SGM Light A/S

Sommervej 23, 8210 Aarhus V

CVR no. 37 21 91 69

Annual report 2017

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

Chairman:

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Building a better working world

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Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of SGM Light A/S for the financial year 1 January - 31 December 2017.

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

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017.

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

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

Aarhus, 24 April 2018
Executive Board:

Peter Johansen
CEO

Board of Directors:

Paolo Covre Chairman	Mario Radice	Peter Johansen

Independent auditor's report

To the shareholder of SGM Light A/S

Opinion

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

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

Basis for opinion

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

Independence

We are independent of the 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 rules and requirements.

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and 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 the 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 internal control.

Independent auditor's report

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

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

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

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

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

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

Christian Jøker
State Authorised Public Accountant
MNE no.: mne31471

Management's review

Company details

Name	SGM Light A/S
Address, Postal code, City	Sommervej 23, 8210 Aarhus V
CVR no.	37 21 91 69
Established	10 November 2015
Registered office	Aarhus
Financial year	1 January - 31 December
Board of Directors	Paolo Covre, Chairman Mario Radice Peter Johansen
Executive Board	Peter Johansen, CEO
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Værkmestergade 25, P.O. Box 330, 8100 Aarhus C, Denmark

Management's review

Financial highlights

EURt	2017 12 months	2016 14 months
Key figures		
Gross margin	6,285	8,547
Operating profit/loss	1,494	2,068
Net financials	-832	-621
Profit before tax	533	1,456
Profit/loss for the year	**380**	**1,115**
Total assets	11,706	9,522
Investment in property, plant and equipment	436,233	1,048,609
Equity	**3,500**	**3,115**
Financial ratios		
Solvency ratio	29.9%	32.7%
Return on equity	11.5%	0.1%
Average number of employees	**90**	**83**

Financial ratios are calculated in accordance with the Danish Finance Society's recommendations on the calculation of financial ratios. For terms and definitions, please see the accounting policies.

Management's review

Business review

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

Financial review

The income statement shows a net profit after tax of EUR 380 thousand and the balance sheet at 31 December 2017 shows equity of EUR 3,500 thousand. Including subordinated loan, capital reserves amounted to EUR 5,500 thousand at 31 December 2017 - equivalent to an equity ratio of 47%.

Revenue for the year and gross profit is lower than budgeted, and therefore, profit for the year does not live up to expectations. According to expectations, the profit for the year was to account for a profit of EUR 1-2 million, and the realised profit of EUR 380 thousand is therefore considered unsatisfactory.

Special risks

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

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

Research and development activities

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

Outlook

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

Financial statements 1 January - 31 December

Income statement

Note	EUR	2017 12 months	2015/16 14 months
	Gross margin	6,284,580	8,547,136
2	Distribution costs	-1,162,546	-1,981,702
2	Administrative expenses	-3,628,055	-4,497,439
	Operating profit	1,493,979	2,067,995
	Share of net profit/loss in subsidiaries	-131,480	-295,530
	Share of net profit/loss in associates	2,370	304,011
	Financial income	0	7,712
3	Financial expenses	-831,558	-628,377
	Profit before tax	533,311	1,455,811
4	Tax for the year	-153,148	-340,619
	Profit for the year	380,163	1,115,192

Financial statements 1 January - 31 December

Balance sheet

Note	EUR	2017	2015/16
	ASSETS		
	Fixed assets		
5	**Intangible assets**		
	Completed development projects	610,102	0
	Acquired intangible assets	437,273	579,513
	Development projects in progress	127,256	0
		1,174,631	579,513
6	**Property, plant and equipment**		
	Fixtures and fittings, tools and equipment	668,718	588,213
		668,718	588,213
7	**Investments**		
	Investments in subsidiaries	0	0
	Investments in associates	286,428	262,292
		286,428	262,292
	Total fixed assets	2,129,777	1,430,018
	Non-fixed assets		
	Inventories		
	Raw materials and consumables	4,217,472	4,008,998
	Work in progress and semi-finished goods	781,596	182,316
	Finished goods and goods for resale	2,591,313	2,785,336
	Prepayments for goods	53,325	161,738
		7,643,706	7,138,388
	Receivables		
	Receivables from group entities	1,297,237	293,947
9	Deferred tax assets	0	180,943
	Other receivables	239,681	259,552
	Prepayments	87,880	45,925
		1,624,798	780,367
	Cash	307,956	172,763
	Total non-fixed assets	9,576,460	8,091,518
	TOTAL ASSETS	11,706,237	9,521,536

Financial statements 1 January - 31 December

Balance sheet

Note	EUR	2017	2015/16
	EQUITY AND LIABILITIES		
	Equity		
8	Share capital	2,000,000	2,000,000
	Net revaluation reserve	0	235,112
	Reserve for development costs	575,140	0
	Retained earnings	924,872	880,080
	Total equity	3,500,012	3,115,192
	Provisions		
9	Deferred tax	105,535	0
10	Other provisions	930,785	604,723
7	Provision, investments in subsidiaries	138,408	295,443
	Total provisions	1,174,728	900,166
	Liabilities other than provisions		
11	**Non-current liabilities other than provisions**		
	Lease liabilities	71,623	34,602
	Subordinate loan capital	2,000,000	2,000,000
	Payables to group entities	1,700,000	1,000,000
		3,771,623	3,034,602
	Current liabilities other than provisions		
11	Current portion of long-term liabilities	70,198	23,942
	Bank debt	14,641	9,580
	Trade payables	1,620,525	1,093,245
	Payables to group entities	359,625	57,967
	Payables to associates	0	13,451
	Joint taxation contribution payable	400,238	521,562
	Other payables	794,647	751,829
		3,259,874	2,471,576
	Total liabilities other than provisions	7,031,497	5,506,178
	TOTAL EQUITY AND LIABILITIES	11,706,237	9,521,536

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

Financial statements 1 January - 31 December

Statement of changes in equity

	EUR	Share capital	Net revaluation reserve	Reserve for development costs	Retained earnings	Total
	Equity at 8 November 2015	68,000	0	0	0	68,000
	Capital increase	1,932,000	0	0	0	1,932,000
15	Transfer, see "Appropriation of profit"	0	235,112	0	880,080	1,115,192
	Equity at 1 January 2017	2,000,000	235,112	0	880,080	3,115,192
15	Transfer, see "Appropriation of profit"	0	-239,769	575,140	44,792	380,163
	Exchange adjustment	0	4,657	0	0	4,657
	Equity at 31 December 2017	2,000,000	0	575,140	924,872	3,500,012

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of SGM Light A/S for 2017 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to medium-sized reporting class C entities.

In accordance with section 112(1) of the Danish Financial Statements Act, the Company has not prepared consolidated financial statements. The financial statements of SGM Light A/S and subsidiaries are reflected in the consolidated financial statements of P.L.I. Professional Lighting International ApS.

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

Omission of a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are reflected in the consolidated cash flow statement for the higher-ranking parent company P.L.I. Professional Lighting International ApS.

Reporting currency

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

Foreign currency translation

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

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

Leases

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

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

Income statement

Revenue

Income from the sale of goods for resale and finished goods is recognised in revenue when transfer of the most significant rewards and risks to the buyer has taken place and provided that the income can be reliably measured and payment is expected to be received. The date of the transfer of the most significant rewards and risks is based on standardised terms of delivery based on Incoterms® 2010.

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

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Gross margin

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

Production costs

Production costs comprise costs incurred in generating the revenue for the year. Such costs include direct and indirect costs of raw materials, consumables and production staff, rent and leases, as well as depreciation on production plant.

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

Distribution costs

Distribution costs include expenses relating to sale and distribution in the year, including expenses relating to sales staff, advertising, exhibitions and amortisation/depreciation of assets that are related to sale and distribution of the Company's products.

Administrative expenses

Administrative expenses include expenses incurred in the year for purposes of managing and administering the Company, including expenses relating to administrative staff, management, office premises/expenses as well as amortisation/depreciation of assets used for administrative purposes.

Amortisation/depreciation

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

The cost net of the expected residual value for completed development projects and acquired IP rights is amortised over the expected useful life. Acquired IP rights include patents, rights and licences.

The basis of amortisation, which is calculated as cost less any residual value, is amortised on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Completed development projects	5 years
Acquired intangible assets	5 years

The residual value is determined at the time of acquisition and is reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further amortisation charges are recognised. In case of changes in the residual value, the effect on the amortisation charges is recognised prospectively as a change in accounting estimates.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Fixtures and fittings, tools and equipment	2-5 years

The residual value is determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised. In case of changes in the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Income from investments in subsidiaries and associates

A proportionate share of the underlying entities' profit/loss after tax is recognised in the income statement according to the equity method. Shares of profit/loss after tax in subsidiaries and associates are presented as separate line items in the income statement. Full elimination of intra-group gains/losses is made for equity investments in subsidiaries. Only proportionate elimination of intra-group gains/losses is made for equity investments in associates.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The entity is jointly taxed with the parent company. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

Balance sheet

Intangible assets

Acquired intangible assets are measured at cost less accumulated amortisation and impairment losses.

Development costs comprise expenses, salaries and amortisation directly or indirectly attributable to development activities.

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

Development costs that are recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

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

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

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

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

Investments in subsidiaries and associates

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

On initial recognition, equity investments in subsidiaries and associates are measured at cost, i.e. plus transaction costs. The cost is allocated in accordance with the acquisition method; see the accounting policies regarding business combinations.

The cost is adjusted by shares of profit/loss after tax calculated in accordance with the Group's accounting policies less or plus unrealised intra-group gains/losses.

Identified increases in value and goodwill, if any, compared to the underlying entity's net asset value are amortised in accordance with the accounting policies for the assets and liabilities to which they can be attributed. Negative goodwill is recognised in the income statement.

Dividend received is deducted from the carrying amount.

Equity investments in subsidiaries and associates measured at net asset value are subject to impairment test requirements if there is any indication of impairment.

Impairment of fixed assets

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

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

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

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and expenses required to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

The cost of raw materials and consumables comprises the cost of acquisition plus delivery costs.

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct labour and indirect production overheads.

Indirect production overheads include the indirect cost of material and labour as well as maintenance and depreciation of production machinery, buildings and equipment and expenses relating to plant administration and management. Borrowing costs are not recognised in the sales price.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables, direct labour and direct production overheads. Indirect production overheads and borrowing costs are not included in the cost.

Receivables

Receivables are measured at amortised cost.

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

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

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Equity

Reserve for net revaluation according to the equity method

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

Reserve for development costs

The reserve for development costs comprises recognised development costs. The reserve cannot be used to distribute dividends or cover losses. The reserve will be reduced or dissolved if the recognised development costs are no longer part of the Company's operations by a transfer directly to the distributable reserves under equity.

Proposed dividends

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Provisions

Provisions comprise anticipated expenses relating to warranty commitments and other provisions. Provisions are recognised when the Company has a legal or constructive obligation at the balance sheet date as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Provisions are measured at net realisable value or at fair value if the obligation is expected to be settled far into the future.

Warranty commitments include expenses for remedial action in respect of the contract work within the warranty period of 2 years. Provisions for warranty commitments are measured at net realisable value and recognised based on past experience. Provisions that are expected to mature more than one year after the balance sheet date are discounted at average bond yields.

Income taxes

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

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Liabilities

Liabilities are measured at net realisable value.

Lease liabilities

Lease liabilities are measured at the net present value of the remaining lease payments including any guaranteed residual value based on the interest rate implicit in the lease.

Subordinate loan capital

Liabilities where the creditors have stated they are willing to subordinate their claim to rank after all the entity's other creditors are presented as subordinate loan capital. Subordinate loan capital is recognised using the same method as applies to liabilities.

Financial statements 1 January - 31 December

Notes to the financial statements

1 **Accounting policies (continued)**

Financial ratios

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios.

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

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

Return on equity $\frac{\text{Profit/loss for the year after tax x 100}}{\text{Average equity}}$

	EUR	2017 12 months	2015/16 14 months
2	**Staff costs**		
	Wages/salaries	4,921,495	5,307,550
	Pensions	407,599	334,446
	Other social security costs	78,980	94,221
	Other staff costs	164,549	121,859
	Staff costs transferred to non-current assets	-3,357,315	-3,355,822
		2,215,308	2,502,254
	Average number of full-time employees	90	83

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

		2017	2015/16
3	**Financial expenses**		
	Interest expenses, group entities	598,146	549,841
	Other financial expenses	233,412	78,536
		831,558	628,377
4	**Tax for the year**		
	Estimated tax charge for the year	-225	521,562
	Deferred tax adjustments in the year	153,373	-180,943
		153,148	340,619

Financial statements 1 January - 31 December

Notes to the financial statements

5 Intangible assets

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

6 Property, plant and equipment

EUR	Fixtures and fittings, tools and equipment
Cost at 1 January 2017	1,048,607
Exchange rate adjustment	-1,479
Additions in the year	436,233
Cost at 31 December 2017	1,483,361
Impairment losses and depreciation at 1 January 2017	460,394
Exchange rate adjustment	-649
Depreciation in the year	354,898
Impairment losses and depreciation at 31 December 2017	814,643
Carrying amount at 31 December 2017	668,718
Property, plant and equipment include finance leases with a carrying amount totalling	141,030
Depreciated over	2-5 years

Financial statements 1 January - 31 December

Notes to the financial statements

7 **Investments**

EUR	Investments in subsidiaries	Investments in associates	Total
Cost at 1 January 2017	87	27,093	27,180
Additions in the year	282,717	22,490	305,207
Cost at 31 December 2017	282,804	49,583	332,387
Value adjustments at 1 January 2017	-87	235,199	235,112
Exchange rate adjustment	5,381	-724	4,657
Share of the profit/loss for the year	-131,480	2,370	-129,110
Reversal of prior year revaluations	-295,025	0	-295,025
Transferred to provisions	138,407	0	138,407
Value adjustments at 31 December 2017	-282,804	236,845	-45,959
Carrying amount at 31 December 2017	0	286,428	286,428

Name	Domicile	Interest
Subsidiaries		
SGM Service Srl.	Italy	100.00%
SGM Lighting Inc.	USA	100.00%
SGM Entertainment PTE Ltd.	Singapore	100.00%
Associates		
SGM Deutschland GmbH	Germany	26.00%
SGM bfl	Belgium	30.00%
SGM Nordic AB	Sweden	33.00%
SGM Japan Co. Ltd.	Japan	33.00%

8 **Share capital**

The share capital consists of 2,000,000 shares of EUR 1,00 each.

Analysis of changes in the share capital over the past 3 years:

DKK	2017	2015/16	Opening balance at 10 November 2015
Opening balance	2,000,000	68,000	68,000
Capital increase	0	1,932,000	0
	2,000,000	2,000,000	68,000

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EUR	2017	2015/16
9 Deferred tax		
Deferred tax at 1 January	-180,943	0
Deferred tax for the year	153,373	-180,943
Transfer to actual tax	133,105	0
Deferred tax at 31 December	105,535	-180,943

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

10 Other provisions

The provisions are expected to be payable in:

	2017	2015/16
0-1 year	773,642	471,691
> 1 year	157,143	133,032
	930,785	604,723

11 Non-current liabilities other than provisions

EUR	Total debt at 31/12 2017	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Lease liabilities	141,821	70,198	71,623	0
Subordinate loan capital	2,000,000	0	2,000,000	0
Payables to group entities	1,700,000	0	1,700,000	0
	3,841,821	70,198	3,771,623	0

12 Contingencies, etc.

Contingent liabilities

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

The Company has entered into a factoring agreement with the group enterprise SGM Finance ApS. Under the agreement, all significant debtor risks, including commercial risks and credit risks are transferred to SGM Light A/S in case of claims and outstanding payments. At 31 December 2017, debtor balances taken over totalled EUR 6,959 thousand.

The Company is jointly taxed with its parent, P.L.I. Professional Lighting International ApS, which acts as management company, and together with other jointly taxed group entities the Company has joint and several liability for the payment of income taxes for the income year 2016 and onwards as well as withholding taxes on interest, royalties and dividends falling due for payment on or after 10 November 2015.

13 Collateral

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

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14 Related parties

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
P.L.I. Professionel Lighting International ApS	Sommervej 23, Hasle, 8210 Aarhus V, Denmark	The parent company's consolidated financial statements can be requested at The Danish Business Authority (www.cvr.dk)

EUR	2017 12 months	2015/16 14 months
15 Appropriation of profit		
Recommended appropriation of profit		
Net revaluation reserve according to the equity method	-239,769	235,112
Other statutory reserves	575,140	0
Retained earnings	44,792	880,080
	380,163	1,115,192