

Årsredovisning
för
DRI Europa Aktiebolag

556603-0192

Räkenskapsåret

2021-03-01 – 2022-02-28



Styrelsen för DRI Europa Aktiebolag avger följande årsredovisning för räkenskapsåret 2021-03-01 – 2022-02-28.

Årsredovisningen är upprättad i svenska kronor, SEK. Om inte annat särskilt anges, redovisas alla belopp i tusentals kronor (Tkr). Uppgifter inom parentes avser föregående år.

Förvaltningsberättelse

Information om verksamheten

Koncernens verksamhet består av utveckling, produktion. Marknadsföring, försäljning och service av passagerarinformationssystem som används i kollektivtrafik.

Miljö

Bolaget bedriver inte verksamhet som är anmälningspliktig eller tillståndspliktig enligt miljöbalken.

Företaget har sitt säte i Herrljunga.

Väsentliga händelser under räkenskapsåret

Den tidigare tvisten som bolaget har haft med skatteverket har avslutats med dom som föll ut till bolagets fördel.

Covid-19 har inneburit stora utmaningar för organisationen. Helårspåverkan för räkenskapsåret 21/22 blev ungefär som bedömts. Omsättningen, via dotterbolag, sjönk och vinstmålen nåddes inte. Vi ser en fortsatt påverkan och kriget i Ukraina tillsammans med "lock-down" politiken i Kina kommer också att påverka i negativ riktning. Direkta konsekvenser av ovan nämnda är logistik- och komponentbrist, högre energikostnader och kraftigt ökad inflation. Logistiska problem är till exempel att det är trångt på de flyg som går och det blir svårt att få plats. Komponentbristen inom halvledarindustrin är ett stort problem för all industriell verksamhet globalt. Vi har svårigheter att få tag i komponenter med rimliga leveranstider samt att priserna klättrar uppåt.

Det vi ser i andra ändan på vår verksamhet är en politisk ambition att snabbt få tillbaka resenärerna till kollektivtrafiken och på många håll indikeras ökade investeringar i kollektivtrafiken. Som det ser ut på vissa marknader så passar man på att ställa om till helelektriska fordon när man förnyar sina fordonsflottor. Sammantaget kan man säga att framtiden ser ut att fortsatt vara svårbedömd, men att vi bedömer att under sista halvan av 2023 kommer att innebära en stabiliserad tillgång till de varor och tjänster vi behöver för att klara leveransåtagande mot våra kunder.

Ägarförhållanden

DRI Europa AB med säte i Herrljunga är ett helägt dotterbolag till LTG International Holdings S.a.r.l., reg no B 185.379, med säte i Luxemburg som i sin tur ägs av LTG Acquisition S.a.r.l., från Luxemburg.

DRI Europa AB grundades under räkenskapsåret 2001 och driver framför allt dotterbolag LTG Sweden AB i Herrljunga, Sverige och LTG rail Danmark ApS (med säte i Sønderborg, Danmark)

LTG Sweden AB har tre helägda dotterbolag: Mobitec Australia Pty Ltd som är beläget i Sydney, Australien och Mobitec Brasil Ltda med säte i Caxias do SUL, Brasilien, samt Mobitec GmbH, Rastatt, Tyskland.

DRI Europa AB upprättar ingen koncernredovisning med hänvisning till ÅRL 7:2, se även not 1.

Flerårsöversikt (Tkr)	2021/22	2020/21	2019/20	2018/19	2017/18
Resultat efter finansiella poster	-16 856	-4 917	-83 783	-105 234	-30 546
Balansomslutning	278 285	266 645	285 930	334 348	388 984
Soliditet (%)	3,7	9,7	10,8	Neg	5,1

Förändring av eget kapital

	Aktie- kapital	Balanserat resultat	Årets resultat	Totalt
Belopp vid årets ingång	10 000	20 823	-4 917	25 906
Disposition enligt beslut av årets årsstämma:				
Balanseras i ny räkning		-4 917	4 917	0
Årets resultat			-15 573	-15 573
Belopp vid årets utgång	10 000	15 906	-15 573	10 333

Erhållet villkorat aktieägartillskott ingår i fritt eget kapital med 69 835 535 KR (69 835 535 KR)

Aktiekapitalet består av 100 000 st A-aktier med kvotvärde 100 kr.

Förslag till vinstdisposition

Styrelsen föreslår att till förfogande stående vinstmedel (kronor):

balanserad vinst	15 906 031
årets förlust	-15 572 527
	333 504

disponeras så att i ny räkning överföres	333 504
	333 504

Företagets resultat och ställning i övrigt framgår av efterföljande resultat- och balansräkning med noter.

Resultaträkning

Tkr

	Not	2021-03-01 -2022-02-28	2020-03-01 -2021-02-28
Övriga rörelseintäkter		70	0
Rörelsens kostnader			
Övriga externa kostnader		-511	-608
		-511	-608
Rörelseresultat		-442	-608
Resultat från finansiella poster			
Övriga ränteintäkter och liknande resultatposter	5	19 839	15 049
Räntekostnader och liknande resultatposter	6	-36 253	-19 358
		-16 414	-4 309
Resultat efter finansiella poster		-16 856	-4 917
Bokslutsdispositioner	7	1 283	0
Resultat före skatt		-15 573	-4 917
Årets resultat		-15 573	-4 917

2023020208696



Balansräkning

Tkr

Not

2022-02-28

2021-02-28

TILLGÅNGAR

Anläggningstillgångar

Immateriella anläggningstillgångar

Goodwill

8

0

0

0

0

Finansiella anläggningstillgångar

Andelar i koncernföretag

9, 10

160 193

160 193

160 193

160 193

Summa anläggningstillgångar

160 193

160 193

Omsättningstillgångar

Kortfristiga fordringar

Fordringar hos koncernföretag

117 956

106 329

117 956

106 329

Kassa och bank

Summa omsättningstillgångar

136

123

118 092

106 452

SUMMA TILLGÅNGAR

278 285

266 645

2023020208697



Balansräkning

Tkr

Not

2022-02-28

2021-02-28

EGET KAPITAL OCH SKULDER

Eget kapital

Bundet eget kapital

Aktiekapital

10 000

10 000

10 000

10 000

Fritt eget kapital

Balanserad vinst eller förlust

15 906

20 822

Årets resultat

-15 573

-4 916

333

15 906

Summa eget kapital

10 333

25 906

Långfristiga skulder

11

Skulder till koncernföretag

267 673

240 739

Summa långfristiga skulder

267 673

240 739

Kortfristiga skulder

Upplupna kostnader och förutbetalda intäkter

279

0

Summa kortfristiga skulder

279

0

SUMMA EGET KAPITAL OCH SKULDER

278 285

266 645



Noter

Tkr

Not 1 Redovisnings- och värderingsprinciper

Allmänna upplysningar

Årsredovisningen är upprättad i enlighet med årsredovisningslagen och BFNAR 2012:1 Årsredovisning och koncernredovisning (K3).

Fordringar och skulder i utländsk valuta har värderats till balansdagens kurs. Kursvinster och kursförluster på rörelsefordringar och rörelseskulder redovisas i rörelseresultatet medan kursvinster och kursförluster på finansiella fordringar och skulder redovisas som finansiella poster.

Redovisningsprinciperna är oförändrade jämfört med föregående år.

Redovisningsprinciper för enskilda balansposter

Anläggningstillgångar

Immateriella och materiella anläggningstillgångar redovisas till anskaffningsvärde minskat med ackumulerade avskrivningar enligt plan och eventuella nedskrivningar.

När det finns en indikation på att en tillgångsvärde minskat, görs en prövning av nedskrivningsbehov. Har tillgången ett återvinningsvärde som är lägre än det redovisade värdet, skrivs den ner till återvinningsvärdet. Vid bedömning av nedskrivningsbehov grupperas tillgångarna på de lägsta nivåer där det finns separata identifierbara kassaflöden (Kassagenererande enheter). För tillgångar, andra än goodwill som tidigare skrivits ner görs per varje balansdag en prövning av om återföring bör göras.

Avskrivning sker linjärt över den förväntade nyttjandeperioden med hänsyn till väsentligt restvärde. Följande avskrivningsprocent tillämpas:

Immateriella anläggningstillgångar

Goodwill	20 %
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Avskrivningsperiod för goodwill är beräknad utifrån den period som posten bedöms generera ekonomiska fördelar.

Finansiella instrument

Finansiella instrument värderas utifrån anskaffningsvärdet. Instrumentet redovisas i balansräkningen när bolaget blir part i instrumentets avtalsmässiga villkor. Finansiella tillgångar tas bort från balansräkningen när rätten att erhålla kassaflöden från instrumentet har löpt ut eller överförts och bolaget har överfört i stort sett alla risker och förmåner som är förknippade med äganderätten. Finansiella skulder tas bort från balansräkningen när förpliktelse har reglerats eller på annat sätt upphört.

Andelar i dotterföretag

Andelar i dotterföretag redovisas till anskaffningsvärde efter avdrag för eventuella nedskrivningar. I anskaffningsvärdet ingår köpeskillingen som erlagts för aktierna samt förvärvskostnader. Eventuella kapitaltillskott läggs till anskaffningsvärdet när de uppkommer.

Utdelning från dotterföretag redovisas som intäkt.

Kundfordringar/kortfristiga fordringar

Kundfordringar och kortfristiga fordringar redovisas som omsättningstillgångar till det belopp som förväntas bli inbetalt efter avdrag för individuellt bedömda osäkra fordringar.

Låneskulder och leverantörsskulder

Låneskulder och leverantörsskulder redovisas initialt till anskaffningsvärde efter avdrag för transaktionskostnader. Skiljer sig det redovisade beloppet från det belopp som ska återbetalas vid förfallotidpunkten periodiseras mellanskillnaden som räntekostnad över lånets löptid med hjälp av instrumentets effektivränta. Härigenom överensstämmer vid förfallotidpunkten det redovisade beloppet och det belopp som ska återbetalas.

Nedskrivningsprövning av finansiella anläggningstillgångar

Vid varje balansdag bedöms om det finns indikationer på nedskrivningsbehov av någon av de finansiella anläggningstillgångarna. Nedskrivning sker om värdenedgången bedöms vara bestående och provas individuellt.

Inkomstskatter

Total skatt utgörs av aktuell skatt och uppskjuten skatt. Skatter redovisas i resultaträkningen, utom då underliggande transaktion redovisas direkt mot eget kapital varvid tillhörande skatteeffekter redovisas i eget kapital.

Aktuell skatt

Aktuell skatt avser inkomstskatt för innevarande räkenskapsår samt den del av tidigare räkenskapsårs inkomstskatt som ännu inte redovisats. Aktuell skatt beräknas utifrån den skattesats som gäller per balansdagen.

Uppskjuten skatt

Uppskjuten skatt är inkomstskatt som avser framtida räkenskapsår till följd av tidigare händelser. Redovisning sker enligt balansräkningsmetoden. Enligt denna metod redovisas uppskjutna skatteskulder och uppskjutna skattefordringar på temporära skillnader som uppstår mellan bokförda respektive skattemässiga värden för tillgångar och skulder samt för övriga skattemässiga avdrag eller underskott.

Uppskjutna skattefordringar nettoredovisas mot uppskjutna skatteskulder endast om de kan betalas med ett nettobelopp. Uppskjuten skatt beräknas utifrån gällande skattesats på balansdagen. Effekter av förändringar i gällande skattesatser resultatförs i den period förändringen lagstads. Uppskjuten skattefordran redovisas som finansiell anläggningstillgång och uppskjuten skatteskuld som avsättning.

Uppskjuten skattefordran avseende underskottsavdrag eller andra framtida skattemässiga avdrag redovisas i den omfattning det är sannolikt att avdragen kan avräknas mot framtida skattemässiga överskott.

På grund av sambandet mellan redovisning och beskattning särredovisas inte den uppskjutna skatteskulden som är hänförlig till obeskattade reserver.

Koncernbidrag

Erhållna och lämnade koncernbidrag redovisas som bokslutsdispositioner.

Koncernförhållanden

Företaget är moderföretag men med hänvisning till undantagsreglerna i årsredovisningslagen 7 kap 2§ upprättas ingen egen koncernredovisning. Det överordnade moderföretaget Luminator Technology Group, LLC, reg no 46-5197532, med säte i Plano, Texas upprättar koncernredovisning.

Nyckeltalsdefinitioner

Resultat efter finansiella poster

Resultat efter finansiella intäkter och kostnader men före bokslutsdispositioner och skatter.

Balansomslutning

Företagets samlade tillgångar.

Soliditet (%)

Justerat eget kapital (eget kapital och obeskattade reserver med avdrag för uppskjuten skatt) i procent av balansomslutning.

Not 2 Eventualförpliktelser

DRI Europa AB svarar solidariskt för moderbolaget, LTG International Holdings S.a.r.l. och dess dotterföretags skulder till kreditinstitut.

Not 3 Ställda säkerheter

	2022-02-28	2021-02-28
För koncernföretags skulder till kreditinstitut:		
Pant i dotterföretagsaktier	160 193	160 193
	160 193	160 193

Not 4 Väsentliga händelser efter räkenskapsårets slut

Inga väsentliga händelser har skett efter räkenskapsårets utgång.

Not 5 Övriga ränteintäkter och liknande resultatposter

	2021-03-01 -2022-02-28	2020-03-01 -2021-02-28
Ränteintäkter från koncernföretag	6 607	6 834
Kursdifferenser	13 232	8 215
	19 839	15 049

Not 6 Räntekostnader och liknande resultatposter

	2021-03-01 -2022-02-28	2020-03-01 -2021-02-28
Räntekostnader till koncernföretag	-18 712	-19 358
Kursdifferenser	-17 541	0
	-36 253	-19 358

Not 7 Bokslutsdispositioner

	2021-03-01 -2022-02-28	2020-03-01 -2021-02-28
Erhållna koncernbidrag	1 283	0
	1 283	0

Not 8 Goodwill

	2022-02-28	2021-02-28
Ingående anskaffningsvärden	339 039	339 039
Utgående ackumulerade anskaffningsvärden	339 039	339 039
Ingående avskrivningar	-339 039	-339 039
Årets avskrivningar	0	0
Utgående ackumulerade avskrivningar	-339 039	-339 039
Utgående redovisat värde	0	0

Not 9 Andelar i koncernföretag

	2022-02-28	2021-02-28
Ingående anskaffningsvärden	541 991	541 991
Utgående ackumulerade anskaffningsvärden	541 991	541 991
Ingående nedskrivningar	-381 798	-381 798
Utgående ackumulerade nedskrivningar	-381 798	-381 798
Utgående redovisat värde	160 193	160 193

Not 10 Specifikation andelar i koncernföretag

Namn	Kapital- andel	Rösträtts- andel	Antal andelar	Bokfört värde	Marknads- värde
LTG Sweden AB	100,0	100,0	100 000	91 730	91 730
LTG Rail Denmark ApS	100,0	100,0	500 001	68 463	68 463
				160 193	160 193

Koncernen

	Kapitalandel %	Säte
LTG Rail Denmark ApS(org nr 10658284)	100	Sønderborg, Danmark
LTG Sweden AB (Org nr 55646-6793)	100	Herrljunga
Mobitec Australia Pty limited	100	Sydney, Australia
Mobitec Brasi Ltda	100	Caxias do Sul, Brasilien
Mobitec Ulm GmbH	100	Rastatt, Tyskland
LTG Ulm GmbH	100	Rastatt, Tyskland
LTG Informationssysteme holding GmbH	100	Rastatt, Tyskland
LTG Rastatt GmbH	100	Rastatt, Tyskland

Not 11 Långfristiga skulder

	2022-02-28	2021-02-28
Förfaller senare än fem år efter balansdagen		
Skulder till koncernföretag	267 673	217 696
	267 673	217 696

2023020208703



Herrljunga

Kirk Goins
Ordförande

Roald Gréboval

Peter Johansson

Vår revisionsberättelse har lämnats den dag som framgår av min elektroniska signatur. Vi har i denna varken till- eller avstyrkt att resultaträkningen och balansräkningen fastställs.

RSM Stockholm AB

Per-Johan Elert
Auktoriserad revisor

Verification


Transaction 09222115557486265171

Document

2023020208706

Financial Statement DRI Europa Aktiebolag 210301-220228
Main document
12 pages
Initiated on 2023-01-31 16:04:53 CET (+0100) by Per-Johan Elert (PE)
Finalised on 2023-01-31 18:45:42 CET (+0100)

Signing parties

<p>Per-Johan Elert (PE) RSM Stockholm AB <i>per-johan.elert@rsm.se</i></p>  <p><i>The name returned by Swedish BankID was "PER-JOHAN ELERT"</i> <i>Signed 2023-01-31 18:45:42 CET (+0100)</i></p>	<p>Peter Johansson (PJ) <i>peter.johansson@luminator.com</i></p>  <p><i>The name returned by Swedish BankID was "Lars Peter Johansson"</i> <i>Signed 2023-01-31 16:16:32 CET (+0100)</i></p>
<p>Roald Gréboval (RG) <i>roald.greboval@luminator.com</i> <i>+491744846148</i> <i>Signed 2023-01-31 18:25:37 CET (+0100)</i></p>	<p>Kirk Goins (KG) <i>kirk.goins@luminator.com</i> <i>+12142158644</i> <i>Signed 2023-01-31 16:45:43 CET (+0100)</i></p>

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Undertecknad styrelseledamot i DRI Europa AB (556603-0192) intygar att resultaträkningen och balansräkningen i årsredovisningen har fastställts på årsstämman den 31e januari 2023. Årsstämman beslutade att godkänna styrelsens förslag till hur förlusten ska disponeras.

Jag intygar också att innehållet i årsredovisningen och revisionsberättelsen stämmer överens med originalen.

Herrljunga 2023-01-31

A handwritten signature in black ink, appearing to read 'Peter Johansson', with a long horizontal stroke extending to the right.

Peter Johansson

DRI Europa AB

REVISIONSBERÄTTELSE

Till bolagsstämman i DRI Europa Aktiebolag, org.nr. 556603-0192

Rapport om årsredovisningen

Inga uttalanden görs

Vi har haft i uppdrag att utföra en revision av årsredovisningen för DRI Europa Aktiebolag för räkenskapsåret 2021-03-01-2022-02-28.

Som en följd av de förhållanden som beskrivs i avsnittet *Grund för uttalanden* kan vi inte uttala oss om huruvida årsredovisningen har upprättats i enlighet med årsredovisningslagen eller om den ger en i alla väsentliga avseenden rättvisande bild av DRI Europa Aktiebolags finansiella ställning per den 28 februari 2022 och av dess finansiella resultat för året enligt årsredovisningslagen. Vi kan inte heller uttala oss om förvaltningsberättelsen är förenlig med årsredovisningens övriga delar.

Som en följd av uttalandet ovan kan vi varken till- eller avstyrka att bolagsstämman fastställer resultaträkningen och balansräkningen

Grund för uttalanden

I balansräkningen redovisas fordringar mot ett tyskt koncernföretag till ett värde av 118 Mkr. Koncernföretagets återbetalningsförmåga har varit svårbedömd och vi har sammantaget inte fått ta del av tillräckliga och ändamålsenliga revisionsbevis för att kunna ta ställning värderingen av denna fordran.

I balansräkningen redovisas andelar i dotterföretag till ett värde av 160 Mkr. Av detta värde avser 68 Mkr andelar i dotterföretaget LTG Rails Denmark ApS. Vi har inte fått ta del av tillräckliga och ändamålsenliga revisionsbevis för att kunna ta ställning till värdet av andelarna i dotterföretaget LTG Rail Denmark Aps.

Ovan beskrivna osäkerheter är sammantaget av väsentlig och avgörande betydelse för bedömningen av bolagets resultat och ställning.

Styrelsens ansvar

Det är styrelsen som har ansvaret för att årsredovisningen upprättas och att den ger en rättvisande bild enligt årsredovisningslagen. Styrelsen ansvarar även för den interna kontroll som de bedömer är nödvändig för att upprätta en årsredovisning som inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag.

Vid upprättandet av årsredovisningen ansvarar styrelsen för bedömningen av bolagets förmåga att fortsätta verksamheten. De upplyser, när så är tillämpligt, om förhållanden som kan påverka förmågan att fortsätta verksamheten och att använda antagandet om fortsatt drift. Antagandet om fortsatt drift tillämpas dock inte om styrelsen avser att likvidera bolaget, upphöra med verksamheten eller inte har något realistiskt alternativ till att göra något av detta

Revisorns ansvar

Våra mål är att uppnå en rimlig grad av säkerhet om huruvida årsredovisningen som helhet inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag, och att lämna en revisionsberättelse som innehåller våra uttalanden. Rimlig säkerhet är en hög grad av säkerhet, men är ingen garanti för att en revision som utförs enligt ISA och god revisionssed i Sverige alltid kommer att upptäcka en väsentlig felaktighet om en sådan finns. Felaktigheter kan uppstå på grund av oegentligheter eller misstag och anses vara väsentliga om de enskilt eller tillsammans rimligen kan förväntas påverka de ekonomiska beslut som användare fattar med grund i årsredovisningen.

En ytterligare beskrivning av vårt ansvar för revisionen av årsredovisningen finns på Revisorsinspektionens webbplats: www.revisorsinspektionen.se/revisornsansvar. Denna beskrivning är en del av revisionsberättelsen.

På grund av förhållanden som beskrivs i avsnittet *Grund för uttalanden* kunde vi inte inhämta tillräckliga och ändamålsenliga revisionsbevis som grund för våra uttalanden avseende denna årsredovisning.

Rapport om andra krav enligt lagar och andra författningar

Inget uttalande görs respektive uttalande

Utöver det uppdrag vi haft att utföra en revision av årsredovisningen har vi även utfört en revision av styrelsens förvaltning för DRI Europa Aktiebolag för räkenskapsåret 2021-03-01-2022-02-28 samt haft i uppdrag att utföra en revision av förslaget till dispositioner beträffande bolagets vinst eller förlust.

Som en följd av det förhållande som beskrivs i avsnittet *Grund för uttalanden* kan vi varken till- eller avstyrka att bolagsstämman disponerar vinsten enligt förslaget i förvaltningsberättelsen.

Vi tillstyrker att bolagsstämman beviljar styrelsens ledamöter ansvarsfrihet för räkenskapsåret.

Grund för uttalanden

Vi har utfört en revision av styrelsens förvaltning enligt god revisionssed i Sverige. Vårt ansvar enligt denna beskrivs närmare i avsnittet *Revisorns ansvar*. Vi är oberoende i förhållande till DRI Europa Aktiebolag enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för vårt uttalande.

Styrelsens ansvar

Det är styrelsen som har ansvaret för förslaget till dispositioner beträffande bolagets vinst eller förlust. Vid förslag till utdelning innefattar detta bland annat en bedömning av om utdelningen är försvarlig med hänsyn till de krav som bolagets verksamhetsart, omfattning och risker ställer på storleken av bolagets egna kapital, konsolideringsbehov, likviditet och ställning i övrigt.

Styrelsen ansvarar för bolagets organisation och förvaltningen av bolagets angelägenheter. Detta innefattar bland annat att fortlöpande bedöma bolagets ekonomiska situation och att tillse att bolagets organisation är utformad så att bokföringen, medelsförvaltningen och bolagets ekonomiska angelägenheter i övrigt kontrolleras på ett betryggande sätt.

Revisorns ansvar

Vårt mål beträffande revisionen av förvaltningen, och därmed vårt uttalande om ansvarsfrihet, är att inhämta revisionsbevis för att med en rimlig grad av säkerhet kunna bedöma om någon styrelseledamot i något väsentligt avseende:

- företagit någon åtgärd eller gjort sig skyldig till någon försummelse som kan föranleda ersättningsskyldighet mot bolaget, eller
- på något annat sätt handlat i strid med aktiebolagslagen, årsredovisningslagen eller bolagsordningen.

Vårt mål beträffande revisionen av förslaget till dispositioner av bolagets vinst eller förlust, och därmed vårt uttalande om detta, är att med rimlig grad av säkerhet bedöma om förslaget är förenligt med aktiebolagslagen.

Rimlig säkerhet är en hög grad av säkerhet, men ingen garanti för att en revision som utförs enligt god revisionssed i Sverige alltid kommer att upptäcka åtgärder eller försummelser som kan föranleda ersättningsskyldighet mot bolaget, eller att ett förslag till dispositioner av bolagets vinst eller förlust inte är förenligt med aktiebolagslagen.

En ytterligare beskrivning av vårt ansvar för revisionen av förvaltningen finns på Revisorsinspektionens webbplats: www.revisorsinspektionen.se/revisornsansvar. Denna beskrivning är en del av revisionsberättelsen.

Anmärkning

Årsredovisningen har inte upprättats i sådan tid att det varit möjligt att, enligt 7 kap. 10 § aktiebolagslagen, hålla bolagsstämman inom sex månader efter räkenskapsårets utgång.

Stockholm den dag som framgår av den elektroniska signeringen

RSM Stockholm AB

Per-Johan Elert
Auktoriserad revisor

Verifikat

Transaktion 09222115557486266003

Dokument

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Revisionsberättelse 2022 DRI Europa AB

Huvuddokument

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Startades 2023-01-31 16:05:53 CET (+0100) av Per-Johan Elert (PE)

Färdigställt 2023-01-31 18:46:48 CET (+0100)

Signerande parter

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Namnet som returnerades från svenskt BankID var "PER-JOHAN ELERT"

Signerade 2023-01-31 18:46:48 CET (+0100)

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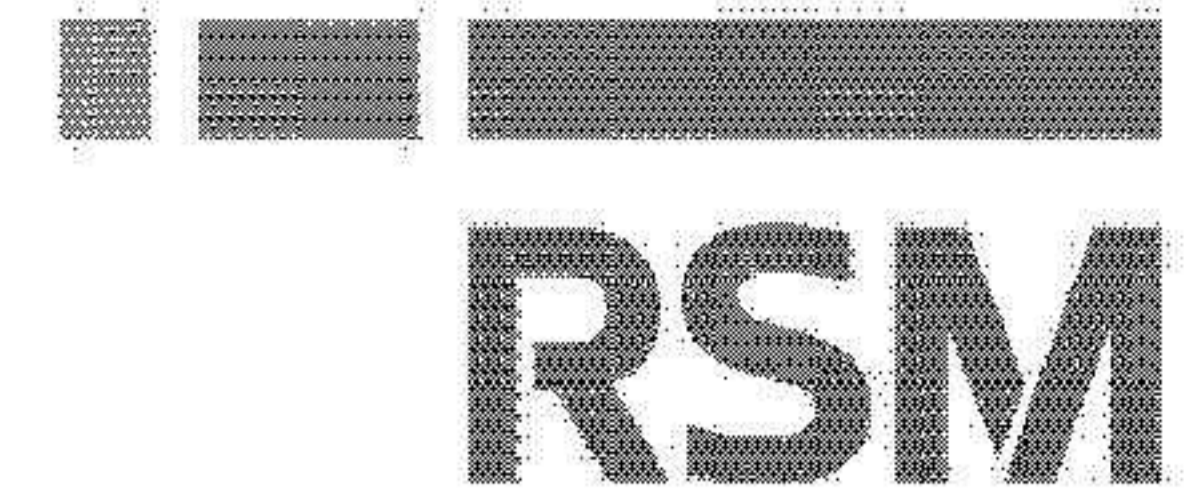


Luminator Technology Group, LLC and Subsidiaries

Consolidated Financial Report
February 28, 2022

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Independent Auditor's Report

RSM US LLP

Board of Directors
Luminator Technology Group, LLC

Opinion

We have audited the consolidated financial statements of Luminator Technology Group, LLC and its subsidiaries (the Company), which comprise the consolidated balance sheets as of February 28, 2022 and 2021, the related consolidated statements of income and comprehensive loss, (deficit), and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of February 28, 2022 and 2021, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

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 absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. 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. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- 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. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

RSM US LLP

Dallas, Texas
August 31, 2022

Luminator Technology Group, LLC and Subsidiaries

**Consolidated Balance Sheets
February 28, 2022 and 2021**

ASSETS	2022	2021
Current assets:		
Cash and cash equivalents	\$ 6,777,569	\$ 7,129,722
Restricted cash	566,692	643,247
Accounts receivable, net of allowance of \$1,535,480 and \$1,671,011 in 2022 and 2021, respectively	30,523,794	40,684,218
Inventories, net	70,737,807	65,324,954
Asset held for sale	-	362,415
Prepaid expenses and other assets	13,267,086	12,950,852
Total current assets	121,872,948	127,095,408
Property, plant, and equipment, net	10,544,238	12,512,391
Intangible assets, net	38,366,513	55,269,207
Goodwill, net	94,222,923	109,176,536
Deferred income taxes	260,923	-
Other assets	15,305,217	13,984,335
Total assets	\$ 280,572,762	\$ 318,037,877
LIABILITIES AND TOTAL DEFICIT		
Current liabilities:		
Accounts payable	\$ 25,188,639	\$ 22,777,601
Accrued expenses	26,565,397	27,918,875
Current portion of long-term debt	-	316,017,424
Total current liabilities	51,754,036	366,713,900
Long-term debt, less current portion and deferred financing costs	407,230,323	75,279,888
Deferred income taxes	-	4,098,013
Other long-term liabilities	11,080,664	8,621,557
Total liabilities	470,065,023	454,713,358
Commitments and contingencies		
Total deficit	(189,492,261)	(136,675,481)
Total deficit	(189,492,261)	(136,675,481)
Total liabilities and total deficit	\$ 280,572,762	\$ 318,037,877

See notes to consolidated financial statements.

Luminator Technology Group, LLC and Subsidiaries

**Consolidated Statements of Income and Comprehensive Loss
For the Years Ended February 28, 2022 and 2021**

	2022	2021
Net sales	\$ 207,198,402	\$ 222,295,407
Cost of sales	<u>167,033,154</u>	<u>184,048,623</u>
Gross profit	40,165,248	38,246,784
Operating expenses:		
Selling, general and administrative expenses	70,938,809	77,440,894
Impairments	<u>435,078</u>	<u>210,827</u>
Operating loss	(31,208,639)	(39,404,937)
Other expenses:		
Interest expense	<u>29,270,243</u>	<u>35,437,874</u>
Loss before benefit from income taxes	(60,478,882)	(74,842,811)
Benefit from income taxes	<u>(4,952,986)</u>	<u>(4,316,466)</u>
Net loss	\$ (55,525,896)	\$ (70,526,345)
Comprehensive income (loss):		
Net loss	\$ (55,525,896)	\$ (70,526,345)
Other comprehensive income (loss) - foreign currency translation	2,277,800	(2,503,065)
Other comprehensive income - defined benefit plan, net of tax	<u>250,778</u>	<u>1,464,245</u>
Comprehensive loss	\$ (52,997,318)	\$ (71,565,165)

See notes to consolidated financial statements.

Luminator Technology Group, LLC and Subsidiaries

**Consolidated Statements of (Deficit)
For the Years Ended February 28, 2022 and 2021**

	Total Member's (Deficit)	Accumulated Other Comprehensive (Loss)	Total (Deficit)
Balance, February 29, 2020	\$ (67,803,781)	\$ (9,139,446)	\$ (76,943,227)
Equity-based compensation	183,627	-	183,627
Gain on extinguishment of debt	9,582,213	-	9,582,213
Contributions	2,067,071	-	2,067,071
Other comprehensive loss—foreign currency translation adjustments	-	(2,503,065)	(2,503,065)
Other comprehensive income—defined benefit plan adjustments, net of tax	-	1,464,245	1,464,245
Net loss	<u>(70,526,345)</u>	<u>-</u>	<u>(70,526,345)</u>
Balance, February 28, 2021	(126,497,215)	(10,178,266)	(136,675,481)
Equity-based compensation	134,418	-	134,418
Contributions	152,432	-	152,432
Distributions	(106,312)	-	(106,312)
Other comprehensive income—foreign currency translation adjustments	-	2,277,800	2,277,800
Other comprehensive income—defined benefit plan adjustments, net of tax	-	250,778	250,778
Net loss	<u>(55,525,896)</u>	<u>-</u>	<u>(55,525,896)</u>
Balance, February 28, 2022	<u>\$ (181,842,573)</u>	<u>\$ (7,649,688)</u>	<u>\$ (189,492,261)</u>

See notes to consolidated financial statements.

Luminator Technology Group, LLC and Subsidiaries

**Consolidated Statements of Cash Flows
For the Years Ended February 28, 2022 and 2021**

	2022	2021
Cash flows from operating activities:		
Net loss	\$ (55,525,896)	\$ (70,526,345)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	33,091,640	37,789,396
Impairment expense	435,078	210,827
Deferred engineering costs	1,995,088	3,628,189
Bad debt expense	9,481	176,129
Deferred income taxes	(3,795,778)	(5,602,837)
Amortization of deferred financing costs	2,196,927	3,039,408
Equity-based compensation	134,418	183,627
Non-cash paid-in-kind interest on long-term debt	9,237,993	9,551,876
Change in fair value of contingent consideration	-	(61,226)
Changes in assets and liabilities:		
Accounts receivable	8,980,268	10,794,721
Inventories	(7,692,144)	5,849,553
Prepaid expenses and other assets	(6,860,018)	1,314,149
Accounts payable	4,338,812	(1,263,882)
Accrued expenses	8,129,321	5,261,666
Net cash provided by (used in) operating activities	(5,324,810)	345,251
Cash flows from investing activities:		
Purchases of leasehold improvements and equipment	(1,445,332)	(4,029,374)
Deferred engineering costs, net of reimbursement	(2,971,889)	2,434,394
Capitalized software development costs	(340,220)	(642,162)
Net cash used in investing activities	(4,757,441)	(2,237,142)
Cash flows from financing activities:		
Proceeds from long-term debt	13,052,976	35,967,701
Principal payments on capital lease obligations	-	(476,401)
Principal payments on long-term debt	(1,158,537)	(29,112,000)
Deferred financing costs	-	(2,396,868)
Contributions	152,432	2,067,071
Distributions	(106,312)	-
Net cash provided by financing activities	11,940,559	6,049,503
Net increase in cash	1,858,308	4,157,612
Effect of exchange rate	(2,287,016)	(4,215,040)
Cash, cash equivalents, and restricted cash beginning of period	7,772,969	7,830,397
Cash, cash equivalents, and restricted cash end of period	\$ 7,344,261	\$ 7,772,969

(Continued)

Luminator Technology Group, LLC and Subsidiaries

**Consolidated Statements of Cash Flows
For the Years Ended February 28, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
Supplemental disclosure of cash flow information:		
Cash payments for interest	<u>\$ 13,735,834</u>	<u>\$ 23,139,208</u>
Cash payments for taxes, net of refunds	<u>\$ (1,082,704)</u>	<u>\$ 401,135</u>
Supplemental disclosure of non-cash investing and financing activity:		
Gain on extinguishment of debt (see Note 5)	<u>\$ -</u>	<u>\$ 9,582,213</u>

See notes to consolidated financial statements.

Luminator Technology Group, LLC and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Nature of Business and Summary of Significant Accounting Policies

The consolidated financial statements include the accounts of Luminator Technology Group, LLC and its subsidiaries (collectively, the "Company"). LTG Acquisition Holdings, LLC (the "Parent") is the sole member of Luminator Technology Group, LLC.

The Company is a global supplier of advanced information systems and LED displays and lighting products for a wide range of applications in metropolitan and commercial transportation systems, including systems for the rail, bus and aerospace industries. The Company serves municipal transportation systems throughout the world. The Company has operations through wholly-owned subsidiaries in the United States of America, Canada, Germany, Denmark, Switzerland, Sweden, Australia, Brazil, and Poland.

The following summary explains the Company's significant accounting policies which have been consistently applied:

Basis of consolidation: The consolidated financial statements reflect the accounts of the Company and include comparative financial results for the years ended February 28, 2022 and 2021. All material intercompany accounts and transactions have been eliminated.

Use of estimates: The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates.

Cash and cash equivalents: Cash and cash equivalents include cash on hand; cash in banks and highly liquid short-term investments with original maturities of three months or less. At various times during the year, the Company maintains cash balances at financial institutions in excess of federally insured limits.

Restricted cash: Restricted cash collateralizes various warranty guarantees and includes additional short-term investments with original maturities of four to twelve months.

Accounts receivable: Accounts receivable are recognized at the original invoice amount. The Company does not normally require collateral or other security from its customers. The Company has evaluated accounts receivable for doubtful accounts based on historical experience and management's review of the aging. Write-offs of uncollected accounts receivable are performed after the Company has exhausted normal collection avenues and has determined the balances are at risk of collection. Recoveries of accounts receivable previously written off are recorded when received. Interest is not normally charged on customer past due accounts.

Inventories: Inventories are stated at the lower of cost (which approximates first-in, first-out) or net realizable value. Provisions for excess and obsolete inventory are established to ensure that inventories are carried at amounts less than or equal to their net realizable value.

Property, plant and equipment: Property, plant, and equipment is stated at cost, less accumulated depreciation or amortization.

Luminator Technology Group, LLC and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	20 years
Automobiles	3 – 8 years
Tools and dies	5 – 10 years
Furniture and fixtures	5 – 14 years
Computer equipment and software	3 – 6 years
Machinery and equipment	5 – 10 years

Leasehold improvements are amortized over the lesser of the related lease term or the economic life of the asset. Maintenance and repairs that do not improve efficiency or extend economic life are expensed as incurred.

Software development costs: After establishing technological feasibility, and until such time as the software products are available for general release to customers, the Company capitalizes costs incurred to develop the software products to be sold, leased or otherwise marketed. Costs incurred to establish technological feasibility are charged to expense as incurred. Enhancements to software products are capitalized where such enhancements extend the life or significantly expand the marketability of the products. The capitalized costs are classified as other assets in the consolidated balance sheets. The capitalized costs are amortized separately for each software product. Annual amortization expense is calculated based on the greater of the ratio of current gross revenues for each product to the total of current and anticipated future gross revenues for the product or the straight-line amortization method over the estimated useful life of the product.

Unamortized capitalized software costs are periodically evaluated for impairment on a product-by-product basis by comparing the unamortized balance to the product's net realizable value. The net realizable value is the estimated future gross revenues from that product reduced by the related estimated future costs. When the unamortized balance exceeds the net realizable value, the unamortized balance is written down to the net realizable value and an impairment charge is recorded. For the years ended February 28, 2022 and 2021, there was no impairment recorded.

Intangible assets: The Company has determined that intangible assets, other than indefinite-lived trademarks, are considered to have finite lives. Finite lived intangible assets, except for customer relationships are amortized on a straight-line basis over their useful lives. Customer relationships are amortized on an accelerated basis over the expected period in which those relationships are expected to contribute to the Company's future cash flows.

Indefinite-lived trademarks are not amortized but are tested for impairment annually or more frequently if events or certain circumstances indicate a possible impairment may exist. The Company's annual impairment testing date is February 28 of each year for indefinite-lived trademarks.

The impairment test for indefinite-lived trademarks consists of a comparison of the fair value of the intangible asset with its carrying value. If the carrying value of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to the excess. The estimates of fair value of trademarks are determined using the relief from royalty valuation methodology. For the years ended February 28, 2022 and 2021, the Company recognized an impairment loss of \$435,000 and \$211,000, respectively. The impairment was primarily driven by reduced forecasted revenue, which is driven by management's views about the revenue projections in the near term.

Luminator Technology Group, LLC and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Goodwill: The Company amortizes goodwill on a straight-line basis over the estimated useful life, 10 years. The impairment test of goodwill is performed at the entity level when a triggering event occurs. The Company compares the fair value of the entity with its' carrying amount. If the carrying value of the entity exceeds its fair value, impairment is recorded for the difference between the carrying value and fair value. For the years ended February 28, 2022 and 2021, there was no impairment loss recorded.

Long-lived assets: Long-lived assets, including finite-lived intangible assets, are evaluated for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Impairment is considered to exist if the total estimated future cash flows on an undiscounted basis are less than the carrying amount of the asset group. If impairment exists, the impairment loss is measured and recorded based on discounted estimated future cash flows. In estimating future cash flows, assets are grouped at the lowest levels for which there are identifiable cash flows that are largely independent of cash flows from other asset groups. The Company's estimate of future cash flows is based upon, among other things, certain assumptions about expected future operating performance, growth rates and other factors. The actual cash flows realized from these assets may vary significantly from the Company's estimates. Assumptions underlying future cash flow estimates are therefore subject to significant risks and uncertainties. For the years ended February 28, 2022 and 2021, there was no impairment loss recorded.

Deferred financing costs: Deferred financing costs are classified as a reduction of long-term debt and are comprised of the direct costs associated with obtaining financing. During the year ended February 28, 2022, the Company did not incur financing costs. During the year ended February 28, 2021, the Company incurred approximately \$2,397,000 of financing costs related to the debt recapitalization to extend the revolving and senior debt maturities, decrease cash interest, and increase liquidity in the business, (see Note 5), all of which was deferred.

Deferred financing costs are amortized as interest expense over the life of the associated debt using the effective interest method. Amortization of deferred financing costs for the year ended February 28, 2022, totaled approximately \$2,197,000. Amortization of deferred financing costs for the year ended February 28, 2021, totaled approximately \$3,039,000.

Warranty costs: The Company typically warrants its products for periods ranging from one to ten years. The Company estimates its warranty costs based on claim experience and charges warranty claims against reserves. The warranty reserve is reviewed periodically to verify that it properly reflects remaining obligations and any adjustments to the reserve are reflected in cost of sales on the consolidated statements of income. For the year ended February 28, 2021, the Company recorded an adjustment of approximately \$3,872,000, which is related to a specific warranty claim.

Luminator Technology Group, LLC and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Activity in accrued warranty for the years ended February 28, 2022 and 2021, is as follows:

Warranty	
Balance, February 29, 2020	\$ 4,518,281
Claims paid	(2,517,011)
Adjustments	7,092,705
	<hr/>
Balance, February 28, 2021	\$ 9,093,975
Claims paid	(2,663,021)
Adjustments	1,895,587
	<hr/>
Balance, February 28, 2022	<u><u>\$ 8,326,541</u></u>

Income taxes: Luminator Technology Group, LLC has elected to be taxed as a partnership for federal income tax purposes. The subsidiary owned by Luminator Technology Group, LLC in the United States is a C Corporation. The foreign subsidiaries are taxed in the same manner a C Corporation would be taxed in the United States.

Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences, operating losses and tax credit carry forwards. Deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Accounting guidance for income taxes requires determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods. The Company recognizes any interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses.

Equity-based compensation: Accounting guidance for equity-based compensation requires that all equity-based payments to employees be valued at fair value on the grant date and expensed over the applicable vesting period. The Company recognizes expense as compensation expense in the consolidated statements of income.

Luminator Technology Group, LLC and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Revenue recognition: The Company recognizes revenue in accordance with ASC Topic 606, *Revenue from Contracts with Customers*, which provides a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

The Company is a global supplier of advanced information systems and LED displays and lighting products for a wide range of applications in metropolitan and commercial transportation systems, including systems for the rail, bus and aerospace industries.

Identify the customer contracts

The Company accounts for a customer contract under ASC 606 when the contract is legally enforceable. A contract is legally enforceable when all of the following criteria are met: (1) the contract has been approved by the Company and the customer and both parties are committed to perform their respective obligations, (2) the Company can identify each party's rights regarding goods or services transferred, (3) the Company can identify payment terms for goods or services transferred, (4) the contract has commercial substance, and (5) collectability of all the consideration to which the Company is entitled in exchange for the goods or services transferred is probable.

Identify the performance obligations

Performance obligations are determined to be considered distinct if they are both capable of being distinct and distinct within the context of the contract. In determining whether performance obligations meet the criteria for being distinct, the Company considers a number of factors, such as the degree of interrelation and interdependence between obligations, and whether or not the good or service significantly modifies or transforms another good or service in the contract.

The following are the primary performance obligations identified by the Company:

Equipment and Parts. The Company principally generates revenue from the sale of equipment and parts to customers and recognizes revenue at a point in time when control transfers to the customer. Transfer of control is generally determined based on the shipping terms of the contract. Certain contracts include provisions to design, deliver and build highly engineered or customized equipment which have no alternative use for the Company in the event the customer cancels the contract. For these contracts, the Company has the right to payment for performance completed to date. As a result, revenues related to these contracts are recognized over time with progress towards completion measured using an input method as the basis to recognize revenue. To-date efforts for work performed corresponds with and faithfully depicts transfer of control to the customer.

Warranty, Services, and Maintenance. The Company provides limited assurance-type warranties for standard and customized products under its contracts. The warranty period is typically for a limited duration (3 years) following transfer of control of the equipment and parts in line with industry standard warranties. As such, the Company's standard warranties are not within the scope of ASC 606 and will continue to be accounted for under ASC 460-10, Guarantees. The Company accrues for expected warranty claims.

Luminator Technology Group, LLC and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

The Company may also offer extended warranty, maintenance and other services. Extended warranty and maintenance contracts are offered with terms ranging from one to several years, which provide maintenance services after expiration of the original one-year warranty term. Revenues from separately priced extended warranty and maintenance contracts are recognized based on time elapsed over the service period. Revenue from other services such as training or installation is recognized ratably over time.

Total revenue recognized at a point in time and over time was as follows for the year ended February 28, 2022 and 2021:

	2022	2021
Revenue recognized as a point in time	\$ 190,550,325	\$ 205,944,614
Revenue recognized over time	16,648,077	16,350,793

The Company's contracts do not typically contain substantive customer options.

Contracts with multiple performance obligations

Some of the Company's contracts with customers contain multiple promised goods or services. Such contracts include products with bundled services, and support. For these contracts, the Company accounts for the promises separately as individual performance obligations if they are distinct. Performance obligations are determined to be considered distinct if they are both capable of being distinct and distinct within the context of the contract. In determining whether performance obligations meet the criteria for being distinct, the Company considers a number of factors, such as the degree of interrelation and interdependence between obligations, and whether or not the good or service significantly modifies or transforms another good or service in the contract. The embedded software in most of the hardware products is not considered distinct and therefore the combined hardware and incidental software are treated as one performance obligation and recognized at the point in time when control of product transfers to the customer. Services that are included with certain hardware products are considered distinct and therefore the hardware and service are treated as separate performance obligations.

Determine the transaction price

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring goods and services to the customer. Revenue is recorded based on the transaction price, which includes fixed consideration and estimates of variable consideration, where applicable. The Company generally enters into contracts containing fixed prices. Rarely will the Company enter into a contract which contains variable consideration. The Company regularly extends pricing discounts; however, they are negotiated up front and adjust the fixed transaction price set out in the contract.

Allocate the transaction price to the performance obligations

Revenues from customer contracts are allocated to the separate performance obligations based on their relative stand-alone selling price ("SSP") at contract inception. The SSP is the price at which the Company would sell a promised good or service separately. The best evidence of an SSP is the observable price of a good or service when the entity sells that good or service separately in similar circumstances and to similar customers. The Company notes that it establishes standalone selling prices for each of their performance obligations in the contracts/purchase orders.

Luminator Technology Group, LLC and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Payment terms

Payment terms on invoiced amounts are typically 30 to 60 days. In instances where the timing of revenue recognition differs from the timing of the right to invoice, the timing difference is generally less than one year.

Costs to obtain a contract

The Company pays sales commissions to its internal sales personnel for obtaining contracts, which is an incremental contract acquisition cost and meets the capitalization criteria under ASC 340-40. However, as the amortization period for these contract acquisition costs is less than one year, the Company has elected to apply the practical expedient to expense these sales commissions as incurred. As such, the Company had no capitalized contract acquisition costs for the years ended February 28, 2022 and 2021.

The Company records non-recurring engineering costs for specific customer contracts as a long-term deferred engineering asset, which is classified as other assets in the consolidated balance sheets. Additionally, the Company may receive partial reimbursement of these capitalized deferred engineering costs for certain projects, if defined in the project agreement, which are netted against the asset. The net deferred engineering costs are amortized to cost of sales based on the number of units shipped compared to the total number of units expected to be sold under the contract. For the years ended February 28, 2022 and 2021, deferred engineering costs increased cost of sales by approximately \$1,995,000 and \$3,628,000, respectively, on the consolidated statements of income.

Practical expedients

The Company applies the following practical expedients on a recurring basis:

- The Company accounts for shipping and handling costs as activities to fulfil the promise to transfer the goods, instead of a promised service to its customer.
- The Company has not elected to adjust the promised amount of consideration for the effects of a significant financing component as the Company expects, at contract inception, that the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will generally be one year or less
- The Company has made a policy election under ASC 606 to exclude from revenue sales taxes and other government-assessed and imposed taxes on revenue-generating activities that are invoiced to customers

Shipping and handling fees: Freight billed to customers is considered sales revenue with related expenses recorded as cost of sales.

Advertising costs: The Company expenses all advertising costs as incurred. Advertising costs for the years ended February 28, 2022 and 2021, were approximately \$186,000 and \$188,000, respectively.

Luminator Technology Group, LLC and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Foreign currency translation: Certain operations outside the United States maintain their financial statements in functional currencies other than the U.S. Dollar. The Company translates these foreign operation financial statements into the reporting currency of the U.S. Dollar for presentation purposes. The assets and liabilities of the Company's foreign subsidiaries have been translated into U.S. Dollars using the exchange rates in effect at the balance sheet date. Results of operations are translated using the average exchange rate for the period. The resulting translation adjustment is recorded as other comprehensive income (loss).

Transaction gains for the years ended February 28, 2022 and 2021, were approximately \$ 3,524,000 and \$1,163,000, respectively. Transaction gains are recorded within selling, general and administrative expenses in the consolidated statements of income.

Comprehensive loss: Comprehensive loss includes the net loss as well as the change in the cumulative foreign currency translation adjustment and the change in the defined benefit pension plan.

Recent accounting pronouncements:

In November 2021, the FASB issued ASU 2021-10, *Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance*, which is intended to increase transparency in financial reporting by requiring business entities to disclose information about certain types of government assistance they receive. ASU 2021-10 requires business entities to make certain annual disclosures about transactions with a government that are accounted for by applying a grant or contribution accounting model by analogy to other accounting guidance. This guidance is effective for fiscal years beginning after December 15, 2021. The Company is currently evaluating the impact of this new guidance on its consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write down. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of income as the amounts expected to be collected change. The ASU is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company is currently evaluating the impact of adopting this new guidance on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. In September 2017, the FASB issued ASU 2017-13, *Revenue Recognition (Topic 605), Revenue from Contracts with Customers (Topic 606), Leases*.

Luminator Technology Group, LLC and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

(Topic 840), and Leases (Topic 842): Amendments to SEC Paragraphs, which rescinds certain SEC Observer comments and staff announcements from the lease guidance and incorporates SEC staff announcements on the effect of a change in tax law on leveraged leases from ASC 840 into ASC 842. In January 2018, the FASB issued ASU 2018-01, *Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842*, which amends the new lease guidance to add an optional transition practical expedient that permits an entity to continue applying its current accounting policy for land easements that exist or expire before the ASC 842 effective date. In July 2018, the FASB issued ASU 2018-10, *Codification Improvements to Topic 842, Leases*, which makes narrow scope improvements to the standard for specific issues. In July 2018, the FASB also issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which provides an optional transition method allowing the standard to be applied at the adoption date. In March 2019, the FASB issued ASU 2019-01, *Leases (Topic 842) Codification Improvements*, which exempts entities from having to provide the interim disclosures required by ASC 250-10-50-3 in the fiscal year in which an entity adopts the new leases standard. In November 2021, the FASB issued ASU 2021-09, *Leases (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities*, which allows lessees that are not public business entities to make the ASC 842 risk-free discount rate accounting policy election by class of underlying asset, rather than at the entity-wide level.

A modified retrospective transition approach is required. An entity may adopt the guidance either (1) retrospectively to each prior reporting period presented in the financial statements with a cumulative-effect adjustment recognized at the beginning of the earliest comparative period presented or (2) retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment. The Company expects to adopt the guidance retrospectively at the beginning of the period of adoption, March 1, 2022, through a cumulative-effect adjustment, and will not apply the new standard to comparative periods presented.

The new standard provides a number of practical expedients. Upon adoption, the Company expects to elect the transition package of practical expedients permitted within the new standard, which among other things, allows the carryforward of the historical lease classification. Further, upon implementation of the new guidance, the Company intends to elect the practical expedients to combine lease and non-lease components for all asset classes, to not recognize right-of-use assets and lease liabilities for short-term leases for all asset classes, and to use hindsight in determining the lease term and assessing impairment of right-of-use assets.

The Company is currently evaluating the impact of its pending adoption of the new standard on its consolidated financial statements.

Note 2. Inventories

Inventories at February 28, 2022 and 2021, consist of the following:

	2022	2021
Raw materials	\$ 69,761,647	\$ 64,467,841
Work in process	2,904,284	3,432,319
Finished goods	8,727,274	8,694,157
Reserve for excess and obsolete	(10,655,398)	(11,269,363)
	<u>\$ 70,737,807</u>	<u>\$ 65,324,954</u>

Luminator Technology Group, LLC and Subsidiaries

Notes to Consolidated Financial Statements

Note 3. Property, Plant, and Equipment

Major classes of property, plant, and equipment at February 28, 2022 and 2021, consist of the following:

	2022	2021
Land	\$ 10,565	\$ 11,396
Automobiles	870,732	895,597
Tool and dies	2,403,003	2,565,901
Furniture and fixtures	1,601,255	1,896,772
Computer equipment and software	13,567,312	12,473,122
Buildings	5,512	435,993
Leasehold improvements	2,963,695	3,121,280
Machinery and equipment	6,867,318	7,269,676
	<u>28,289,392</u>	<u>28,669,737</u>
Less accumulated depreciation and amortization	(18,582,684)	(16,583,215)
	9,706,708	12,086,522
Construction in process	837,530	425,869
	<u>\$ 10,544,238</u>	<u>\$ 12,512,391</u>

For the years ended February 28, 2022 and 2021, the Company recorded depreciation and amortization expense of approximately \$3,270,000 and \$2,614,000, respectively.

Note 4. Intangible Assets and Goodwill

Intangible assets at February 28, 2022 and 2021, consist of the following:

	Weighted Average Life (in Years)	2022				2021			
		Gross Carrying Amount	Accumulated Amortization	Impairment	Net Amount	Gross Carrying Amount	Accumulated Amortization	Impairment	Net Amount
Trademarks	Indefinite	\$ 7,113,599	\$ -	\$ 435,078	\$ 6,678,521	\$ 7,316,260	\$ -	\$ 210,827	\$ 7,105,433
Trademarks	3	3,507,117	3,345,849	-	161,268	7,696,633	7,477,447	-	219,186
Technology	7-10	33,375,341	29,520,860	-	3,854,481	34,159,112	27,111,355	-	7,047,757
Contractual Backlog	2	13,655,762	13,655,762	-	-	13,970,464	13,970,464	-	-
Customer Relationships	Weighted	151,822,304	124,150,061	-	27,672,243	154,321,314	113,424,483	-	40,896,831
		<u>\$ 209,474,123</u>	<u>\$ 170,672,532</u>	<u>\$ 435,078</u>	<u>\$ 38,366,513</u>	<u>\$ 217,463,783</u>	<u>\$ 161,983,749</u>	<u>\$ 210,827</u>	<u>\$ 55,269,207</u>

For the years ended February 28, 2022 and 2021, the Company recorded amortization expense of approximately \$16,246,000 and \$21,356,000, respectively. Estimated annual amortization expense of intangible assets for each of the next five years is as follows:

2023	\$ 11,973,309
2024	8,895,811
2025	7,317,183
2026	3,235,023
2027	176,342

Luminator Technology Group, LLC and Subsidiaries

Notes to Consolidated Financial Statements

Note 4. Intangible Assets and Goodwill (Continued)

Goodwill at February 28, 2022 and 2021, consists of the following:

Weighted Average Life (in Years)	2022			2021		
	Gross Carrying Amount	Accumulated Amortization	Net Amount	Gross Carrying Amount	Accumulated Amortization	Net Amount
10	\$ 134,604,176	\$ 40,381,253	\$ 94,222,923	\$ 136,470,670	\$ 27,294,134	\$ 109,176,536

Note 5. Long Term Debt

Long-term debt consists of the following at February 28, 2022 and 2021:

	2022	2021
Revolving credit loans	\$ 46,627,621	\$ 35,369,951
Senior secured notes	236,013,925	242,808,081
Senior subordinated notes	43,485,340	37,839,392
Subordinated notes	83,428,806	79,836,761
	<u>409,555,692</u>	<u>395,854,185</u>
Less current portion	-	(316,017,424)
Less deferred financing costs	<u>(2,325,369)</u>	<u>(4,556,873)</u>
Long-term debt, less current portion, net	<u>\$ 407,230,323</u>	<u>\$ 75,279,888</u>

The Senior Secured Notes are separated into two loan components, a U.S. Term Loan and a European Term Loan. On August 24, 2021, the Company entered into a comprehensive debt recapitalization, which was deemed to be a trouble debt restructuring ("TDR") based on the financial difficulties of the Company and the concessions the lenders provided to the Company. As part of the TDR, the Senior Secured Notes maturity date was extended through May 8, 2023, and \$20,000,000 of the principal balance was converted to a new operating paid-in-kind note ("OpCo PIK note"). In addition, the interest rate on the U.S. Term Loan was reduced and bears interest on the outstanding principal amount at a rate per annum equal to the LIBOR rate (0.077% as of February 28, 2022), with a minimum of 1.0%, for the interest period plus the applicable margin of 5.5%. The European term loan bears interest on the outstanding principal amount at a rate per annum equal to the EURIBOR rate ((0.560%) as of February 28, 2022), with a minimum of 1.0%, for the interest period plus the applicable margin of 5.50%.

The senior secured notes do not require periodic principal payments but become due, in full, on the maturity date. Voluntary payments may be made at any time with penalty, including, a minimum lender return of 0.25 times the repaid principal amount less interest paid since loan inception on the repaid principal, prepayment penalties, and original issue discount and upfront fees associated with the repaid principal. Mandatory prepayments are required on the occurrence of certain events, as defined in the agreement. For the years ended February 28, 2022 and 2021, no mandatory prepayments are required.

Luminator Technology Group, LLC and Subsidiaries

Notes to Consolidated Financial Statements

Note 5. Long Term Debt (Continued)

In August 2016, the Company established a revolving credit loan with Sumitomo Mitsui Bank Corporation in conjunction with the issuance of the Senior Secured Notes. The revolving credit loan is separated into three loan components, a U.S. Rail and Bus revolving credit loan of \$20,000,000, a European Rail and Bus revolving credit loan of \$10,000,000 and an Aerospace revolving credit loan of \$10,000,000. The interest period for each borrowing can range from 30, 60 or 90 days and interest is due on the expiry date of the interest period of each borrowing.

In August 2019, the Company increased the revolving credit loan for U.S. Rail and Bus with Sumitomo Mitsui Bank Corporation by \$10,000,000 for a maximum borrowing limit of \$30,000,000. No other terms of the loan were impacted.

The U.S. Rail and Bus and the Aerospace revolving credit loans bear interest on the outstanding principal amount of each borrowing at a rate per annum equal to the LIBOR rate (0.077% as of February 28, 2022) plus the applicable margin of 4.5%. As of February 28, 2022, the outstanding loan balance was approximately, \$37,600,000.

The European Rail and Bus revolving credit loans bear interest on the outstanding principal amount of each borrowing at a rate per annum equal to the EURIBOR rate ((.560%) as of February 28, 2022) plus the applicable margin of 4.5%. As of February 28, 2022, the outstanding loan balance was approximately \$9,028,000.

As part of the August 24, 2021 recapitalization, the revolving credit loans maturity date was extended to August 9, 2022.

The OpCo PIK note was created from \$20,000,000 of converted balance from the Senior Secured Notes, and an additional \$15,000,000 of new borrowings as of August 24, 2021. The OpCo PIK notes bear interest at 14% per annum, interest is due quarterly and shall be paid in kind or in cash. Any portion of the interest not paid in cash shall be added to the unpaid principal amount of each OpCo PIK note and earn interest at 14% per annum. The maturity date is August 8, 2023 for all unpaid principal and interest. The OpCo PIK notes are subordinate to the Senior Secured Notes and revolving credit loan.

On May 8, 2017, and to provide working capital, the Company borrowed an incremental \$51,000,000 on the U.S. term loan component of the senior secured note with Elavon Financial Services. The Company also issued and sold senior subordinated paid-in-kind notes ("the PIK notes") to Teachers Insurance and Annuity Association of America ("TIAA") and QS Capital Strategies, L.P. ("Quilvest") in the aggregate initial principal amount of \$40,000,000 (\$20,000,000 to TIAA and \$20,000,000 to Quilvest). As part of the TDR discussed above, the PIK notes interest rate was reduced from 14% per annum to 6% per annum. On May 8 of each year the interest shall be paid in kind or in cash. Any portion of the interest not paid in cash ("PIK interest") shall be added to the unpaid principal amount of each PIK note and earn interest at 6% per annum. PIK interest of approximately \$9,238,000 was accrued to subordinated notes for the year ended February 28, 2022.

On May 8, 2017, the Company also issued and sold subordinated promissory notes ("sub notes") in the aggregate initial principal amount of \$20,000,000. As of August 24, 2020, the balance was approximately \$25,754,000, which included unpaid principal and accrued PIK interest. As part of the TDR discussed above, approximately \$10,130,000 of the principal balance was transferred for class A units of the Parent with an estimated fair value of approximately \$545,000, the maturity date was extended to November 8, 2023 and the remaining principal balances are non-interest bearing. A gain on the extinguishment of approximately \$9,580,000 was recognized related to the transfer of the principal for the shares. The gain was recognized in the statement of deficit for the year ending February 28, 2021, as the note holders were already unit holders prior to the transaction and related parties.

Luminator Technology Group, LLC and Subsidiaries

Notes to Consolidated Financial Statements

Note 5. Long Term Debt (Continued)

Substantially all of the Company's assets are pledged as collateral under the Senior Secured Notes and revolving credit loan, and the Company is subject to certain financial covenants.

Aggregate maturities of long-term debt, based on amounts currently outstanding at February 28, 2022, are as follows:

2023	\$ -
2024	-
2025	46,627,621
2026	319,442,731
Thereafter	43,485,340
	<u>\$ 409,555,692</u>

The Company has deferred interest payments of approximately \$9,700,000 which are due September 29, 2022.

On June 30, 2022, the Company entered into a debt restructuring. See Note 17.

Note 6. Member's Equity

In accordance with the Limited Liability Company Agreement ("LLC Agreement"), the Company authorized one class of ownership units that are fully issued to its Parent.

Note 7. Equity-Based Compensation

The Limited Liability Agreement of the Parent includes a management incentive plan to grant restricted Class P Common Units of LTG Acquisition Holdings, LLC to members of management to motivate and retain individuals responsible for long-term performance goals. The units vest at 40% upon the end of the second year of the grant date and ratably afterwards for the next three years and require continued employment. As of February 28, 2022, a total of 12,603 units have vested.

The following table summarizes Class P Common Units that were granted, forfeited and outstanding:

	<u>Units</u>
Outstanding, February 29, 2020	16,443
Units granted	610
Units forfeited	<u>(2,550)</u>
Outstanding, February 28, 2021	14,503
Units forfeited	<u>(680)</u>
Outstanding, February 28, 2022	<u>13,823</u>

Luminator Technology Group, LLC and Subsidiaries

Notes to Consolidated Financial Statements

Note 7. Equity-Based Compensation (Continued)

Compensation cost is recorded on a straight-line basis over the vesting term of the units. The grant date fair value for units granted during the year ended February 28, 2021 was approximately \$1 per unit calculated using an Option Pricing Model with an expected term of two years. Assumptions used in the valuation included levered volatility rate of 20.9%, an extrapolated risk-free rate of 0.14% based on the U.S. Treasury strip note yield curve at the valuation date, and 0% for the continuous dividend yield.

For the years ended February 28, 2022 and 2021, compensation expense of approximately \$134,000 and \$184,000, respectively, was recorded. Unrecognized compensation cost related to these grants was approximately \$31,000 as of February 28, 2022 to be recognized on a straight-line basis through June 30, 2022.

Note 8. Income Taxes

The benefit from income taxes for the years ended February 28, 2022 and 2021, consists of the following:

	2022	2021
Federal	\$ (1,379,451)	\$ (426,298)
State	141,254	113,256
Foreign	659,636	1,585,438
Deferred:		
Domestic	(3,032,601)	(6,453,436)
Foreign	(1,341,824)	864,574
	<u>\$ (4,952,986)</u>	<u>\$ (4,316,466)</u>

A comparison of the benefit from income taxes at the federal statutory rate to the Company's effective tax rate is as follows:

	2022	2021
Computed "expected" tax benefit	\$ (12,700,565)	\$ (15,716,961)
Permanent differences	3,393,191	2,846,101
State tax (net of federal tax benefit)	(746,045)	(1,382,510)
Effect of R&D tax credit	(133,000)	(133,000)
Change in valuation allowance	5,531,484	8,377,708
Effect of foreign rates	(197,257)	554,210
Uncertain tax position	(18,902)	882,000
Other	(81,892)	255,986
	<u>\$ (4,952,986)</u>	<u>\$ (4,316,466)</u>

Deferred income taxes result from temporary differences in the recognition of income and expenses for financial reporting and for tax purposes. Net deferred income tax assets and liabilities consist of the following components as of February 28, 2022 and February 28, 2021:

Luminator Technology Group, LLC and Subsidiaries

Notes to Consolidated Financial Statements

Note 8. Income Taxes(Continued)

	2022	2021
Deferred income tax assets:		
Allowance for doubtful accounts	\$ 204,405	\$ 222,818
Inventories	2,016,348	2,145,934
Warranty reserve	1,614,188	1,576,371
Accrued other liabilities	1,931,288	1,038,796
Interest expense disallowance	21,374,337	16,530,116
Net operating loss	13,175,424	11,088,534
Other	3,925,404	4,274,036
	<u>44,241,394</u>	<u>36,876,605</u>
Valuation allowance	(29,695,579)	(24,164,095)
	<u>14,545,815</u>	<u>12,712,510</u>
Deferred income tax liabilities:		
Deferred engineering	(1,309,594)	(1,398,979)
Intangibles	(7,187,787)	(10,359,216)
Property, plant, and equipment	(880,404)	(969,741)
Other	(4,907,107)	(4,082,587)
	<u>(14,284,892)</u>	<u>(16,810,523)</u>
Net deferred tax assets (liabilities)	<u>\$ 260,923</u>	<u>\$ (4,098,013)</u>

The accounting standards require a valuation allowance to be recorded on either all or a portion of the deferred tax assets in the United States, Canada, Denmark, Sweden, Switzerland, Australia, Germany and Luxembourg, if the deferred tax assets are more likely than not to not be utilized in a future period. The valuation allowance for deferred tax assets is \$29,695,579 and \$24,164,095 at February 28, 2022 and February 28, 2021, respectively. The increase in the valuation allowance is primarily due to the net operating losses generated in Canada and Switzerland and interest expense in the United States.

As of the years ended February 28, 2022 and February 28, 2021, the Company has foreign net operating loss carryforwards of approximately \$61,276,000 and \$50,802,000, respectively, for tax purposes, which will be available to offset future taxable income. A portion of these carryforwards will begin to expire in 2024.

As of February 28, 2022 and February 28, 2021, the Company has no U.S. federal tax net operating loss carryforward. Additionally, the Company has state net operating loss carryforwards in various jurisdictions of approximately \$19,972,832 and \$16,400,136, respectively.

The Company has recorded a U.S. federal income tax uncertain tax position for the year ended February 28, 2022, in the amount of \$775,742 related to the taxability of the debt restructuring on August 24, 2020. The Company accrued interest of \$90,010 related to the uncertain tax position that will be taken on the February 28, 2022, tax return.

Luminator Technology Group, LLC and Subsidiaries

Notes to Consolidated Financial Statements

Note 9. Commitments and Contingencies

Leases

The Company is obligated under long-term leases on various office space, warehouse, equipment and automobile agreements as follows:

2023	\$ 4,263,894
2024	2,852,214
2025	2,148,668
2026	1,188,834
2027	830,175
Thereafter	999,922
	<hr/>
Total minimum lease payments	<u>\$ 12,283,707</u>

The Company has nineteen leased office and warehouse buildings under various non-cancellable agreements which expire between July 31, 2022 and August 31, 2028, and require various minimum annual rentals. Thirteen of the leases also require the additional payment of the property taxes, normal maintenance, and insurance on the properties. Various leases are subject to renewal and escalation clauses.

Rent expense under long-term leases related to office space, warehouse, office equipment and automobile agreements totaled approximately \$5,460,000 and \$5,593,000 for the years ended February 28, 2022 and 2021, respectively.

Legal

The Company is a party to certain legal proceedings and other matters arising from time to time in the normal course of business. Management believes that such legal proceedings will not have a material adverse effect on the Company's financial position or results of operations.

Note 10. Concentration of Credit Risk

The Company engages in project related sales and at any given period of time, a concentration of one customer may occur due to the timing of the shipments related to a large contract(s). For the years ended February 28, 2022 and 2021, the Company had no customers that represented any significant concentration of sales.

Note 11. Defined Contribution Plan and Other Arrangements

The Company has a defined contribution plan in the United States that complies with Section 401(k) of the U.S. Internal Revenue Code. Substantially all employees working in the United States are eligible to participate in the Plan. Under the plan, the Company makes discretionary matching contributions to employees and to officers in amounts ranging from 0% to 4.0% of their annual salary. The Company made contributions of approximately \$672,000 and \$1,089,000 for the years ended February 28, 2022 and 2021, respectively. For the years ended February 28, 2022 and 2021, expenses related to this plan were approximately \$664,000 and \$807,110, respectively.

Luminator Technology Group, LLC and Subsidiaries

Notes to Consolidated Financial Statements

Note 11. Defined Contribution Plan and Other Arrangements (Continued)

The Company has a defined contribution plan in Canada. Substantially all employees working in Canada participate in the Plan. The Company makes contributions in an amount equivalent to 1% of the participating employee's annual salary plus \$250. The Company made contributions of \$38,000 and \$57,000 for the years ended February 28, 2022 and 2021, respectively.

The Company has a defined contribution plan in Denmark. Substantially all employees working in Denmark participate in the Plan. The Company makes contributions in an amount equivalent to 6% to 8% of their annual salary. The Company made contributions of \$10,900 and \$7,600 the years ended February 28, 2022 and 2021, respectively.

The Company has a deferred compensation plan in Germany that is closed to new participants. The Company makes distributions to the remaining four retirees based on a defined schedule. A reserve of approximately \$324,000 and \$389,000 is recorded in accrued expenses on the consolidated balance sheets as of February 28, 2022 and 2021, respectively. The adequacy of the liability is reviewed annually by an outside party. Expenses for the years ended February 28, 2022 and 2021, were approximately \$6,000 and \$12,000, respectively. Distributions to participants for the years ended February 28, 2022 and 2021, were approximately \$44,000 and \$55,000, respectively.

The Company has a defined contribution plan in Sweden. The amount of contributions made by the Company is segregated between hourly employees and salaried employees. For hourly employees, the Company makes contributions equivalent to 4.5% of their annual salary. For salaried employees, the Company makes contributions ranging from 3% to 25% dependent on age and earnings level; the average payment to salaried employees was 16.5% for the years ended February 28, 2022 and 2021, respectively. The Company made total contributions of approximately \$523,000 for the year ended February 28, 2022 and \$531,000 for the year ended February 28, 2021.

Note 12. Defined Benefit Plans

The Company contributes to a defined benefit plan (the "plan") in Switzerland. Swiss pension plans are governed by the Swiss Federal Law on Occupational Retirement, Survivor's and Disability Pension Plans (BVG), which requires that pension plans be managed by a legally independent party, contributions earn a minimum interest rate currently set at 1.00%, and a minimum conversion rate, currently set at 6.8%. The Company and its employees make contributions ranging from 7% to 18%, dependent on age and pensionable salary. The defined benefit obligations and related assets are reappraised annually by independent actuaries.

Obligations and Funded Status

	2022	2021
Projected benefit obligation	\$ 11,431,367	\$ 12,684,957
Fair value of plan assets	10,839,061	11,486,149
Funded status	\$ (592,306)	\$ (1,198,808)

The accumulated benefit obligation at February 28, 2022 and 2021, was approximately \$11,274,000 and \$12,495,000, respectively.

Luminator Technology Group, LLC and Subsidiaries

Notes to Consolidated Financial Statements

Note 12. Defined Benefit Plans (Continued)

Amounts recognized in the balance sheet consist of:

	2022	2021
Noncurrent liabilities	\$ (592,306)	\$ (1,198,808)

Amounts recognized in accumulated other comprehensive income consist of the following:

	2022	2021
Net gain (loss), net of tax	\$ 18,765	\$ 1,501,692
Prior service cost (credit)	304,996	-
Amortization of prior service cost (credit)	(72,983)	(37,447)

Net gain (loss), net of tax	\$ 250,778	\$ 1,464,245
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	2022	2021
Benefit cost	\$ (114,960)	\$ (27,121)
Employer contributions	224,213	186,221
Benefits (income) paid	(886,971)	(1,491,523)

Assumptions

The following are the assumptions used to determine projected benefit obligations at February 28, 2022 and 2021:

	2022	2021
Discount rate	0.75%	0.40%
Rate of compensation increase	1.00%	1.00%

The following are the assumptions used to determine net periodic benefit costs for the years ended February 28, 2022 and 2021:

	2022	2021
Discount rate	0.75%	0.40%
Expected long-term return on plan assets	2.50%	2.50%
Rate of compensation increase	1.00%	1.00%

Luminator Technology Group, LLC and Subsidiaries

Notes to Consolidated Financial Statements

Note 12. Defined Benefit Plans (Continued)

Plan Assets

The fair values of the Company's pension plan assets at February 28, 2022 and 2021, by asset class, are as follows:

<u>Asset Class</u>	<u>2022</u>	<u>2021</u>
Total	\$ 10,839,061	\$ 11,486,149

Cash Flows

The Company expects to contribute approximately \$206,000 to the plan in 2022.

The following pension benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

2023	\$ 477,797
2024	60,949
2025	63,126
2026	68,568
2027	1,099,260
Thereafter	<u>1,079,669</u>
	<u>\$ 2,849,369</u>

Note 13. Foreign Operations

Sales by region outside the United States for the years ended February 28, 2022 and 2021, are as follows:

	<u>2022</u>	<u>2021</u>
Europe	\$ 102,937,580	\$ 107,423,238
South America	3,106,476	3,884,421
Asia/Pacific	2,953,756	2,800,269
Canada	5,278,580	4,019,492

Net assets (deficit) by region outside the United States as of February 28, 2022 and 2021, are as follows:

	<u>2022</u>	<u>2021</u>
Europe	\$ (46,922,331)	\$ (38,433,409)
South America	4,007,567	3,400,868
Asia/Pacific	706,911	1,161,725
Canada	(17,668,724)	(15,772,831)

Luminator Technology Group, LLC and Subsidiaries

Notes to Consolidated Financial Statements

Note 14. Assets Held For Sale

In November 2017, the Company's management committed to a plan to sell land and a building, (the "property") located in Canada. The Company evaluated the property for impairment by comparing the property's carrying value to its fair value less cost to sell and determined that there was no impairment. In March 2021, the Company sold the land and building for approximately \$1,179,000. The carrying value of the property was approximately \$362,400 and the Company executed a three-year lease to leaseback a small portion of the building.

Note 15. Related Parties

The majority unit holder of the Parent provides management consulting services related to strategic initiatives and transaction support to the Company. The Company paid the Parent approximately \$2,429,000 and \$2,515,000 for the years ended February 28, 2022 and 2021, respectively. The payments were recorded as selling, general and administrative expense during the respective periods.

As of January 4, 2021, a unit holder of the Parent was contracted to develop, complete, and provide services to accelerate the growth of our mobile video business. The Company paid the unit holder

approximately \$363,000 and \$60,000 for the years ended February 28, 2022 and 2021, respectively. The payments were recorded as selling, general and administrative expense during the respective periods.

Note 16. Employee Retention Tax Credit

The Company determined that it was eligible and qualified for the Employee Retention Tax Credit under the CARES Act during the year ended February 28, 2022. During the year the Company filed amended payroll tax returns, claiming a refundable tax credit of approximately \$6,480,000, of which \$2,210,000 remains unpaid as of February 28, 2022, and is recorded as other asset on the consolidated balance sheet.

Note 17. Subsequent Events

Management evaluates events or transactions occurring after the balance sheet date for potential recognition or disclosure in the accompanying consolidated financial statements. Management has evaluated subsequent events through August 31, 2022, the date on which the consolidated financial statements were issued.

On June 30, 2022 the Company entered into an Exchange Agreement that restructured the Company's debt and equity. As of June 30, 2022, the following transactions transpired:

- \$167,708,695 of the Senior Secured Notes were exchanged for PIK Notes. The PIK Notes bear interest at a rate per annum equal to 11%. On each June 30 interest on the PIK Notes shall be paid in kind. The PIK Notes mature on August 9, 2025.
- PIK Notes and 509,000 New Class D1 Units and 650,000 New Class D2 Units were issued in exchange for \$34,999,999. The PIK Notes have a balance of \$34,999,999 and bear interest at a rate per annum equal to 11%. On each June 30 interest on the PIK Notes shall be paid in kind. The PIK Notes mature on August 9, 2025.

Luminator Technology Group, LLC and Subsidiaries

Notes to Consolidated Financial Statements

Note 17. Subsequent Events (Continued)

- \$45,461,257 of the Senior Secured Notes were exchanged for \$45,461,257 of New Perpetual Notes and 110,250 of New Class D1 Units and 78,590 of New Class D2 Units. The New Perpetual Notes are subordinated to the Senior Secured Notes and will not bear any interest unless an event of default, as defined in the agreement, occurs and is continuing or upon consummation of a sale of the company, then the note shall bear interest at a rate of 10% per annum, shall be paid in kind from that date until paid in full. There is no stated maturity date on the New Perpetual Notes.
- The full outstanding principal balance and accrued interest of the Subordinated Notes were exchanged for 380,749 New Class D1 Units and 271,410 New Class D2 Units.
- The Company entered into the Tenth Amendment of the Senior Secured Notes agreement, which among other changes, changed the maturity date to May 9, 2025.
- The Company entered into an amended and restated revolving credit loan allowing borrowings up to \$40,000,000, bearing interest at either the Adjusted Term SOFR or the Base Rate, as defined, plus an applicable margin. The amended and restated revolving credit loan has a maturity date of August 9, 2024.

The New Class D1 Units represent 99.99% of the equity voting rights of all equity outstanding and resulted in a change in control upon issuance, and the Company will apply business combination accounting in accordance with ASC 805, Business Combinations.

Effective June 30, 2022, the related party management consulting services agreements was terminated (Note 15).

On August 17, 2022, the Company entered into the Eleventh Amendment to the credit agreement. The amendment changed certain definitions within the agreement and definitions of the covenant calculations.

On August 26, 2022, the Company entered into the Twelfth Amendment to the credit agreement. The amendment provided for incremental European Term Loan in the amount of \$2,000,000. The incremental European Term Loan has the same terms and conditions at the European Term Loan (Note 5).