

---

# ***P.L.I. Professional Lighting International ApS***

Sommervej 23, DK-8210 Aarhus V

## **Annual Report for 1 January - 31 December 2019**

---

CVR No 37 20 77 64

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
26/8 2020

Torben Balmer  
Chairman of the General  
Meeting



**pwc**

# Contents

	<u>Page</u>
<b>Management's Statement and Auditor's Report</b>	
Management's Statement	1
Independent Auditor's Report	2
<b>Management's Review</b>	
Company Information	5
Group Chart	6
Financial Highlights	7
Management's Review	8
<b>Consolidated and Parent Company Financial Statements</b>	
Income Statement 1 January - 31 December	10
Balance Sheet 31 December	11
Statement of Changes in Equity	13
Cash Flow Statement 1 January - 31 December	14
Notes to the Financial Statements	15

## **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 2019.

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 2019 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2019.

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

Aarhus, 26 August 2020

### **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 2019 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 2019 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 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("the Financial Statements").

## Basis for opinion

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

## Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

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

# Independent Auditor's Report

## Management's responsibilities for the Financial Statements

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

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

## Auditor's responsibilities for the audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the

## Independent Auditor's Report

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

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Aarhus, 26 August 2020

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Mads Meldgaard

State Authorised Public Accountant

mne24826

## 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

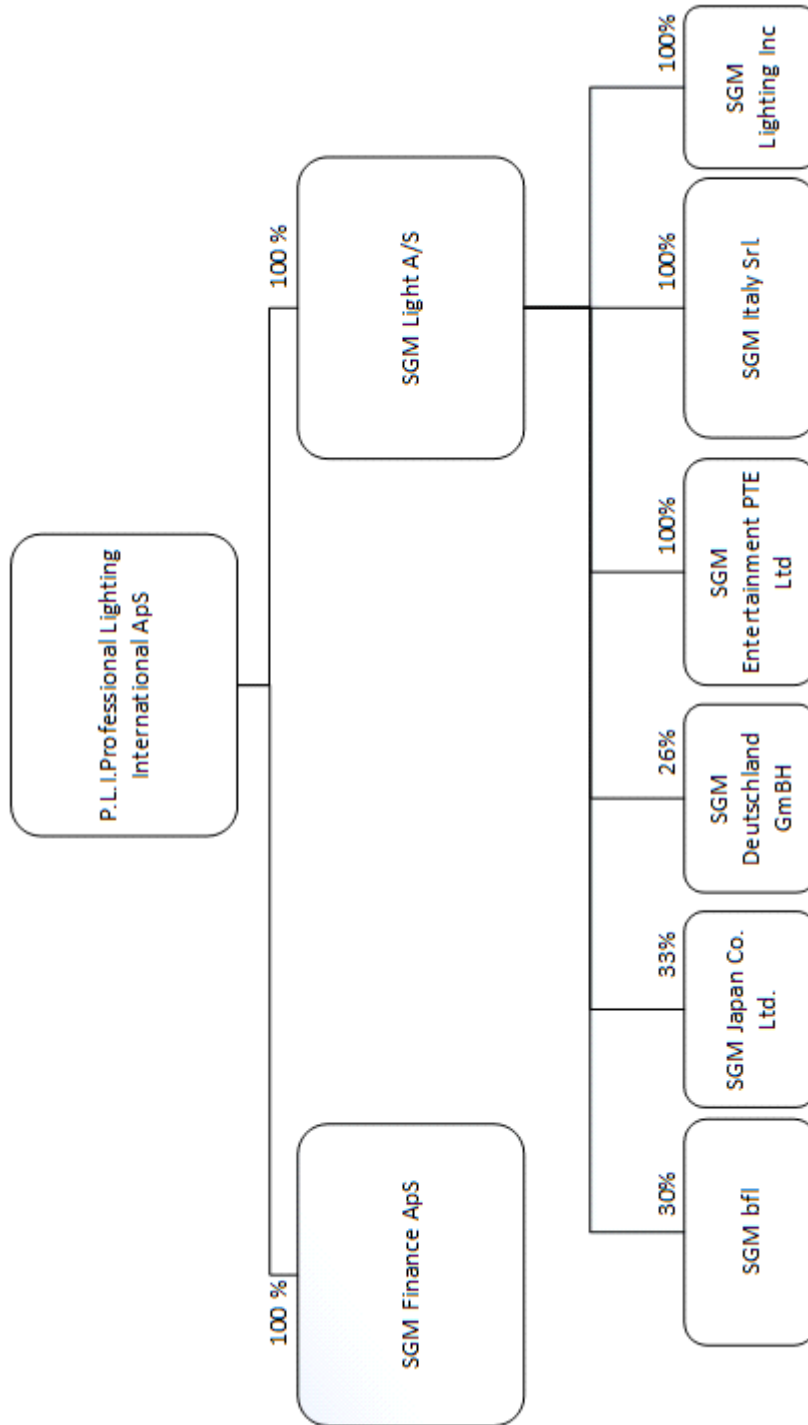
### **Executive Board**

Massimo Covre

### **Auditors**

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Nobelparken  
Jens Chr. Skous Vej 1  
DK-8000 Aarhus C

# Group Chart





# Financial Highlights

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

	<b>Group</b>			
	2019 TEUR	2018 TEUR	2017 TEUR	2016 T.EUR14 months
<b>Key figures</b>				
<b>Profit/loss</b>				
Gross profit/loss	7,947	7,505	6,693	9,277
Operating profit/loss	1,136	1,077	1,359	1,772
Net financials	-681	-632	-898	-715
Net profit/loss for the year	390	348	324	1,042
<b>Balance sheet</b>				
Balance sheet total	21,278	18,763	17,651	14,204
Equity	2,113	1,714	1,377	1,048
<b>Cash flows</b>				
Cash flows from:				
- operating activities	1,698	-2,665	-243	-4,709
- investing activities	-1,899	-1,832	-1,281	-4,554
including investment in property, plant and equipment	-569	-680	436	1,049
- financing activities	-17	425	1,708	9,474
Change in cash and cash equivalents for the year	-219	1,258	184	211
Number of employees	111	106	94	87
<b>Ratios</b>				
Solvency ratio	9.9%	9.1%	7.8%	7.4%
Return on equity	20.4%	22.5%	26.7%	197.4%
Solvency ratio, incl. subordinate loan	19.3%	19.8%	19.1%	21.5%

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

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

# Management's Review

## Key activities

The parent company's principal 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 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 2019 shows a profit of EUR 390,425, and at 31 December 2019 the balance sheet of the Group shows equity of EUR 2,113,253.

Revenue for the year and gross profit is below budget, and, therefore, profit before tax for the year does not meet expectations. According to expectations, profit before tax for the year was to amount EUR 1 million, and the realised profit before tax of EUR 455k is therefore considered unsatisfactory.

## 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 affect 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.

Prior to the Covid-19 outbreak, the Group expected a satisfactory development for the coming fiscal year, with an expected profit of EUR 0.5 million. Following the Covid-19 outbreak, the Group has revised its expectations for the result for 2020 so that a deficit of EUR 3.0-6.0 million is expected.

## 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**

## **Uncertainty relating to recognition and measurement**

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

## **Unusual events**

The financial position at 31 December 2019 of the Group and the results of the activities and cash flows of the Group for the financial year for 2019 have not been affected by any unusual events.

## **Subsequent events**

Reference is made to note 1.

## Income Statement 1 January - 31 December

	Note	Group		Parent company	
		2019 EUR	2018 EUR	2019 EUR	2018 EUR
<b>Gross profit/loss</b>		<b>7,946,529</b>	<b>7,504,680</b>	<b>0</b>	<b>0</b>
Distribution expenses		-1,666,391	-1,509,215	0	0
Administrative expenses	2	-5,144,534	-4,918,033	-4,604	-4,696
<b>Operating profit/loss</b>		<b>1,135,604</b>	<b>1,077,432</b>	<b>-4,604</b>	<b>-4,696</b>
<b>Profit/loss before financial income and expenses</b>		<b>1,135,604</b>	<b>1,077,432</b>	<b>-4,604</b>	<b>-4,696</b>
Income from investments in subsidiaries		0	0	471,704	415,630
Income from investments in associates		124,452	50,088	0	0
Financial income	3	36,797	84,778	636,795	631,681
Financial expenses	4	-842,203	-767,195	-730,809	-714,179
<b>Profit/loss before tax</b>		<b>454,650</b>	<b>445,103</b>	<b>373,086</b>	<b>328,436</b>
Tax on profit/loss for the year	5	-64,225	-97,484	17,339	19,183
<b>Net profit/loss for the year</b>		<b>390,425</b>	<b>347,619</b>	<b>390,425</b>	<b>347,619</b>

# Balance Sheet 31 December

## Assets

	Note	Group		Parent company	
		2019 EUR	2018 EUR	2019 EUR	2018 EUR
Completed development projects		2,478,746	1,064,053	0	0
Acquired patents		135,244	285,508	0	0
Acquired trademarks		99,392	0	0	0
Development projects in progress		25,494	640,256	0	0
<b>Intangible assets</b>	6	<b>2,738,876</b>	<b>1,989,817</b>	<b>0</b>	<b>0</b>
Other fixtures and fittings, tools and equipment		1,284,052	1,093,527	0	0
<b>Property, plant and equipment</b>	7	<b>1,284,052</b>	<b>1,093,527</b>	<b>0</b>	<b>0</b>
Investments in subsidiaries	8	0	0	4,413,095	3,926,901
Investments in associates	9	460,725	336,382	0	0
Receivables from group enterprises	10	0	0	9,124,997	9,124,997
<b>Fixed asset investments</b>		<b>460,725</b>	<b>336,382</b>	<b>13,538,092</b>	<b>13,051,898</b>
<b>Fixed assets</b>		<b>4,483,653</b>	<b>3,419,726</b>	<b>13,538,092</b>	<b>13,051,898</b>
<b>Inventories</b>	11	<b>9,364,860</b>	<b>8,536,852</b>	<b>0</b>	<b>0</b>
Trade receivables		4,572,012	2,681,122	0	0
Receivables from group enterprises		0	0	718,264	828,075
Receivables from associates		475,811	1,737,201	0	0
Other receivables		488,829	257,563	0	0
Deferred tax asset	14	0	0	15,864	15,816
Corporation tax		124,444	148,154	17,286	44,404
Prepayments	12	235,268	239,161	0	0
<b>Receivables</b>		<b>5,896,364</b>	<b>5,063,201</b>	<b>751,414</b>	<b>888,295</b>
<b>Cash at bank and in hand</b>		<b>1,533,324</b>	<b>1,743,000</b>	<b>0</b>	<b>2,121</b>
<b>Currents assets</b>		<b>16,794,548</b>	<b>15,343,053</b>	<b>751,414</b>	<b>890,416</b>
<b>Assets</b>		<b>21,278,201</b>	<b>18,762,779</b>	<b>14,289,506</b>	<b>13,942,314</b>

# Balance Sheet 31 December

## Liabilities and equity

	Note	Group		Parent company	
		2019 EUR	2018 EUR	2019 EUR	2018 EUR
Share capital		6,800	6,800	6,800	6,800
Reserve for net revaluation under the equity method		411,345	286,837	2,420,293	1,920,101
Reserve for development costs		1,953,307	1,331,119	0	0
Retained earnings		-258,199	88,784	-313,840	-213,361
<b>Equity</b>		<b>2,113,253</b>	<b>1,713,540</b>	<b>2,113,253</b>	<b>1,713,540</b>
Provision for deferred tax	14	519,398	330,836	0	0
Other provisions	15	651,312	657,266	0	0
<b>Provisions</b>		<b>1,170,710</b>	<b>988,102</b>	<b>0</b>	<b>0</b>
Subordinate loan capital		2,000,000	2,000,000	2,000,000	2,000,000
Lease obligations		214,955	63,571	0	0
Payables to group enterprises		9,125,000	9,125,000	9,125,000	9,125,000
<b>Long-term debt</b>	16	<b>11,339,955</b>	<b>11,188,571</b>	<b>11,125,000</b>	<b>11,125,000</b>
Credit institutions		92,781	83,802	3	0
Lease obligations	16	94,142	69,494	0	0
Trade payables		3,916,582	2,814,273	3,681	3,683
Payables to group enterprises	16	906,771	1,100,091	1,047,569	1,100,091
Payables to associates		7,818	61,784	0	0
Other payables		1,636,189	743,122	0	0
<b>Short-term debt</b>		<b>6,654,283</b>	<b>4,872,566</b>	<b>1,051,253</b>	<b>1,103,774</b>
<b>Debt</b>		<b>17,994,238</b>	<b>16,061,137</b>	<b>12,176,253</b>	<b>12,228,774</b>
<b>Liabilities and equity</b>		<b>21,278,201</b>	<b>18,762,779</b>	<b>14,289,506</b>	<b>13,942,314</b>
Subsequent events	1				
Distribution of profit	13				
Contingent assets, liabilities and other financial obligations	19				
Related parties	20				
Accounting Policies	21				

## Statement of Changes in Equity

### Group

	Share capital	Reserve for net revaluation under the equity method	Reserve for development costs	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR
Equity at 1 January	6,800	286,837	1,331,119	88,784	1,713,540
Exchange adjustments	0	56	0	9,232	9,288
Development costs for the year	0	0	622,188	-622,188	0
Net profit/loss for the year	0	124,452	0	265,973	390,425
<b>Equity at 31 December</b>	<b>6,800</b>	<b>411,345</b>	<b>1,953,307</b>	<b>-258,199</b>	<b>2,113,253</b>

### Parent company

Equity at 1 January	6,800	1,920,101	0	-213,361	1,713,540
Exchange adjustments	0	14,490	0	-5,202	9,288
Net profit/loss for the year	0	485,702	0	-95,277	390,425
<b>Equity at 31 December</b>	<b>6,800</b>	<b>2,420,293</b>	<b>0</b>	<b>-313,840</b>	<b>2,113,253</b>

## Cash Flow Statement 1 January - 31 December

	Note	Group	
		2019 EUR	2018 EUR
Net profit/loss for the year		390,425	347,619
Adjustments	17	1,714,428	1,322,966
Change in working capital	18	250,575	2,056,100
<b>Cash flows from operating activities before financial income and expenses</b>		<b>2,355,428</b>	<b>3,726,685</b>
Financial income		36,797	84,778
Financial expenses		-842,203	-767,195
<b>Cash flows from ordinary activities</b>		<b>1,550,022</b>	<b>3,044,268</b>
Corporation tax paid		148,047	-379,750
<b>Cash flows from operating activities</b>		<b>1,698,069</b>	<b>2,664,518</b>
Purchase of intangible assets		-1,329,966	-1,151,564
Purchase of property, plant and equipment		-569,470	-680,303
<b>Cash flows from investing activities</b>		<b>-1,899,436</b>	<b>-1,831,867</b>
Reduction of lease obligations		176,032	-239,541
Repayment of payables to group enterprises		-193,320	0
Raising of loans from group enterprises		0	292,569
Raising of loans from associates		0	371,964
<b>Cash flows from financing activities</b>		<b>-17,288</b>	<b>424,992</b>
<b>Change in cash and cash equivalents</b>		<b>-218,655</b>	<b>1,257,643</b>
Cash and cash equivalents at 1 January		1,659,198	401,555
<b>Cash and cash equivalents at 31 December</b>		<b>1,440,543</b>	<b>1,659,198</b>
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		1,533,324	1,743,000
Overdraft facility		-92,781	-83,802
<b>Cash and cash equivalents at 31 December</b>		<b>1,440,543</b>	<b>1,659,198</b>



# Notes to the Financial Statements

## 1 Subsequent events

The Group so far, at the time of signature of the financial statements, were adversely affected by the effects of Covid-19, as the global assembly bans resulted in cancellation of concerts and festivals having a direct impact on one of the Group's main lighting sales activities, which has resulted in a significant decrease in the Group's turnover in March-June 2020 compared to the same period in 2019. Management considers the consequences of Covid-19 as an event that occurred after the balance sheet date (December 31, 2019), and therefore constitutes a non-regulatory event for the company. Management closely monitors developments and expects the effect of Covid-19 to significantly reduce the Groups's revenue and earnings in 2020.

	<b>Group</b>		<b>Parent company</b>	
	2019 EUR	2018 EUR	2019 EUR	2018 EUR
<b>2 Staff</b>				
Wages and salaries	6,284,159	5,762,430	0	0
Pensions	471,036	446,030	0	0
Other social security expenses	99,995	102,063	0	0
Other staff expenses	129,084	148,289	0	0
	<b>6,984,274</b>	<b>6,458,812</b>	<b>0</b>	<b>0</b>
<b>Including remuneration to the Executive and Supervisory Boards</b>	<b>399,124</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Average number of employees</b>	<b>111</b>	<b>106</b>	<b>0</b>	<b>0</b>

Remuneration to the Executive and Supervisory Boards has not been disclosed in 2018 in accordance with section 98 B(3) of the Danish Financial Statement Act.

## 3 Financial income

Interest received from group enterprises	0	0	631,628	631,681
Other financial income	593	6,897	0	0
Exchange gains	36,204	77,881	5,167	0
	<b>36,797</b>	<b>84,778</b>	<b>636,795</b>	<b>631,681</b>

## Notes to the Financial Statements

	Group		Parent company	
	2019 EUR	2018 EUR	2019 EUR	2018 EUR
<b>4 Financial expenses</b>				
Interest paid to group enterprises	710,629	710,687	710,628	710,688
Other financial expenses	74,891	35,343	20,181	3,491
Exchange loss	56,683	21,165	0	0
	<b>842,203</b>	<b>767,195</b>	<b>730,809</b>	<b>714,179</b>
<b>5 Tax on profit/loss for the year</b>				
Current tax for the year	-124,337	-143,949	-17,286	-19,183
Deferred tax for the year	188,562	241,433	-53	0
	<b>64,225</b>	<b>97,484</b>	<b>-17,339</b>	<b>-19,183</b>

# Notes to the Financial Statements

## 6 Intangible assets

Group	Completed development projects	Acquired patents	Acquired trade-marks	Development projects in progress
	EUR	EUR	EUR	EUR
Cost at 1 January	1,301,368	745,283	0	640,256
Exchange adjustment	-418	-238	0	-206
Additions for the year	1,205,081	0	99,392	25,493
Transfers for the year	640,050	0	0	-640,049
Cost at 31 December	<u>3,146,081</u>	<u>745,045</u>	<u>99,392</u>	<u>25,494</u>
Impairment losses and amortisation at 1 January	237,315	459,775	0	0
Exchange adjustment	-76	-148	0	0
Amortisation for the year	<u>430,096</u>	<u>150,174</u>	<u>0</u>	<u>0</u>
Impairment losses and amortisation at 31 December	<u>667,335</u>	<u>609,801</u>	<u>0</u>	<u>0</u>
<b>Carrying amount at 31 December</b>	<b><u>2,478,746</u></b>	<b><u>135,244</u></b>	<b><u>99,392</u></b>	<b><u>25,494</u></b>
Amortised over	<u>5 years</u>	<u>5 years</u>	<u>5 years</u>	

Development projects relate to the development of new products and new versions of the Company's existing products. All pending projects are expected to be completed in 2020, and the marketing will be initiated in the same period. The projects are progressing according to plan through the use of the resources allocated by Management to the development. The new products are primarily expected to be sold in the present markets. Prior to the initiation of the projects, the Company inquired of its customers as to the need for the new products, which was well received.

# Notes to the Financial Statements

## 7 Property, plant and equipment

### Group

	Other fixtures and fittings, tools and equipment
	EUR
Cost at 1 January	2,181,155
Exchange adjustment	1,487
Additions for the year	<u>569,470</u>
Cost at 31 December	<u>2,752,112</u>
Impairment losses and depreciation at 1 January	1,087,628
Exchange adjustment	-16
Depreciation for the year	<u>380,448</u>
Impairment losses and depreciation at 31 December	<u>1,468,060</u>
<b>Carrying amount at 31 December</b>	<b><u>1,284,052</u></b>
Depreciated over	<u>2-5 years</u>
Including assets under finance leases amounting to	<u>381,230</u>

## Notes to the Financial Statements

	<b>Parent company</b>	
	2019	2018
	EUR	EUR
<b>8 Investments in subsidiaries</b>		
Cost at 1 January	2,006,800	2,006,800
Cost at 31 December	2,006,800	2,006,800
Value adjustments at 1 January	1,920,101	1,516,551
Exchange adjustment	14,490	-12,080
Net profit/loss for the year	471,704	415,630
Value adjustments at 31 December	2,406,295	1,920,101
<b>Carrying amount at 31 December</b>	<b>4,413,095</b>	<b>3,926,901</b>

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%

## Notes to the Financial Statements

	Group		Parent company	
	2019 EUR	2018 EUR	2019 EUR	2018 EUR
<b>9 Investments in associates</b>				
Cost at 1 January	49,545	49,583	0	0
Exchange adjustment	-165	-38	0	0
Cost at 31 December	49,380	49,545	0	0
Value adjustments at 1 January	286,837	236,845	0	0
Disposals for the year	0	-13,100	0	0
Exchange adjustment	-179	-97	0	0
Net profit/loss for the year	76,487	70,867	0	0
Other adjustments	48,200	-7,678	0	0
Value adjustments at 31 December	411,345	286,837	0	0
<b>Carrying amount at 31 December</b>	<b>460,725</b>	<b>336,382</b>	<b>0</b>	<b>0</b>

Investments in associates are specified as follows:

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

# Notes to the Financial Statements

## 10 Other fixed asset investments

	<u>Parent company</u>
	Receivables from group enterprises
	<u>EUR</u>
Cost at 1 January	<u>9,124,997</u>
Cost at 31 December	<u>9,124,997</u>
<b>Carrying amount at 31 December</b>	<b><u>9,124,997</u></b>

	<u>Group</u>		<u>Parent company</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	EUR	EUR	EUR	EUR
<b>11 Inventories</b>				
Raw materials and consumables	2,503,525	2,306,681	0	0
Work in progress	1,273,983	870,420	0	0
Finished goods and goods for resale	<u>5,587,352</u>	<u>5,359,751</u>	<u>0</u>	<u>0</u>
	<b><u>9,364,860</u></b>	<b><u>8,536,852</u></b>	<b><u>0</u></b>	<b><u>0</u></b>

## 12 Prepayments

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

## Notes to the Financial Statements

	Group		Parent company	
	2019 EUR	2018 EUR	2019 EUR	2018 EUR
<b>13 Distribution of profit</b>				
Reserve for net revaluation under the equity method	124,452	50,089	485,702	415,630
Retained earnings	265,973	297,530	-95,277	-68,011
	<b>390,425</b>	<b>347,619</b>	<b>390,425</b>	<b>347,619</b>

### 14 Provision for deferred tax

Provision for deferred tax at 1 January	330,836	89,523	-15,816	-15,863
Amounts recognised in the income statement for the year	188,562	241,433	-53	0
Amounts recognised in equity for the year	0	-120	5	47
<b>Provision for deferred tax at 31 December</b>	<b>519,398</b>	<b>330,836</b>	<b>-15,864</b>	<b>-15,816</b>

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

### 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 466k (2018: EUR 357k) have been recognised for expected warranty claims.

Warranties	465,569	357,266	0	0
Other provisions	185,743	300,000	0	0
	<b>651,312</b>	<b>657,266</b>	<b>0</b>	<b>0</b>



# 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	
	2019 EUR	2018 EUR	2019 EUR	2018 EUR
<b>Subordinate loan capital</b>				
Between 1 and 5 years	2,000,000	2,000,000	2,000,000	2,000,000
Long-term part	2,000,000	2,000,000	2,000,000	2,000,000
Within 1 year	0	0	0	0
	<b>2,000,000</b>	<b>2,000,000</b>	<b>2,000,000</b>	<b>2,000,000</b>
<b>Lease obligations</b>				
Between 1 and 5 years	214,955	63,571	0	0
Long-term part	214,955	63,571	0	0
Within 1 year	94,142	69,494	0	0
	<b>309,097</b>	<b>133,065</b>	<b>0</b>	<b>0</b>
<b>Payables to group enterprises</b>				
Between 1 and 5 years	9,125,000	9,125,000	9,125,000	9,125,000
Long-term part	9,125,000	9,125,000	9,125,000	9,125,000
Other short-term debt to group enterprises	906,771	1,100,091	1,047,569	1,100,091
	<b>10,031,771</b>	<b>10,225,091</b>	<b>10,172,569</b>	<b>10,225,091</b>

## Notes to the Financial Statements

### 17 Cash flow statement - adjustments

	<b>Group</b>	
	2019	2018
	EUR	EUR
Financial income	-36,797	-84,778
Financial expenses	842,203	767,195
Depreciation, amortisation and impairment losses, including losses and gains on sales	960,718	602,911
Income from investments in associates	-124,452	-50,088
Tax on profit/loss for the year	64,225	97,484
Other adjustments	8,531	-9,758
	<b>1,714,428</b>	<b>1,322,966</b>

### 18 Cash flow statement - change in working capital

	<b>Group</b>	
	2019	2018
	EUR	EUR
Change in inventories	-828,008	-54,151
Change in receivables	-856,873	1,376,064
Change in other provisions	-5,954	0
Change in trade payables, etc	1,941,410	734,187
	<b>250,575</b>	<b>2,056,100</b>

## Notes to the Financial Statements

	Group		Parent company	
	2019	2018	2019	2018
	EUR	EUR	EUR	EUR
<b>19 Contingent assets, liabilities and other financial obligations</b>				
<b>Rental and lease obligations</b>				
Rent obligations, period of non-terminability 2-6 years	2,784,691	3,026,582	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.

# 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:

<u>Name</u>	<u>Place of registered office</u>
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 2019 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 2019 are presented in EUR.

### Recognition and measurement

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

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

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

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

### Basis of consolidation

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

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

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

# Notes to the Financial Statements

## 21 Accounting Policies (continued)

### **Business combinations**

#### ***Acquisitions***

On acquisition of subsidiaries, the difference between cost and net asset value of the enterprise acquired is determined at the date of acquisition after the individual assets and liabilities 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 acquisition. Any remaining positive differences are recognised in intangible assets in the balance sheet as goodwill, which is amortised in the income statement on a straightline basis over its estimated useful life. Any remaining negative differences are recognised as income in the income statement at the date of acquisition.

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

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

### **Leases**

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

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

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

# Notes to the Financial Statements

## 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.

### Cost of sales

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

### Gross profit/loss

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

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

### Income from investments in associates

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

### Financial income and expenses

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

### Tax on profit/loss for the year

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

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

## Balance Sheet

### Intangible assets

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

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



# Notes to the Financial Statements

## 21 Accounting Policies (continued)

### Property, plant and equipment

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

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

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

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

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

Depreciation period and residual value are reassessed annually.

### Impairment of fixed assets

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

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

### Investments in associates

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

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

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

# Notes to the Financial Statements

## 21 Accounting Policies (continued)

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

### Other fixed asset investments

Other fixed asset investments consist of receivables from group enterprises.

### Inventories

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

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

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

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

### Receivables

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

### Prepayments

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

### Provisions

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

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

# Notes to the Financial Statements

## 21 Accounting Policies (continued)

### Deferred tax assets and liabilities

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

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

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

### Current tax receivables and liabilities

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

### Financial debts

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

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

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

## Cash Flow Statement

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

# Notes to the Financial Statements

## 21 Accounting Policies (continued)

### Cash flows from operating activities

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

### Cash flows from investing activities

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

### Cash flows from financing activities

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

### Cash and cash equivalents

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

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

## Financial Highlights

### Explanation of financial ratios

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