

Schjerning Farver A/S

Østerallé 21, 8400 Ebeltoft

CVR no. 10 91 10 87

Annual report for 2018

Adopted at the annual general meeting on 2 April
2019

Niels Løber
chairman



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Statement by management on the annual report

The supervisory and executive boards have today discussed and approved the annual report of Schjerning Farver A/S for the financial year 1 January - 31 December 2018.

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

In our opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2018 and of the results of the company's operations for the financial year 1 January - 31 December 2018.

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

We recommend the annual report for adoption at the Annual General Meeting.

Ebeltoft, 2 April 2019

Executive board

Jan Frandsen

Supervisory board

Roelof Benning
chairman

Michel Wessel

Niels Løber

Herman Cornelis Streefkerk

Independent auditor's report

To the shareholder of Schjerning Farver A/S

Opinion

We have audited the financial statements of Schjerning Farver A/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity, 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 2018 and of the results of the company's operations for the financial year 1 January - 31 December 2018 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 the 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 Statements Act. We did not identify any material misstatement of management's review.

Copenhagen, 2 April 2019

Baker Tilly Denmark

Godkendt Revisionspartnerselskab
CVR no. 35 25 76 91

Ramazan Turan
State Authorised Public Accountant
MNE no. mne32779

Company details

The company	Schjerning Farver A/S Østerallé 21 8400 Ebeltoft CVR no.: 10 91 10 87 Reporting period: 1 January - 31 December 2018 Incorporated: 3. July 1987 Domicile: Syddjurs kommune
Supervisory board	Roelof Benning, chairman Michel Wessel Niels Løber Herman Cornelis Streefkerk
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
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 loss of DKK 647.837, and the balance sheet at 31 December 2018 shows equity of DKK 3.960.287.

Significant events occurring after end of reporting period

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

Income statement 1 January - 31 December

	Note	2018 DKK	2017 DKK
Gross profit		4.416.289	6.313.723
Staff costs	1	-4.459.625	-4.623.244
Profit/loss before amortisation/depreciation and impairment losses		-43.336	1.690.479
Depreciation of software and plant and machinery		-661.341	-467.667
Profit/loss before net financials		-704.677	1.222.812
Financial income	2	648	500
Financial costs	3	-115.564	-89.271
Profit/loss before tax		-819.593	1.134.041
Tax on profit for the year	4	171.756	-263.081
Profit/loss for the year		-647.837	870.960
Retained earnings		-647.837	870.960
		-647.837	870.960

Balance sheet 31 December

	Note	2018 DKK	2017 DKK
Assets			
Software		1.022.878	1.300.267
Intangible assets	5	1.022.878	1.300.267
Plant and machinery		698.479	865.491
Tangible assets	6	698.479	865.491
Deposits		0	280.000
Fixed asset investments		0	280.000
Fixed assets total		1.721.357	2.445.758
Raw materials and consumables		3.970.869	3.444.917
Work in progress		549.185	827.967
Finished goods and goods for resale		1.178.439	1.475.822
Stocks		5.698.493	5.748.706
Trade receivables		2.566.825	3.388.686
Receivables from group enterprises		934.881	136.639
Other receivables		26.432	146.103
Prepayments		31.252	116.087
Receivables		3.559.390	3.787.515
Cash at bank and in hand		29.145	33.531
Current assets total		9.287.028	9.569.752
Assets total		11.008.385	12.015.510

Balance sheet 31 December

	Note	2018 DKK	2017 DKK
Equity and liabilities			
Share capital		500.000	500.000
Retained earnings		3.460.287	4.108.125
Equity	7	3.960.287	4.608.125
Provision for deferred tax		102.326	274.082
Provisions total		102.326	274.082
Payables to group enterprises		1.012.114	2.097.245
Total non-current liabilities	8	1.012.114	2.097.245
Short-term part of long-term debt	8	1.013.000	0
Banks		1.767.527	963.658
Trade creditors		717.218	1.338.242
Corporation tax		0	257
Other payables		2.435.913	2.733.901
Total current liabilities		5.933.658	5.036.058
Debt total		6.945.772	7.133.303
Equity and liabilities total		11.008.385	12.015.510
Rent and lease liabilities	9		
Contingent assets, liabilities and other financial obligations	10		
Charges and securities	11		

Statement of changes in equity

	Share capital	Retained earnings	Total
	DKK	DKK	DKK
Equity at 1 January	500.000	4.108.124	4.608.124
Net profit/loss for the year	0	-647.837	-647.837
Equity at 31 December	500.000	3.460.287	3.960.287

Notes

	2018	2017
	DKK	DKK
1 Staff costs		
Wages and salaries	3.721.184	3.922.879
Pensions	492.515	505.151
Other staff costs	245.926	195.214
	4.459.625	4.623.244
Average number of employees	26	25
2 Financial income		
Other financial income	648	500
	648	500
3 Financial costs		
Interest paid to group enterprises	72.131	71.390
Other financial costs	11.732	13.093
Exchange loss	31.701	4.788
	115.564	89.271
4 Tax on profit for the year		
Current tax for the year	0	61.512
Deferred tax for the year	-171.756	201.569
	-171.756	263.081

Notes

5 Intangible assets

	Software DKK
Cost at 1 January	2.004.965
Cost at 31 December	2.004.965
Impairment losses and amortisation at 1 January	704.697
Depreciation for the year	277.390
Impairment losses and amortisation at 31 December	982.087
Carrying amount at 31 December	1.022.878

6 Tangible assets

	Plant and machinery DKK
Cost at 1 January	5.754.918
Additions for the year	216.939
Cost at 31 December	5.971.857
Depreciation at 1 January	4.889.427
Depreciation for the year	383.951
Depreciation at 31 December	5.273.378
Carrying amount at 31 December	698.479

Notes

7 Equity

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 January DKK	Debt at 31 December DKK	Instalment next year DKK	Debt outstanding after 5 years DKK
Payables to group enterprises	2.097.245	2.025.114	0	0
	2.097.245	2.025.114	0	0

2018 DKK	2017 DKK
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9 Rent and lease liabilities

Operating lease liabilities.
Total future lease payments:

Within 1 year	262.500	495
	262.500	495

Notes

10 Contingent assets, liabilities and other financial obligations

The company has issued a gurantee of DKK 800.000 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 company's assets in the amount of DKK 4.250.000.

Accounting policies

The annual report of Schjerning Farver A/S for 2018 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 and with the option of individual provisions from reporting class C.

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

The annual report for 2018 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 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 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 is 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 costs of 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

Costs of 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.

Depreciation

Depreciation comprise the year's depreciation of intangible assets and 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 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, is recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly in equity.

Accounting policies

Balance sheet

Intangible assets

Software is measured at cost less accumulated amortisation and impairment losses. Software is amortised on a straight-line basis over 5-6 years.

Tangible assets

Items of 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.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

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

	Useful life
Plant and machinery	5 - 10 years

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, respectively.

Leases

All 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 at cost 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/production overheads.

Accounting policies

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.

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 recognised under 'Current assets' comprises expenses 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.

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.

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.

Accounting policies

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 payables, 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.