

# Schjerning Farver A/S

Østerallé 21, 8400 Ebeltoft

**CVR-nr. 10 91 10 87**

**Annual report for the period  
1 January to 31 December 2017**

The annual report is presented and  
adopted at the company's annual  
general meeting on 14/02 2018

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Niels Løber  
Chairman of the meeting

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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 2017.

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

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

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, 14 February 2018

### 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 2017, which comprise income statement, balance sheet, statement of changes in equity, notes and summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

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

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We 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 judgement 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, 14 February 2018

### **Baker Tilly Denmark**

Godkendt Revisionspartnerselskab  
CVR no. 35 25 76 91

Ramazan Turan  
State Authorised Public Accountant  
MNE no. mne32779

Henrik Konrad Hedelund  
State Authorised Public Accountant  
MNE no. mne42789

## Company details

The company	Schjerning Farver A/S Østerallé 21 8400 Ebeltøft
	CVR no.: 10 91 10 87
	Reporting period: 1 January - 31 December 2017
	Incorporated: 3. July 1987
	Domicile: Syddjurs
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 Ebeltøft

## 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 870.961, and the balance sheet at 31 December 2017 shows equity of DKK 4.608.126.

### 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	2017 1/1-31/12 DKK	2016 1/7-31/12 DKK
<b>Gross profit</b>		<b>6.313.723</b>	<b>3.084.315</b>
Staff costs	1	-4.623.244	-2.317.748
<b>Earnings Before Interest Taxes Depreciation and Amortization</b>		<b>1.690.479</b>	<b>766.567</b>
Depreciation of software and plant and machinery		-467.667	-224.853
<b>Profit before financial income and expenses</b>		<b>1.222.812</b>	<b>541.714</b>
Financial income	2	500	0
Financial costs	3	-89.271	-139.213
<b>Profit before tax</b>		<b>1.134.041</b>	<b>402.501</b>
Tax on profit for the year	4	-263.081	-92.258
<b>Net profit/loss for the year</b>		<b>870.960</b>	<b>310.243</b>
Retained earnings		870.960	310.243
		<b>870.960</b>	<b>310.243</b>

## Balance sheet 31 December

	Note	2017 DKK	2016 DKK
<b>Assets</b>			
Software		1.300.267	690.786
<b>Intangible assets</b>	5	<b>1.300.267</b>	<b>690.786</b>
Plant and machinery		865.491	1.188.902
<b>Tangible assets</b>	6	<b>865.491</b>	<b>1.188.902</b>
Deposits		280.000	280.000
<b>Fixed asset investments</b>		<b>280.000</b>	<b>280.000</b>
<b>Fixed assets total</b>		<b>2.445.758</b>	<b>2.159.688</b>
Raw materials and consumables		3.444.917	2.969.821
Work in progress		827.967	94.771
Finished goods and goods for resale		1.475.822	1.713.878
<b>Stocks</b>		<b>5.748.706</b>	<b>4.778.470</b>
Trade receivables		3.388.686	4.054.389
Receivables from group enterprises		136.639	15.265
Other receivables		172.453	100.761
Prepayments		89.737	88.691
<b>Receivables</b>		<b>3.787.515</b>	<b>4.259.106</b>
<b>Cash at bank and in hand</b>		<b>33.531</b>	<b>35.006</b>
<b>Current assets total</b>		<b>9.569.752</b>	<b>9.072.582</b>
<b>Assets total</b>		<b>12.015.510</b>	<b>11.232.270</b>

## Balance sheet 31 December

	Note	2017 DKK	2016 DKK
<b>Liabilities and equity</b>			
Share capital		500.000	500.000
Retained earnings		4.108.125	3.237.166
<b>Equity</b>	7	<b>4.608.125</b>	<b>3.737.166</b>
Provision for deferred tax		274.082	72.513
<b>Provisions total</b>		<b>274.082</b>	<b>72.513</b>
Payables to group enterprises		2.097.245	2.025.855
<b>Long-term debt</b>	8	<b>2.097.245</b>	<b>2.025.855</b>
Banks		963.658	1.242.882
Trade creditors		1.338.242	1.134.067
Corporation tax		257	355.302
Other payables		2.733.901	2.664.485
<b>Short-term debt</b>		<b>5.036.058</b>	<b>5.396.736</b>
<b>Debt total</b>		<b>7.133.303</b>	<b>7.422.591</b>
<b>Liabilities and equity total</b>		<b>12.015.510</b>	<b>11.232.270</b>
Rental agreements and lease commitments	9		
Contingent assets, liabilities and other financial obligations	10		
Charges and securities	11		

## Equity

	<u>Share capital</u>	<u>Retained</u>	<u>Total</u>
	DKK	earnings	DKK
Equity at 1 January	500.000	3.237.165	3.737.165
Net profit/loss for the year	0	870.960	870.960
<b>Equity at 31 December</b>	<b><u>500.000</u></b>	<b><u>4.108.125</u></b>	<b><u>4.608.125</u></b>

## Notes to the Annual Report

	2017 1/1-31/12 DKK	2016 1/7-31/12 DKK
<b>1 Staff costs</b>		
Wages and salaries	3.922.879	2.004.160
Pensions	505.151	211.102
Other staff costs	195.214	102.486
	<b>4.623.244</b>	<b>2.317.748</b>
Average number of employees	23	21
<b>2 Financial income</b>		
Other financial income	500	0
	<b>500</b>	<b>0</b>
<b>3 Financial costs</b>		
Interest paid to group enterprises	71.390	9.007
Other financial costs	13.093	61.952
Exchange loss	4.788	68.254
	<b>89.271</b>	<b>139.213</b>
<b>4 Tax on profit for the year</b>		
Current tax for the year	61.512	147.745
Deferred tax for the year	201.569	-55.487
	<b>263.081</b>	<b>92.258</b>

## Notes to the Annual Report

### 5 Intangible assets

	Software DKK
Cost at 1 January	1.308.797
Additions for the year	696.167
Cost at 31 December	<u>2.004.964</u>
Depreciation for the year at 1 January	618.011
Depreciation for the year	86.686
Depreciation for the year at 31 December	<u>704.697</u>
<b>Carrying amount at 31 December</b>	<b><u><u>1.300.267</u></u></b>

### 6 Tangible assets

	Plant and machinery DKK
Cost at 1 January	5.762.708
Additions for the year	57.570
Disposals for the year	-65.360
Cost at 31 December	<u>5.754.918</u>
Depreciation at 1 January	4.573.806
Depreciation for the year	380.981
Reversal of depreciation of sold assets	-65.360
Depreciation at 31 December	<u>4.889.427</u>
<b>Carrying amount at 31 December</b>	<b><u><u>865.491</u></u></b>

## Notes to the Annual Report

### 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	Payment within 1 year DKK	Debt after 5 years DKK
Payables to group enterprises	2.025.855	2.097.245	0	0
	<b>2.025.855</b>	<b>2.097.245</b>	<b>0</b>	<b>0</b>

2017 DKK	2016 DKK
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### 9 Rental agreements and lease commitments

Operating lease commitments.

Total future lease payments:

Within 1 year	495.000	495.000
	<b>495.000</b>	<b>495.000</b>

## Notes to the Annual Report

### 10 Contingent assets, liabilities and other financial obligations

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



## Accounting policies

The annual report of Schjerning Farver A/S for 2017 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 2017 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 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.

### Depreciation

depreciation comprise the year's depreciation of intangible assets and plant and machinery.

### 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, realised and unrealised capital/exchange gains and losses on securities and foreign currency transactions 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

Software is measured at cost less accumulated amortisation and impairment losses. Software is amortised on a straight-line basis over 8 years.

#### Tangible assets

Items of plant and machinery 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	Residual value
Plant and machinery	4 - 10 years	0 %

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

#### 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 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.

## 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.

### Provisions

Provisions comprise expected deferred tax. Provisions are recognised when a result of a past event when the company 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.

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 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.