Tel.: +45 76 35 56 00
kolding@bdo.dk
**www.bdo.dk**

BDO Statsautoriseret revisionsaktieselskab
Kolding Åpark 8A, 7. sal
DK-6000 Kolding
CVR no. 20 22 26 70

**SGM LIGHT A/S**

**SOMMERVEJ 23, 8210 AARHUS V**

# ANNUAL REPORT

**1 JANUARY - 31 DECEMBER 2021**

**The Annual Report has been presented and adopted at the Company's Annual General Meeting on 24 May 2022**

**Ulrik Jakobsen**

**CVR NO. 37 21 91 69**

## CONTENTS


| | Page |
|---|---|
| **Company Details** | |
| Company Details | 3 |
| **Statement and Report** | |
| Management's Statement | 4 |
| Independent Auditor's Report | 5-6 |
| **Management Commentary** | |
| Financial Highlights | 7 |
| Management Commentary | 8 |
| **Financial Statements 1 January - 31 December** | |
| Income Statement | 9 |
| Balance Sheet | 10-11 |
| Equity | 12 |
| Notes | 13-18 |
| Accounting Policies | 19-24 |

## COMPANY DETAILS

| | | |
|---|---|---|
| **Company** | SGM Light A/S<br>Sommervej 23<br>8210 Aarhus V | |
| | CVR No.: | 37 21 91 69 |
| | Established: | 10 November 2015 |
| | Municipality: | Aarhus |
| | Financial Year: | 1 January - 31 December |
| **Board of Directors** | Paolo Covre, chairman<br>Massimo Covre<br>Filippo Bortolini | |
| **Executive Board** | Ulrik Jakobsen | |
| **Auditor** | BDO Statsautoriseret revisionsaktieselskab<br>Kolding Åpark 8A, 7. sal<br>6000 Kolding | |

**MANAGEMENT'S STATEMENT**

Today the Board of Directors and Executive Board have discussed and approved the Annual Report of SGM Light A/S for the financial year 1 January - 31 December 2021.

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

In our opinion the Financial Statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2021 and of the results of the Company's operations for the financial year 1 January - 31 December 2021.

The Management Commentary includes in our opinion a fair presentation of the matters dealt with in the Commentary.

We recommend the Annual Report be approved at the Annual General Meeting.

Pordenone, 24 May 2022

Executive Board

Ulrik Jakobsen

Board of Directors

| | | |
|---|---|---|
| Paolo Covre<br>Chairman | Massimo Covre | Filippo Bortolini |

## INDEPENDENT AUDITOR'S REPORT

### To the Shareholders 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 2021, which comprise income statement, Balance Sheet, statement of changes in equity, notes and a summary of significant 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 assets, liabilities and financial position of the Company at 31 December 2021 and of the results of the Company's operations for the financial year 1 January - 31 December 2021 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 are independent of the Company in accordance with the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

### 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 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 judgment and maintain professional skepticism 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 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 Management Commentary**
Management is responsible for Management Commentary.

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

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

Kolding, 24 May 2022

BDO Statsautoriseret revisionsaktieselskab
CVR no. 20 22 26 70

Jørn Holm
State Authorised Public Accountant
MNE no. mne35808

## FINANCIAL HIGHLIGHTS

| | 2021<br>EUR '000 | 2020<br>EUR '000 | 2019<br>EUR '000 | 2018<br>EUR '000 | 2017<br>EUR '000 |
|---|---|---|---|---|---|
| **Income statement** | | | | | |
| Gross profit/loss | 2,940 | 1,285 | 6,528 | 6,848 | 6,285 |
| Operating profit/loss of main activities | 226 | -3,482 | 1,059 | 1,187 | 1,494 |
| Financial income and expenses, net | -704 | -910 | -584 | -770 | -961 |
| Profit/loss for the year | -256 | -3,425 | 411 | 326 | 380 |
| **Balance sheet** | | | | | |
| Total assets | 11,891 | 13,597 | 14,841 | 12,645 | 11,706 |
| Equity | 577 | 816 | 4,240 | 3,814 | 3,500 |
| Investment in property, plant and equipment | -74 | 108 | 558 | -610 | 436 |
| **Key ratios** | | | | | |
| Solvency ratio | 4.9 | 6.0 | 28.6 | 30.2 | 29.9 |
| Return on equity | -36.7 | -135.5 | 10.2 | 8.9 | 11.5 |
| Solvency ratio incl. subordinate loan | 21.7 | 18.6 | 42.0 | 46.0 | 47.0 |

The ratios stated in the list of key figures and ratios have been calculated as follows:

Solvency ratio: $\frac{\text{Equity, at year-end x 100}}{\text{Total assets, at year-end}}$

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

Solvency ratio incl. subordinate loan $\frac{\text{(Equity at year end + subordinate loan) x 100}}{\text{Total assets at year end}}$

## MANAGEMENT COMMENTARY

**Principal activities**
The Company's key 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.

**Development in activities and financial and economic position**
The income statement of the Company for 2021 shows a loss of EUR 255,839, and at 31 December 2021 the balance sheet of the Company shows equity of EUR 577,120.

**Profit/loss for the year compared to the expected development**
The development and the financial result of the year is considered satisfying in relation to the market circumstances.

**Significant events after the end of the financial year**
No events have occurred after the end of the financial year of material importance for the Company's financial position.

**Foreign exchange 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.

**Future expectations**
The company's expectations for the future is an expection of continued growth as well as a more normalized market situation.

## INCOME STATEMENT 1 JANUARY - 31 DECEMBER

| | Note | 2021<br>EUR | 2020<br>EUR '000 |
|---|---|---|---|
| **GROSS PROFIT** | 1 | **2,939,705** | **1,285** |
| Distribution costs | | -240,161 | -1,067 |
| Administrative expenses | 2 | -2,429,568 | -3,699 |
| **OPERATING PROFIT** | | **269,976** | **-3,481** |
| Other operating expenses | | -43,636 | -3 |
| **OPERATING PROFIT** | | **226,340** | **-3,484** |
| Income from investments in subsidiaries and associates | | 77,169 | -128 |
| Financial income | 3 | 4,425 | 0 |
| Financial expenses | 4 | -708,674 | -782 |
| **LOSS BEFORE TAX** | | **-400,740** | **-4,394** |
| Tax on profit/loss for the year | 5 | 144,901 | 969 |
| **LOSS FOR THE YEAR** | 6 | **-255,839** | **-3,425** |

BDO

## BALANCE SHEET AT 31 DECEMBER

| ASSETS | Note | 2021 EUR | 2020 EUR '000 |
|---|---|---|---|
| Development projects completed | | 2,445,824 | 2,398 |
| Intangible fixed assets acquired | | 59,902 | 80 |
| Development projects in progress | | 250,051 | 238 |
| **Intangible assets** | 7 | **2,755,777** | **2,716** |
| | | | |
| Other plant, machinery tools and equipment | | 551,063 | 829 |
| Leasehold improvements | | 46,174 | 77 |
| **Property, plant and equipment** | 8 | **597,237** | **906** |
| | | | |
| Equity investments in group enterprises | | 0 | 0 |
| Equity investments in associated enterprises | | 528,806 | 396 |
| Rent deposit and other receivables | | 163,246 | 163 |
| **Financial non-current assets** | 9 | **692,052** | **559** |
| | | | |
| **NON-CURRENT ASSETS** | | **4,045,066** | **4,181** |
| | | | |
| Raw materials and consumables | | 3,191,827 | 3,040 |
| Work in progress | | 535,895 | 600 |
| Finished goods and goods for resale | | 2,348,470 | 3,931 |
| Prepayments | | 687,907 | 0 |
| **Inventories** | | **6,764,099** | **7,571** |
| | | | |
| Deferred tax assets | 10 | 316,059 | 432 |
| Other receivables | | 87,204 | 407 |
| Corporation tax receivable | | 230,608 | 0 |
| Joint tax contribution receivable | | 32,802 | 0 |
| Prepayments | 11 | 110,474 | 51 |
| **Receivables** | 12 | **777,147** | **890** |
| | | | |
| **Cash and cash equivalents** | | **304,203** | **955** |
| | | | |
| **CURRENT ASSETS** | | **7,845,449** | **9,416** |
| | | | |
| **ASSETS** | | **11,890,515** | **13,597** |

## BALANCE SHEET AT 31 DECEMBER

| EQUITY AND LIABILITIES | Note | 2021<br>EUR | 2020<br>EUR '000 |
|---|---|---|---|
| Share capital | 13 | 2,000,000 | 2,000 |
| Reserve for net revaluation under the equity method | | 188,527 | 58 |
| Reserve for development costs | | 2,102,078 | 1,870 |
| Retained earnings | | -3,713,485 | -3,112 |
| **EQUITY** | | **577,120** | **816** |
| Other provisions | 14 | 351,138 | 497 |
| Provisions for equity investments in group enterpr. | | 253,946 | 213 |
| **PROVISIONS** | | **605,084** | **710** |
| Subordinate loan capital | | 2,000,000 | 2,000 |
| Lease liabilities | | 94,539 | 150 |
| Payables to group enterprises | | 1,900,000 | 1,900 |
| Other non-current liabilities | | 179,442 | 0 |
| Frozen holiday pay | | 531,700 | 538 |
| **Non-current liabilities** | 15 | **4,705,681** | **4,588** |
| Bank debt | | 2,504,150 | 3,756 |
| Lease liabilities | | 55,191 | 112 |
| Trade payables | | 1,268,248 | 380 |
| Debt to Group companies | | 1,604,527 | 2,627 |
| Debt to associated enterprises | | 1,085 | 0 |
| Other liabilities | | 569,429 | 608 |
| **Current liabilities** | | **6,002,630** | **7,483** |
| **LIABILITIES** | | **10,708,311** | **12,071** |
| **EQUITY AND LIABILITIES** | | **11,890,515** | **13,597** |

| | Note |
|---|---|
| **Contingencies etc.** | 16 |
| **Charges and securities** | 17 |
| **Related parties** | 18 |
| **Consolidated Financial Statements** | 19 |

**EQUITY**

| | Share capital | Reserve for net revaluation under the equity method | Reserve for development costs | Retained earnings | Total |
|---|---|---|---|---|---|
| Equity at 1 January 2021 | 2,000,000 | 57,511 | 1,870,485 | -3,111,577 | 816,419 |
| Proposed profit allocation, 6 | | 131,016 | | -386,855 | -255,839 |
| **Other legal bindings** | | | | | |
| Foreign exchange adjustments | | | | 16,540 | 16,540 |
| Revaluations in the year | | | 231,593 | -231,593 | 0 |
| **Equity at 31 December 2021** | **2,000,000** | **188,527** | **2,102,078** | **-3,713,485** | **577,120** |

## NOTES

| | | | Note |
|---|---|---|---|
| **Special items** | | | 1 |

The company has received compensations in connection with the Danish state's COVID-19 compensation packages. The amounts listed below is recognized in "Gross profit/Other operating income".

| | 2021 EUR | 2020 EUR '000 |
|---|---|---|
| COVID-19 compensation, fixed cost | 1,150 | 1,043 |
| COVID-19 compensation, salaries | 0 | 975 |
| | **1,150** | **2,018** |

| **Staff costs** | | | 2 |
|---|---|---|---|
| Average number of employees | 40 | 81 | |
| Wages and salaries | 2,597,958 | 4,456 | |
| Pensions | 208,239 | 379 | |
| Social security costs | 51,351 | 83 | |
| Other staff costs | 38,986 | 74 | |
| | **2,896,534** | **4,992** | |

Remuneration to management and the board is not provided with reference to the Danish Financial Statements Act § 98b, 3, 2.

| | 2021 EUR | 2020 EUR '000 | |
|---|---|---|---|
| **Financial income** | | | 3 |
| Other interest income | 4,425 | 0 | |
| | **4,425** | **0** | |
| **Financial expenses** | | | 4 |
| Group enterprises | 580,449 | 659 | |
| Other interest expenses | 128,225 | 123 | |
| | **708,674** | **782** | |
| **Tax on profit/loss for the year** | | | 5 |
| Calculated tax on taxable income of the year | -32,799 | 0 | |
| Adjustment of tax for previous years | -5,836 | 0 | |
| Adjustment of deferred tax | -106,266 | -969 | |
| | **-144,901** | **-969** | |

NOTES

| | 2021<br>EUR | 2020<br>EUR '000 | Note |
|---|---|---|---|
| **Proposed distribution of profit** | | | **6** |
| Allocation to reserve for net revaluation under the equity method | 131,016 | -62 | |
| Transfer for the year to other reserves | 0 | -83 | |
| Retained earnings | -386,855 | -3,280 | |
| | **-255,839** | **-3,425** | |

**Intangible assets** **7**

| | Development projects completed | Intangible fixed assets acquired | Development projects in progress and prepayments |
|---|---|---|---|
| Cost at 1 January 2021 | 3,457,692 | 839,116 | 238,244 |
| Exchange adjustment at closing rate | 1,302 | 315 | 89 |
| Transfer | 175,591 | 0 | -175,591 |
| Additions | 358,092 | 0 | 187,309 |
| **Cost at 31 December 2021** | **3,992,677** | **839,431** | **250,051** |
| Amortisation at 1 January 2021 | 1,059,634 | 759,277 | 0 |
| Exchange adjustment at closing rate | 399 | 285 | 0 |
| Amortisation for the year | 486,820 | 19,967 | 0 |
| **Amortisation at 31 December 2021** | **1,546,853** | **779,529** | **0** |
| **Carrying amount at 31 December 2021** | **2,445,824** | **59,902** | **250,051** |

The company has development projects with an accounting value per 31. December 2021 of 2.446 TEUR. Which is capitalized in the accounts.

The company has developed 8 products, each of which is specially developed to provide the best form for lighting within, among other things, lighting of architecture and entertainment 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 2021 a total of 250 TEUR. The system is expected to be completed during 2022-2025, after which marketing and sales can begin.

NOTES

Note

## Property, plant and equipment 8

| | Other plant, machinery tools and equipment | Leasehold improvements |
|---|---|---|
| Cost at 1 January 2021 | 2,552,656 | 193,618 |
| Exchange adjustment at closing rate | 962 | 73 |
| Additions | 74,305 | 0 |
| Disposals | -99,362 | -21,136 |
| **Cost at 31 December 2021** | **2,528,561** | **172,555** |
| Depreciation and impairment losses at 1 January 2021 | 1,723,768 | 116,324 |
| Exchange adjustment | 649 | 44 |
| Reversal of depreciation of assets disposed of | -28,946 | -12,682 |
| Depreciation for the year | 282,027 | 22,695 |
| **Depreciation and impairment losses at 31 December 2021** | **1,977,498** | **126,381** |
| **Carrying amount at 31 December 2021** | **551,063** | **46,174** |
| Finance lease assets | 184,517 | |

## Financial non-current assets 9

| | Equity investments in group enterprises | Equity investments in associated enterprises | Rent deposit and other receivables |
|---|---|---|---|
| Cost at 1 January 2021 | 311,862 | 26,873 | 0 |
| Exchange adjustment at closing rate | 1,310 | 212 | 0 |
| Transferred | 0 | 0 | 163,246 |
| **Cost at 31 December 2021** | **313,172** | **27,085** | **163,246** |
| Revaluation at 1 January 2021 | -311,862 | 369,373 | 0 |
| Exchange adjustment | 11,304 | -64 | 0 |
| Profit/loss for the year | -53,167 | 130,342 | 0 |
| Equity movements | 0 | 2,070 | 0 |
| Other adjustments | 40,553 | 0 | 0 |
| **Revaluation at 31 December 2021** | **-313,172** | **501,721** | **0** |
| **Carrying amount at 31 December 2021** | **0** | **528,806** | **163,246** |

### Investments in subsidiaries

| Name and domicil | Ownership |
|---|---|
| SGM Italy Srl., Italy | 100 % |
| SGM Lighting Inc., USA | 100 % |

NOTES

Note

## Fixed asset investments (continued) 9
## Investments in associates

| Name and domicil | Ownership |
|---|---|
| SGM Deutchland GmbH, Germany | 26 % |
| SGM Japan Co. Ltd., Japan | 33 % |

## Deferred tax assets 10

The provision for deferred tax is related to differences between the carrying amount and tax value of intangible and tangible fixed assets, including recognised finance lease contracts, prepayments and taxable loss.

| | 2021<br>EUR | 2020<br>EUR '000 |
|---|---|---|
| Deferred tax, beginning of year | 432,076 | -537 |
| Deferred tax of the year, income statement | 106,264 | 969 |
| Adjustment regarding tax credit scheme | -222,281 | 0 |
| **Deferred tax assets 31 December 2021** | **316,059** | **432** |

The Company's deferred tax assets are recognised in the Balance Sheet at EUR ('000) 349. The tax asset relates primarily to unutilised tax losses. The tax asset is recognised on the basis of the expectations to the positive tax profits for the next 3-5 years, and the tax losses are then expected to be fully utilised. The assesments are based on the Management's expectations of a normalized market situation within 1-2 years.

## Prepayments 11

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions etc.

| | 2021<br>EUR | 2020<br>EUR '000 |
|---|---|---|
| **Receivables falling due after more than one year** 12 | | |
| Deferred tax assets | 173,463 | 328 |
| | **173,463** | **328** |

| | 2021<br>EUR | 2020<br>EUR '000 |
|---|---|---|
| **Share capital** 13 | | |
| Allocation of share capital: | | |
| Shares, 2,000,000 unit in the denomination of 1 EUR | 2,000,000 | 2,000 |
| | **2,000,000** | **2,000** |

## NOTES

| | 2021 EUR | 2020 EUR '000 | Note |
|---|---|---|---|
| **Other provisions** | | | 14 |
| 2-5 years | 351,138 | 497 | |

The Company provides warranties of 2-5 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 TEUR 351 (2020: TEUR 497) have been recognised for expected warranty claims.

### Long-term liabilities 15

| | 31/12 2021 total liabilities | Repayment next year | Debt outstanding after 5 years | 31/12 2020 total liabilities |
|---|---|---|---|---|
| Subordinate loan capital | 2,000,000 | 0 | 2,000,000 | 2,000 |
| Lease liabilities | 149,730 | 55,191 | 0 | 150 |
| Payables to group enterprises | 1,900,000 | 0 | 0 | 1,900 |
| Other non-current liabilities | 179,442 | 0 | 0 | 0 |
| Frozen holiday pay | 531,700 | 0 | 505,139 | 538 |
| | **4,760,872** | **55,191** | **2,505,139** | **4,588** |

For subordinated loan capital, the lender has issued a declaration of resignation to the other creditors in the company.

### Contingencies etc. 16

**Contingent liabilities**
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.

SGM Light A/S has the credit risk on a total net receivable of K EUR 716, from a customer and business partner. The receivable is expected to be settled over 5-6 years based on management's estimate. Management's estimate is based on expected normalization in the industry after COVID-19 and the estimated future perspectives for the business partner. Development in 2022 confirm management's assessment. The receivable is measured at amortized costs is based on management's estimate.

The Company has engaged in a rent obligation, which is non-terminability for the next 4 years. The total rent obligation in the non-terminability period amounts to TEUR, 1,431.

**Joint liabilities**
The Company is jointly and severally liable together with the Parent Company and the other group companies in the joint taxable group for tax on the group's joint taxable income and for certain possible withholding taxes, such as dividend tax, etc.

Tax payable on the Group's joint taxable income is stated in the annual report of P.L.I. Professional Lighting International ApS, which serves as management Company for the joint taxation.

**Charges and securities** 17
As security for bank debt, a corporate mortgage of TEUR 471 has been issued, in the company's trade receivables. Other fixtures and fittings, tools and equipment, inventories and intellectual property right. The value of these assets as of 31st of December 2021 constitutes 10.117 TEUR.

## NOTES

Note

**Related parties** 18
The Company's related parties include:

**Controlling interest**
P.L.I Professional Lighting International ApS, Sommervej 23, DK-8210 Aarhus V, is the principal shareholder.

**Transactions with related parties**
The Company did not carry out any material transactions that were not concluded on market conditions. According to section 98c, subsection 7 of the Danish Financial Statements Act information is given only on transactions that were not performed on common market conditions.

**Consolidated Financial Statements** 19
The Company is included in the consolidated financial statements of P.L.I Professional Lighting International ApS, Sommervej 23, DK-8210 Aarhus V, CVR no. 37 20 77 64

## ACCOUNTING POLICIES

The Annual Report of SGM Light A/S for 2021 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in reporting class C, medium-size enterprises.

The Annual Report is prepared consistently with the accounting principles applied last year.

The Annual Report are presented in EUR.

**Consolidated Financial Statements**
Consolidated Financial Statements have not been prepared because the group fulfils the exemption provisions of section 112 of the Danish Financial Statements Act on sub-groups. The Company is included in the consolidated Financial Statements of P.L.I Professional Lighting International ApS, Sommervej 23, DK-8210 Aarhus V, CVR no. 37 20 77 64

## INCOME STATEMENT

**Net revenue**
Net revenue from the sale of finished goods and accessories is recognised in the Income Statement if supply and risk transfer to purchaser has taken place before the end of the year and if the income can be measured reliably and is expected to be received.

Net revenue is recognised exclusive of VAT and less duties and discounts related to the sale.

**Production costs**
Production costs comprise the costs of manufacture and procurement paid to achieve the net revenue for the year, including costs of raw materials and consumables, wages and salaries, energy, maintenance, leasing and depreciation of production plant, and adjusted for changes in inventory of finished goods and work in progress.

Amortisation of capitalised development and research costs and the development costs that do not fulfil the criteria for capitalisation are also recognised in production costs.

**Distribution costs**
The costs paid for the distribution of goods sold during the year and for sales campaigns, etc. carried out during the year are recognised in distribution costs. The cost of sales personnel, advertising and exhibition costs and amortisation of distribution and sales related assets are also recognised in distribution costs. Common losses on bad debts are also recognised.

**Administrative expenses**
Administrative expenses recognise costs incurred during the year regarding management and administration, inclusive of costs relating to the administrative staff, Executives, office premises, office expenses, etc., and related amortisation.

**Other operating income**
Other operating income includes items of a secondary nature in relation to the Group’s and the Company’s activities. In addition, profit from sale of intangible and tangible fixed assets as well as business interruption and conflict compensations are included. Compensations are recognised when the income is deemed to be realisable.

**Other operating expenses**
Other operating expenses include items of a secondary nature in relation to the Group’s and the Company’s activities. Losses from sale of intangible and tangible fixed assets are also included.

## ACCOUNTING POLICIES

### Income from investments in subsidiaries and associates

The proportional share of the results of subsidiaries and associates, stated according to the Parent Company's accounting policies and with full elimination of unrealised intercompany profits/losses and deduction of amortisation of added value and goodwill resulting from purchase price allocation at the date of acquisition, is recognised in the Parent Company's Income Statement.

In connection with transfers, potential profits are recognised when the economic rights related to the sold subsidiaries and associates are transferred, however, at the earliest when the profit has been realised or is regarded as realisable. Moreover, realised losses other than impairments are included where identified.

### Financial income and expenses

Financial income and expenses include interest income and expenses, financial expenses of finance leases, realised and unrealised gains and losses arising from securities, debt and transactions in foreign currencies, as well as charges and allowances under the tax-on-account scheme, etc. Financial income and expenses are recognised by the amounts that relate to the financial year. Interest income and expenses are calculated on amortised cost prices.

### Tax

The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognised in the Income Statement by the share that may be attributed to the profit for the year, and is recognised directly in equity by the share that may be attributed to entries directly to equity.

## BALANCE SHEET

### Intangible fixed assets

Patents and licences are measured at the lower of cost less accumulated amortisation and the recoverable amount. Patents are amortised over the remaining patent period and licences are amortised over the period of the agreement.

Development costs and costs relating to rights developed by the Company are recognised in the income statement as costs in the year of acquisition. On completion of a development project, development costs are amortised on a straight-line basis over the estimated useful life. The amortisation is usually 5-8 years.

The total net revaluation of development projects is transferred upon distribution of profit to "Reserve
for development costs". The reserve is reduced with the applicable tax rate.

Profit or loss from sale of intangible fixed assets is calculated at the difference between the sales price and the carrying amount at the time of the sale. Profit and loss are recognised in the Income Statement under other operating income or other operating expenses.

### Tangible fixed assets

Leasehold improvements, other plant, fixtures and equipment are measured at cost less accumulated depreciation and impairment losses.

The depreciation base is cost less estimated residual value after end of useful life.

The cost includes the acquisition price and costs incurred directly in connection with the acquisition until the time when the asset is ready to be used.

## ACCOUNTING POLICIES

Straight-line depreciation is provided on the basis of an assessment of the expected useful lives of the assets and their residual value:

| | Useful life | Residual value |
|---|---|---|
| Other plant, fixtures and equipment............................................ | 2-5 years | 0 % |
| Leasehold improvements........................................................... | 2-5 years | 0 % |

Profit or loss on sale of tangible fixed assets is stated as the difference between the sales price less selling costs and the carrying amount at the date of sale. Profit or loss is recognised in the Income Statement as other operating income or other operating expenses.

**Lease contracts**
Lease contracts relating to tangible fixed assets for which the Company bears all material risks and benefits attached to the ownership (finance lease, see IAS 17) are recognised as assets in the Balance Sheet. The assets are at the initial recognition measured at the lower of cost stated at fair value and the and present value of the future lease payments. The internal interest rate of the lease contract, or alternatively the Company's loan interest, is used as discounting factor when calculating the present value. Finance lease assets are hereafter treated as the Group's and the Company's other similar tangible fixed assets.

The capitalised residual lease liability is recognised in the Balance Sheet as a liability and the interest portion of the lease payment is recognised in the Income Statement over the contract period.

**Fixed asset investments**
Investments in Equity interests in subsidiaries and associates are measured in the Parent Company Balance Sheet under the equity method, which is regarded as a method of measuring/consolidation.

Equity investments in subsidiaries and associates are measured in the Balance Sheet at the proportional share of the enterprises' carrying equity value, calculated in accordance with the Parent Company's accounting policies with deduction or addition of unrealised intercompany profits or losses and with addition or deduction of the residual value of positive or negative goodwill calculated according to the acquisition method. Negative goodwill is recognised in the Income Statement when the equity interest is acquired. Where the negative goodwill is related to acquired contingent liabilities, the negative goodwill will be recognised as income when the contingent liabilities have been settled or cease.

Net revaluation of equity interests in subsidiaries and associates is transferred under equity to reserve for net revaluation under the equity value method to the extent that the carrying amount exceeds the acquisition value.

Subsidiaries and associates with a negative carrying equity value are measured to DKK 0 and any amounts due from these enterprises are written down to the extent that it is deemed to be irrecoverable. If the carrying negative equity value exceeds receivables, the residual amount is recognised under provision for liabilities to the extent that the Company has a legal or actual liability to cover the subsidiaries and associates deficit.

Other receivables are measured at amortised cost which usually corresponds to the nominal amount. The amount is written down to meet expected losses.

ACCOUNTING POLICIES

**Impairment of fixed assets**
The carrying amount of intangible fixed and tangible assets together with fixed assets, which are not measured at fair value,, are assessed annually for indications of impairment other than that reflected by amortisation and depreciation.

In the event of impairment indications, an impairment test is made for each asset or group of assets, respectively. If the recoverable amount is lower than the carrying amount, the asset is written down to the recoverable amount.

The recoverable amount is calculated at the higher of the capital value and the sales value less expected costs of a sale. The capital value is determined as the Company's share in the current value of the net cash flows which the subsidiary is expected to generate through its activities and from sale of assets after the end of their useful lives. A discount rate is used which reflects the risk-free market rate and the owners' minimum return on interest requirements for similar assets. The growth rate in the terminal period is determined in accordance with the standards within the industry.

**Inventories**
Inventories are measured at cost using the FIFO-principle. If the net realisable amount is lower than cost, the inventories are written down to the lower amount.

The cost of raw materials and consumables is calculated at acquisition price with addition of transportation and similar costs.

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct payroll cost and other direct and other indirect production costs include indirect materials and payroll and maintenance and depreciation of the machines, factory buildings and equipment used in the production process, the cost of factory administration and management and capitalised development costs relating to the products.

The net realisable value of inventories is stated at the expected sales price less direct completion costs and costs incurred to execute the sale and is determined with due regard to marketability, obsolescence and development in expected sales price of the inventories.

**Receivables**
Receivables are measured at amortised cost which usually corresponds to nominal value. The value is written down to meet expected losses.

**Accruals, assets**
Accruals recognised as assets include costs incurred relating to the subsequent financial year.

**Other provisions for liabilities**
Other provisions for liabilities include the expected cost of warranty commitments, loss on work in progress, restructurings etc. and deferred tax.

Warranty commitments include liabilities for improvement of work within the warranty period of 2 to 5 years. The provision for liabilities is measured and recognised on the basis of experience with warranty work.

When it is likely that the total costs will exceed the total income on the contract work in progress, a provision is made for the total loss that is anticipated on the contract.

## ACCOUNTING POLICIES

**Tax payable and deferred tax**
Current tax liabilities and receivable current tax are recognised in the Balance Sheet as the calculated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and taxes paid on account.

The Company is subject to joint taxation with Danish Group companies. The current corporation tax is distributed among the joint taxable companies in proportion to their taxable income and with full allocation and refund related to tax losses. The joint taxable companies are included in the tax-on-account scheme. Joint taxation contributions receivable and payable are recognised in the Balance Sheet under current assets and liabilities, respectively.

Deferred tax is measured on the temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carryforwards, are measured at the amount at which the asset is expected to be used within a reasonable number of years, either by setoff against tax on future earnings or by setoff 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 under the legislation in force on the Balance Sheet date will be applicable when the deferred tax is expected to crystallise as current tax. Any changes in the deferred tax resulting from changes in tax rates, are recognised in the income statement, except from items recognised directly in equity.

**Liabilities**
Financial liabilities are recognised at the time of borrowing by the amount of proceeds received less transaction costs. In subsequent periods, the financial liabilities are measured at amortised cost equal to the capitalised value when using the effective interest, the difference between the proceeds and the nominal value being recognised in the Income Statement over the loan period.

The amortised cost of current liabilities corresponds usually to the nominal value.

**Foreign currency translation**
Transactions in foreign currencies are translated at the rate of exchange on the transaction date. Exchange differences arising between the rate on the transaction date and the rate on the payment date are recognised in the Income Statement as a financial income or expense.

Receivables, payables and other monetary items in foreign currencies that are not settled on the Balance Sheet date are translated at the exchange rate on the Balance Sheet date. The difference between the exchange rate on the Balance Sheet date and the exchange rate at the date when the receivables or payables come into existence recognised in the Income Statement as financial income or expenses.

Fixed assets acquired in foreign currencies are translated at the rate of exchange on the transaction date.

The Income Statements of foreign subsidiaries and associates fulfilling the concitions for being independent entities are translated at an average exchange rate for the month and the Balance Sheet items are translated at the rate of exchange on the Balance Sheet date. Exchange differences arising from translation of the equity of foreign subsidiaries at the beginning of the year to the rates of the Balance Sheet date and from translation of Income Statements from average rate to the rates of the Balance Sheet date are recognised directly in the equity.

Exchange adjustment of intercompany accounts with foreign subsidiaries that are deemed to be an addition to or deduction from the equity of independent subsidiaries are recognised directly in the equity.

## ACCOUNTING POLICIES

### CASH FLOW STATEMENT

With reference to Section 86(4) of the Danish Financial Statements Act, the Company has not prepared a cash flow statement. A cash flow statement has been prepared for the Group.