

Schjerning Farver A/S

Østerallé 21, 8400 Ebeltoft

CVR-nr. 10 91 10 87

**Annual report for the period
1. July til 31. December 2016**

**The annual report was submitted to
and approved by the company's
annual general meeting on 18/02
2017**



Chairman of the meeting

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Statement by Management on the annual report

The Executive and Supervisory Boards have today discussed and approved the annual report of Schjerning Farver A/S for the financial year 1. juli - 31. december 2016.

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

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31. december 2016 and of the results of the the Company's operations for the financial year 1. juli - 31. december 2016.

In our opinion, Management's review includes a fair review of the matters dealt with in the Management's review

We recommend the adoption of the annual report at the annual general meeting.

Ebeltoft, 16 February 2017

Executive Board


Jan Frandsen

Supervisory Board


Roelof Benning
Chairman of the Board


Michel Wessel


Niels Løber

Independent auditor's report

To the shareholders of Schjerning Farver A/S

Opinion

We have audited the financial statements of Schjerning Farver A/S for the financial year 1. juli - 31. december 2016, which comprise an income statement, balance sheet, notes and summary of significant accounting policies. The financial statements are prepared under the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2016 and of the results of the Company's operations for the financial year 1 July - 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis for Opinion

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

Management's Responsibilities for the financial Statements

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

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

Independent auditor's report

Auditor's Responsibilities for the Audit of the financial statements

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

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

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

Independent auditor's report

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

Statement on Management's Review

Management is responsible for Management's Review.

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

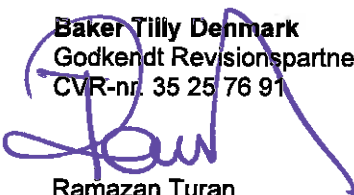
In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially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

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

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

København, 16 February 2017

Baker Tilly Denmark
Godkendt Revisionspartnerselskab
CVR-nr. 35 25 76 91



Ramazan Turan
State Authorised Public Accountant

Company details

The Company	Schjerning Farver A/S Østerallé 21 8400 Ebeltoft
	CVR no.: 10 91 10 87 Reporting period: 1. juli - 31. december Incorporated: 3. July 1987 Domicile: Syddjurs kommune
Supervisory Board	Roelof Benning, Chairman Michel Wessel, General partner Niels Løber
Executive Board	Jan Frandsen
Auditors	Baker Tilly Denmark Godkendt Revisionspartnerselskab Poul Bundgaards Vej 1, 1. 2500 Valby
Lawyers	Lind Advokataktieselskab Ved Vesterport 6, 2. sal 1612 København V
	Advokatfirmaet Sesler Adelgade 7 840 Ebeltoft
Bankers	Sparekassen Kronjylland Strandvejen 9 8400 Ebeltoft

Management's review

Business activities

The activities of the company are to produce and sell environmentally friendly hobby colours.

Business review

The Company's income statement for the year ended 31 December shows a profit of DKK 310.243, and the balance sheet at 31. december 2016 shows equity of DKK 3.737.166.

As per the 15 November 2016 the company has been acquired. The acquisition is made as a strategic sale. The management expects that the future cooperation will generate a trade synergy.

In connection to the acquisition the company has changed the reporting period from 1 July – 30 June to the new reporting period 1 January – 31 December with a conversion period of 6 month.

Significant events occurring after end of reporting period

No events have occurred after the balance sheet date which could significantly affect the group's and the parent company's financial position.

Income statement 1 July - 31 December

	Note	2016 31 December 6 mth. DKK	2016/15 30 June 12 mth. DKK
Gross profit		3.084.315	6.204.560
Staff costs	1	<u>-2.317.748</u>	<u>-4.259.835</u>
Earnings Before Interest Taxes Depreciation and Amortization		766.567	1.944.725
Depreciation and amortisation of intangible assets and property, plant and equipment		<u>-224.853</u>	<u>-503.487</u>
Profit before financial income and expenses		541.714	1.441.238
Financial income	2	0	500
Financial costs	3	<u>-139.213</u>	<u>-194.635</u>
Profit before tax		402.501	1.247.103
Tax on profit for the year	4	<u>-92.258</u>	<u>-286.926</u>
Net profit for the year		<u>310.243</u>	<u>960.177</u>
Retained earnings		<u>310.243</u>	<u>960.177</u>
		<u>310.243</u>	<u>960.177</u>

Balance sheet 31 December

	Note	2016 31 December DKK	2016 30 June DKK
Assets			
Software		690.786	502.585
Goodwill		0	0
Intangible assets	5	690.786	502.585
Plant and machinery		1.188.902	1.346.757
Art		0	0
Tangible assets	6	1.188.902	1.346.757
Deposits		280.000	280.000
Fixed asset investments		280.000	280.000
Total non-current assets		2.159.688	2.129.342
Raw materials and consumables		2.969.821	2.350.060
Work in progress		94.771	0
Finished goods and goods for resale		1.713.878	1.734.273
Stocks		4.778.470	4.084.333
Trade receivables		4.054.389	4.469.631
Receivables from group enterprises		15.265	0
Other receivables		100.761	82.500
Prepayments		88.691	0
Receivables		4.259.106	4.552.131
Cash at bank and in hand		35.006	36.298
Total current assets		9.072.582	8.672.762
Total assets		11.232.270	10.802.104

Balance sheet 31 December

	Note	2016 31 December DKK	2016 30 June DKK
Liabilities and equity			
Share capital		500.000	500.000
Retained earnings		3.237.166	2.926.922
Proposed dividend for the year		0	750.000
Total equity	7	3.737.166	4.176.922
Provision for deferred tax		72.513	128.000
Total provisions		72.513	128.000
Payables to group enterprises		2.025.855	0
Long-term debt	8	2.025.855	0
Banks		1.242.882	1.038.276
Trade creditors		1.134.067	1.058.933
Corporation tax		355.302	526.663
Other payables		2.664.485	3.873.310
Short-term debt		5.396.736	6.497.182
Total liabilities other than provisions		7.422.591	6.497.182
Total equity and liabilities		11.232.270	10.802.104
Rental agreements and lease commitments	9		
Contingent assets, liabilities and other financial obligations	10		
Charges and securities	11		

Notes to the Annual Report

	2016 31 December 6 mth. <u>DKK</u>	2016/15 30 June 12 mth. <u>DKK</u>
1 Staff costs		
Wages and salaries	2.004.160	3.581.238
Pensions	211.102	432.424
Other staff costs	102.486	246.173
	<u>2.317.748</u>	<u>4.259.835</u>
Average number of employees	<u>23</u>	<u>21</u>
2 Financial income		
Other financial income	<u>0</u>	<u>500</u>
	<u>0</u>	<u>500</u>
3 Financial costs		
Interest paid to group enterprises	9.007	0
Other financial costs	61.952	135.845
Exchange loss	68.254	58.790
	<u>139.213</u>	<u>194.635</u>
4 Tax on profit for the year		
Current tax for the year	147.745	196.057
Deferred tax for the year	-55.487	93.000
Adjustment of tax concerning previous years	<u>0</u>	<u>-2.131</u>
	<u>92.258</u>	<u>286.926</u>

Notes to the Annual Report

5 Intangible assets

	Software DKK	Goodwill DKK
Cost at 1 July	1.120.596	545.000
Additions for the year	188.201	0
Cost at 31 December	<u>1.308.797</u>	<u>545.000</u>
Amortisation at 1 July	618.011	545.000
Amortisation at 31 December	618.011	545.000
Carrying amount at 31 December	<u>690.786</u>	<u>0</u>

6 Tangible assets

	Plant and machinery DKK	Art DKK
Cost at 1 July	5.695.710	142.857
Additions for the year	66.998	0
Cost at 31 December	<u>5.762.708</u>	<u>142.857</u>
Depreciation at 1 July	4.348.953	142.857
Depreciation for the year	224.853	0
Depreciation at 31 December	<u>4.573.806</u>	<u>142.857</u>
Carrying amount at 31 December	<u>1.188.902</u>	<u>0</u>

Notes to the Annual Report

7 Equity

	Share capital	Retained earnings	Proposed dividend for the year	Total
	DKK	DKK	DKK	DKK
Equity at 1 July	500.000	2.926.923	750.000	4.176.923
Ordinary dividend paid	0	0	-750.000	-750.000
Net profit for the year	0	310.243	0	310.243
Equity at 31 December	500.000	3.237.166	0	3.737.166

The share capital consists of 2 shares of a nominal value of DKK 250.000. No shares carry any special rights.

There have been no changes in the share capital during the last 5 years.

8 Long term debt

	Debt at 1 July	Debt at 31 December	Payment within 1 year	Debt after 5 years
	DKK	DKK	DKK	DKK
Payables to group enterprises	0	2.025.855	0	0
	0	2.025.855	0	0

Notes to the Annual Report

	2016 31 December DKK	2016 30 June DKK
9 Rental agreements and lease commitments		
Rental and lease commitments		
Operating lease commitments.		
Total future lease payments:		
Within 1 year	495.000	620.000
	<u>495.000</u>	<u>620.000</u>

10 Contingent assets, liabilities and other financial obligations

Contingent liabilities

The company has issued a gurantee of DKK 500.000 regarding third party relation.

11 Charges and securities

The company has, to the financial institution, issued the following:

Bankloans registered to the bank with security in operating equipment in the amount of DKK 800.000 in the company established in leased premises at Østeralle 21, DK-8400 Ebeloft.

Floating charge in the companys assets in the amount of DKK 4.250.000.

Accounting policies

The annual report of Schjerning Farver A/S for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B and the Accounting Standard on small enterprises.

The accounting policies applied are consistent with those of last year.

The annual report for 2016 is presented in DKK

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including amortisation, depreciation and impairment losses, are also recognised in the income statement.

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

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company's and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost using the effective interest method. Amortised cost is calculated as the historic cost less any instalments and plus/less the accumulated amortisation of the difference between the cost and the nominal amount.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the annual report are presented and which confirm or invalidate matters existing at the balance sheet date.

Income statement

Gross profit

In pursuance of section 32 of the Danish Financial Statements Act, the company does not disclose its revenue.

Gross profit reflects an aggregation of revenue, changes in inventories of finished goods and work in progress and other operating income less raw materials and consumables and other external expenses.

Accounting policies

Revenue

Income from the sale of goods for resale and finished goods is recognised in the income statement, provided that the transfer of risk, usually on delivery to the buyer, has taken place and that the income can be measured reliably and is expected to be received.

Revenue is measured at the fair value of the agreed consideration, excluding VAT and other indirect taxes. Revenue is net of all types of discounts granted.

Expenses for raw materials and consumables

Expenses for raw materials and consumables include the raw materials and consumables used in generating the year's revenue.

Other external costs

Other external costs include expenses related to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. made to the entity's employees. The item is net of refunds made by public authorities.

Amortisation and depreciation

Amortisation, depreciation and impairment losses comprise the year's amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year. Net financials include interest income and expenses, financial expenses relating to finance leases, realised and unrealised capital/exchange gains and losses on securities and foreign currency transactions, amortisation of mortgage loans and surcharges and allowances under the advance-payment-of-tax scheme, etc.

Tax on profit for the year

Tax for the year, which comprises the current tax charge for the year and changes in the deferred tax charge, including changes arising from changes in tax rates, is recognised in the income statement as regards the portion that relates to entries directly in equity.

Accounting policies

Balance sheet

Intangible assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed to be years. The amortisation period is based on an assessment of the acquiree's market position and earnings capacity.

Patents and licences are measured at cost less accumulated amortisation and impairment losses. Patents are amortised on a straight-line basis over the remaining patent period, and licences are amortised over the licence term, however maximally 8 years.

Gains and losses on the disposal of intangible assets are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as other operating income or other operating expenses.

Tangible assets

Items of Land and buildings, plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

The depreciable amount is cost less the expected residual value at the end of the useful life. Land is not depreciated.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers and wages.

Straight-line depreciation is provided on the basis of the following estimated useful lives of the assets:

	Useful life	Residual value
Plant and machinery	4 - 10 years	0 %

Gains or losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses.

Accounting policies

Leases

Leases for items of property, plant and equipment that transfer substantially all the risks and rewards incident to ownership to the company (finance leases) are recognised in the balance sheet as assets. On initial recognition, assets are measured at estimated cost, corresponding to the lower of fair value of the leased asset and the present value of the future lease payments. In calculating the net present value of the future lease payments, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently depreciated as the company's other non-current assets.

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

All other leases are operating leases. Payments relating to operating leases and any other leases are recognised in the income statement over the term of the lease. The company's total liabilities relating to operating leases and other rent agreements are disclosed under 'Contingencies, etc.'

Stocks

Stocks are measured using the FIFO method. Where the net realisable value is lower than the cost, inventories are recognised at this lower value.

The cost of goods for resale, raw materials and consumables comprises the purchase price plus delivery costs.

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

The net realisable value of stocks is calculated as the selling price less costs of completion and expenses incurred to effect the sale. The net realisable value is determined taking into account marketability, obsolescence and expected selling price movements.

Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is reviewed for impairment, other than what is reflected through normal amortisation and depreciation, on an annual basis.

Where there are indications of impairment, an impairment test is performed for each individual asset or group of assets, respectively. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

Accounting policies

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable is impaired, an impairment loss for that individual asset is recognised.

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term securities whose remaining life is less than three months and which are readily convertible into cash and which are subject only to insignificant risks of changes in value.

Equity

Dividend

Proposed dividends are disclosed as a separate item under equity. Dividends are recognised as a liability at the date of declaration by the annual general meeting.

Provisions

Provisions comprise expected expenses relating to guarantee commitments, losses on work in progress, reconstructions, etc. Provisions are recognised when as a result of a past event the company's has a legal or constructive obligation and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Income tax and deferred tax

Current tax liabilities and current tax receivables are recognised in the balance sheet as the estimated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and tax paid on account.

Deferred tax is measured according to the liability method in respect of temporary differences between the carrying amount of assets and liabilities and their tax base, calculated on the basis of the planned use of the asset and settlement of the liability, respectively.

Accounting policies

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax adjustments resulting from changes in tax rates are recognised in the income statement, with the exception of items taken directly to equity.

Liabilities

Financial liabilities are recognised on the raising of the loan at the proceeds received net of transaction costs incurred. On subsequent recognition, the financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest method. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities, which include trade receivables, payables to group entities and other payables, are measured at amortised cost, which is usually equivalent to nominal value.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Foreign-exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses. If foreign currency transactions are considered cash flow hedges, the value adjustments are taken directly to equity.

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

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