
Cash capital increase	100,000	0	0	0	100,000
Cash capital reduction	-6,800	0	0	6,800	0
Net profit/loss for the year	0	-2,422,241	0	-1,163,161	-3,585,402
Equity at 31 December	**100,000**	**0**	**0**	**-1,478,111**	**-1,378,111**

Cash Flow Statement 1 January - 31 December

	Note	Group 2020	Group 2019
		EUR	EUR
Net profit/loss for the year		-3,585,403	390,425
Adjustments	17	1,268,192	1,714,428
Change in working capital	18	329,345	250,575
Cash flows from operating activities before financial income and expenses		**-1,987,866**	**2,355,428**
Financial income		0	36,797
Financial expenses		-1,084,505	-842,203
Cash flows from ordinary activities		**-3,072,371**	**1,550,022**
Corporation tax paid		124,444	148,047
Cash flows from operating activities		**-2,947,927**	**1,698,069**
Purchase of intangible assets		-502,629	-1,329,966
Purchase of property, plant and equipment		-107,618	-569,470
Sale of property, plant and equipment		7,487	0
Cash flows from investing activities		**-602,760**	**-1,899,436**
Repayment of loans from credit institutions		3,599,343	0
Reduction of lease obligations		-47,390	176,032
Repayment of payables to group enterprises		685,815	-193,320
Cash capital increase		93,200	0
Cash flows from financing activities		**4,330,968**	**-17,288**
Change in cash and cash equivalents		**780,281**	**-218,655**
Cash and cash equivalents at 1 January		1,440,543	1,659,198
Cash and cash equivalents at 31 December		**2,220,824**	**1,440,543**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		2,220,824	1,533,324
Overdraft facility		0	-92,781
Cash and cash equivalents at 31 December		**2,220,824**	**1,440,543**

Notes to the Financial Statements

1 Going concern

The consequences of Covid-19, in which virtually all governments around the world have made the decision to "shut down the countries" will have a major impact on the world economy. The group's earnings will be significantly affected in 2021 due to declining revenue and a number of fixed costs that cannot be adjusted to the same extent. The negative impact applies both during the "closure period" and during the remainder of the financial year. It is difficult to assess the temporal extent of restrictions to combat the spread of Covid-19 in both Europe and the United States, where the group's customers are primarily located. The group's revenue is mainly based on sales abroad, and at the same time a large part of the group's customers are very influenced by Covid-19, as many of the customers are engaged in the entertainment industry, in particular customers who are engaged in concerts and festivals. It is difficult to assess how customers will be affected when it again is possible to hold concerts, etc. and at what pace demand returns to normal levels. Management had made assessments of these risks and had prepared action plans and new budgets on the assumption that the countries in second half of 2021 slowly will open op for larger crowds to gather again. However, the level of activity in 2021 is expected to be far below initially expected. To address this situation, organization and cost structure have been adjusted and the necessary capital base has been secured. The group has prepared a budget for the financial year 2021 which shows a liquidity draw that is not significantly different compared to the liquidity need for 2020. The prerequisites for this are that during the rollout of vaccines, sales will increase due to restrictions being out phased. In addition, it is still expected that the group will continue to utilize the state's assistance packages in the form of compensation for fixed costs and compensation for salary expenses.

Based on the above described, the financial statements of the Group are presented subject to going concern.

2 Special items

As mentioned in the management report, the group has experienced a decline in activity during 2020 due to Covid-19. The group has therefore received the state's assistance packages in the form of compensation for salary and compensation for fixed costs for a total of 2.018 T.EUR. This ratio differs from what the management considers to be part of the primary operations, and is therefore included in this note.

Notes to the Financial Statements

		Group		Parent company	
		2020	2019	2020	2019
		EUR	EUR	EUR	EUR
3	**Staff**				
	Wages and salaries	3,684,341	6,284,159	0	0
	Pensions	471,036	471,036	0	0
	Other social security expenses	99,995	99,995	0	0
	Other staff expenses	129,084	129,084	0	0
		4,384,456	**6,984,274**	**0**	**0**
	Including remuneration to the Executive and Supervisory Boards	**0**	**399,124**	**0**	**0**
	Average number of employees	**90**	**111**	**0**	**0**

Remuneration to the Executive and Supervisory Boards has not been disclosed in 2020 in accordance with section 98 B(3) of the Danish Financial Statement Act.

		Group 2020	Group 2019	Parent company 2020	Parent company 2019
4	**Financial income**				
	Interest received from group enterprises	0	0	640,105	631,628
	Other financial income	0	593	0	0
	Exchange gains	74,006	36,204	0	5,167
		74,006	**36,797**	**640,105**	**636,795**

Notes to the Financial Statements

	Group		Parent company	
	2020	2019	2020	2019
	EUR	EUR	EUR	EUR

5 Financial expenses

Interest paid to group enterprises	716,000	710,629	716,000	710,628
Other financial expenses	368,504	74,891	8,896	20,181
Exchange loss	0	56,683	0	0
	1,084,504	**842,203**	**724,896**	**730,809**

6 Tax on profit/loss for the year

Current tax for the year	0	-124,337	0	-17,286
Deferred tax for the year	-1,033,327	188,562	-35,751	-53
	-1,033,327	**64,225**	**-35,751**	**-17,339**

Notes to the Financial Statements

7 Intangible assets

Group

	Completed development projects	Acquired patents	Acquired trademarks	Development projects in progress
	EUR	EUR	EUR	EUR
Cost at 1 January	3,167,710	739,317	99,799	25,597
Additions for the year	289,982	0	0	212,647
Cost at 31 December	3,457,692	739,317	99,799	238,244
Impairment losses and amortisation at 1 January	678,579	603,775	0	0
Amortisation for the year	381,055	135,542	19,960	0
Impairment losses and amortisation at 31 December	1,059,634	739,317	19,960	0
Carrying amount at 31 December	**2,398,058**	**0**	**79,839**	**238,244**
Amortised over	5-8 years	5 years	5 years	

The company has development projects with an accounting value per 31 December 2020 of 2.398 TEUR. Which is capitalized in the accounts.
The company has developed 7 products, each of which is specially developed to provide the best form for lighting within, among other things, lighting of architecture and film sets, etc.

Management has high expectations for the use of the products and has not found any indication of impairment in relation to the carrying amount.

Development projects in progress include the development and testing of new lighting systems. The costs essentially consist of internal costs in the form of direct salaries as well as purchased material. The carrying amount is per. 31 December 2020 a total of 238 TEUR. The system is expected to be completed during 2021, after which marketing and sales can begin.

Management has high expectations for the use of the products and has not found any indication of impairment in relation to the carrying amount

Notes to the Financial Statements

8 Property, plant and equipment

Group

	Other fixtures and fittings, tools and equipment	Leasehold improvements
	EUR	EUR
Cost at 1 January	2,592,235	167,353
Additions for the year	73,570	42,756
Disposals for the year	0	-16,491
Cost at 31 December	2,665,805	193,618
Impairment losses and depreciation at 1 January	1,391,054	92,353
Exchange adjustment	6,277	0
Depreciation for the year	386,072	30,283
Reversal of impairment and depreciation of sold assets	0	-6,312
Impairment losses and depreciation at 31 December	1,783,403	116,324
Carrying amount at 31 December	**882,402**	**77,294**
Depreciated over	2-5 years	
Including assets under finance leases amounting to	381,230	0

Notes to the Financial Statements

9 Investments in subsidiaries

	Parent company 2020	Parent company 2019
	EUR	EUR
Cost at 1 January	2,006,800	2,006,800
Exchange adjustment	0	0
Cost at 31 December	2,006,800	2,006,800
Value adjustments at 1 January	2,406,295	1,920,101
Exchange adjustment	29,747	14,490
Net profit/loss for the year	-3,557,714	471,704
Other adjustments	0	0
Reversals for the year of revaluations in previous years	0	0
Transfers for the year	0	0
Value adjustments at 31 December	-1,121,672	2,406,295
Carrying amount at 31 December	**885,128**	**4,413,095**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes and ownership
SGM Light A/S	Denmark	100%
SGM Italy Srl.	Italy	100%
SGM Lighting Inc.	USA	100%
SGM Entertainment PTE Ltd.	Singapore	100%
SGM Finance ApS	Denmark	100%

10 Investments in associates

	Group 2020	Group 2019	Parent company 2020	Parent company 2019
	EUR	EUR	EUR	EUR
Cost at 1 January	49,380	49,545	0	0
Exchange adjustment	0	-165	0	0
Disposals for the year	-22,507	0	0	0
Cost at 31 December	26,873	49,380	0	0
Value adjustments at 1 January	411,345	286,837	0	0
Disposals for the year	-36,990	0	0	0
Exchange adjustment	0	-179	0	0
Net profit/loss for the year	-9,276	76,487	0	0
Other adjustments	4,294	48,200	0	0
Value adjustments at 31 December	369,373	411,345	0	0
Carrying amount at 31 December	**396,246**	**460,725**	**0**	**0**

Investments in associates are specified as follows:

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

Notes to the Financial Statements

11 Other fixed asset investments

	Parent company
	Receivables from group enterprises
	EUR
Cost at 1 January	9,325,025
Cost at 31 December	9,325,025
Carrying amount at 31 December	**9,325,025**

12 Inventories

	Group		Parent company	
	2020	2019	2020	2019
	EUR	EUR	EUR	EUR
Raw materials and consumables	3,751,299	2,503,525	0	0
Work in progress	600,106	1,273,983	0	0
Finished goods and goods for resale	3,930,984	5,587,352	0	0
	8,282,389	**9,364,860**	**0**	**0**

	Group		Parent company	
	2020	2019	2020	2019
	EUR	EUR	EUR	EUR

13 Distribution of profit

Reserve for net revaluation under the equity method	-41,973	124,452	-2,422,241	485,702
Retained earnings	-3,543,430	265,973	-1,163,161	-95,277
	-3,585,403	**390,425**	**-3,585,402**	**390,425**

14 Deferred tax asset

Deferred tax asset at 1 January	-519,398	-330,836	15,864	15,816
Amounts recognised in the income statement for the year	1,017,047	-188,562	35,751	53
Amounts recognised in equity for the year	0	0	-15,841	-5
Deferred tax asset at 31 December	**497,649**	**-519,398**	**35,774**	**15,864**

The company has chosen to recognize deferred tax assets for a total of EUR 497 thousand. It is management's assessment that the asset can be utilized within of 3-5 years

15 Other provisions

The Company provides warranties of 2 years on its products and is therefore obliged to repair or replace goods with defects. Based on previous experience in respect of the level of repairs and returns, other provisions of EUR 482k (2019: EUR 466k) have been recognised for expected warranty claims.

Warranties	482,172	465,569	0	0
Other provisions	14,639	185,743	0	0
	496,811	**651,312**	**0**	**0**

Notes to the Financial Statements

16 Long-term debt

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

The debt falls due for payment as specified below:

	Group		Parent company	
	2020	2019	2020	2019
	EUR	EUR	EUR	EUR
Lease obligations				
Between 1 and 5 years	149,533	214,955	0	0
Long-term part	149,533	214,955	0	0
Within 1 year	112,174	94,142	0	0
	261,707	**309,097**	**0**	**0**
Payables to group enterprises				
Between 1 and 5 years	9,325,000	9,125,000	9,325,000	9,125,000
Long-term part	9,325,000	9,125,000	9,325,000	9,125,000
Other short-term debt to group enterprises	1,392,586	906,771	1,392,585	1,047,569
	10,717,586	**10,031,771**	**10,717,585**	**10,172,569**

Notes to the Financial Statements

	Group	
	2020	2019
	EUR	EUR

17 Cash flow statement - adjustments

Financial income	-74,006	-36,797
Financial expenses	1,084,504	842,203
Depreciation, amortisation and impairment losses, including losses and gains on sales	933,397	960,718
Income from investments in associates	66,237	-124,452
Tax on profit/loss for the year	-1,033,327	64,225
Exchange adjustments	291,387	8,531
	1,268,192	**1,714,428**

18 Cash flow statement - change in working capital

Change in inventories	1,082,471	-828,008
Change in receivables	3,167,015	-856,873
Change in other provisions	-154,503	-5,954
Change in trade payables, etc	-3,765,638	1,941,410
	329,345	**250,575**

	Group		Parent company	
	2020	2019	2020	2019
	EUR	EUR	EUR	EUR

19 Contingent assets, liabilities and other financial obligations

Rental and lease obligations

Rent obligations, period of non-terminability 2-6 years	2,056,581	2,440,339	0	0

Other contingent liabilities

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

During the financial year, the company recognized subsidies as income from the Covid-19 assistance packages. As the Danish Business Authority has not yet carried out the final inspection of the basis for the subsidy / subsidies, it cannot be ruled out that a share of the recognized subsidy will be rejected. If this goes against management's expectations, it will result in a cost in the following financial year. It is not possible to calculate the exact amount, but the support received and recognized amounts to a total of 2.018 TEUR, cf. note2

Notes to the Financial Statements

20 Related parties

	Basis
Controlling interest	
Eurofinim SRL, Via Pedrina no. 1, 33082 Azzano Decimo (PN), Italy	Parent Company

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

Consolidated Financial Statements

The Group is included in the Group Annual Report of the ultimate Parent Company:

Name	Place of registered office
Eurofinim SRL	Italy

The Group Annual Report of Eurofinim SRL may be obtained at the following address:

Eurofinim SRL
Via Pedrina no. 1
33082 Azzano Decimo (PN), Italy

Notes to the Financial Statements

21 Accounting Policies

The Annual Report of P.L.I. Professional Lighting International ApS for 2020 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Consolidated and Parent Company Financial Statements for 2020 are presented in EUR.

Changes in accounting estimates

The Company has changed the accounting estimate regarding the estimated useful life of development projects. Projects were previously estimated to have a useful life of 5 years which is now estimated to be between 5-8 years depending on an individual assessment on each project. The impact on the income statement for 2020 is a reduction of amortisation costs of 321 TEUR.

The impact on intangible assets is an increased carrying amount of 321 TEUR.

Recognition and measurement

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

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

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

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

Basis of consolidation

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

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income

21 Accounting Policies (continued)

and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

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

Business combinations

Acquisitions

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

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

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

Leases

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

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

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

Notes to the Financial Statements

21 Accounting Policies (continued)

Translation policies

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

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

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

Income Statement

Revenue

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

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

Productions costs

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

Gross profit/loss

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

Distribution expenses

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

Notes to the Financial Statements

21 Accounting Policies (continued)

Administrative expenses

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

Other operating income and expenses

Public subsidies, e.g. assistance packages, are recognized when it is reasonably certain that the company will comply with the conditions for receiving the subsidy, and it is reasonably certain that the company will receive the subsidy. The subsidy is systematically recognized in the income statement over the period to which it relates or immediately conditional on the incurrence of future costs or investments. Government grants are recognized as other operating income, or in the balance sheet, if the grant is givenfor investment in an asset.

Income from investments in subsidiaries and associates

The items “Income from investments in subsidiaries” and “Income from investments in associates” in the income statement include the proportionate share of the profit for the year.

Financial income and expenses

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

Tax on profit/loss for the year

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

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

Balance Sheet

Intangible assets

Patents and licences are measured at the lower of cost less accumulated amortisation and recoverable amount. Patents are amortised over the remaining patent period, and licences are amortised over the licence period; however not exceeding 5-8 years.

Development costs and costs relating to rights developed by the Company are recognised in the income

Notes to the Financial Statements

21 Accounting Policies (continued)

statement as costs in the year of acquisition.

Property, plant and equipment

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

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

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction.

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

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

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

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

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

Notes to the Financial Statements

21 Accounting Policies (continued)

Investments in subsidiaries and associates

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

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

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

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

Other fixed asset investments

Other fixed asset investments consist of receivables from group enterprises.

Inventories

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

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

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

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

Notes to the Financial Statements

21 Accounting Policies (continued)

Receivables

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

Prepayments

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

Provisions

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

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

Deferred tax assets and liabilities

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

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

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

Current tax receivables and liabilities

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

Notes to the Financial Statements

21 Accounting Policies (continued)

Financial debts

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

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

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

Cash Flow Statement

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

Cash flows from operating activities

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

Cash flows from investing activities

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

Cash flows from financing activities

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

Cash and cash equivalents

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

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

Notes to the Financial Statements

21 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

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