

Schjerning Farver A/S

Østerallé 21, 8400 Ebeltoft

CVR no. 10 91 10 87

**Annual report for the period
1. january to 31. december 2021**

Adopted at the annual general meeting on 9 February
2022

Roelof Guido Benning
chairman



Table of contents

	Page
Statements	
Statement by management on the annual report	1
Independent auditor's report	2
Management's review	
Company details	5
Management's review	6
Financial statements	
Income statement 1 January - 31 December	7
Balance sheet 31 December	8
Statement of changes in equity	10
Notes to the annual report	11
Accounting policies	14

Statement by management on the annual report

The supervisory board and executive board have today discussed and approved the annual report of Schjerning Farver A/S for the financial year 1. januar - 31. december 2021.

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 2021 and of the results of the company's operations for the financial year 1. januar - 31. december 2021.

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

Management recommends that the annual report should be approved by the company in general meeting.

Ebeltoft, 9 February 2022

Executive board

Irene Katballe

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. januar - 31. december 2021, which comprise a summary of significant accounting policies, income statement, balance sheet, statement of changes in equity and notes. 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 2021 and of the results of the company's operations for the financial year 1. januar - 31. december 2021 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' 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 and IESBA Code. 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.

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.

Independent auditor's report

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism 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.

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.

Independent auditor's report

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, 9 February 2022

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. januar - 31. december 2021 Incorporated: 3 juli 1987 Domicile: Syddjurs kommune
Supervisory board	Roelof Benning, chairman Michel Wessel Niels Løber Herman Cornelis Streefkerk
Executive board	Irene Katballe
Auditors	Baker Tilly Denmark Godkendt Revisionspartnerselskab Poul Bundgaards Vej 1, 1. 2500 Valby
Lawyers	Bach Advokataktieselskab Bredegade 3 1260 København
Bankers	Sparekassen Kronjylland Strandvejen 9 8400 Ebeltoft Sydbank Store Torv 12 8000 Aarhus C

Management's review

Business review

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

Financial review

The company's income statement for the year ended 31 December 2021 shows a profit of DKK 424.831, and the balance sheet at 31. december 2021 shows equity of DKK 3.065.376.

Significant events occurring after the end of the financial year

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	2021 DKK	2020 DKK
Gross profit		14.703.573	7.030.119
Staff costs	2	-13.724.004	-5.648.177
Depreciation of plant and machinery		-211.422	-744.859
Profit/loss before net financials		768.147	637.083
Financial income		48.197	8.850
Financial costs	3	-271.387	-129.074
Profit/loss before tax		544.957	516.859
Tax on result for the year	4	-120.126	242.171
Profit/loss for the year		424.831	759.030
Recommended appropriation of profit/loss			
Retained earnings		424.831	759.030
		424.831	759.030

Balance sheet 31 December

	Note	2021	2020
		DKK	DKK
Assets			
Plant and machinery		544.766	648.151
Other fixtures and fittings, tools and equipment		70.626	0
Tangible assets	5	615.392	648.151
Total non-current assets		615.392	648.151
Raw materials and consumables		4.539.021	4.028.818
Work-in-progress		589.377	110.865
Finished goods and goods for resale		1.569.762	1.776.775
Inventories		6.698.160	5.916.458
Trade receivables		4.264.826	5.188.730
Receivables from group enterprises		96.497	1.017.033
Other receivables		70.369	50.301
Deferred tax asset		122.045	242.171
Prepayments		0	83.502
Receivables		4.553.737	6.581.737
Cash at bank and in hand		1.226.963	995.671
Total current assets		12.478.860	13.493.866
Total assets		13.094.252	14.142.017

Balance sheet 31 December

	Note	2021	2020
		DKK	DKK
Equity and liabilities			
Share capital		500.000	500.000
Retained earnings		2.565.376	2.140.545
Equity	6	3.065.376	2.640.545
Payables to group enterprises		3.300.024	1.202.243
Other payables		885.483	875.632
Total non-current liabilities	7	4.185.507	2.077.875
Short-term part of long-term debet	7	1.425.000	1.425.000
Banks		935.582	999.794
Trade creditors		500.870	1.804.059
Payables to group enterprises		1.236.954	3.032.479
Other payables		1.744.963	2.162.265
Total current liabilities		5.843.369	9.423.597
Total liabilities		10.028.876	11.501.472
Total equity and liabilities		13.094.252	14.142.017

Statement of changes in equity

	Share capital	Retained earnings	Total
	DKK	DKK	DKK
Equity at 1 January	500.000	2.140.545	2.640.545
Net profit/loss for the year	0	424.831	424.831
Equity at 31 December	500.000	2.565.376	3.065.376

Notes

1 Contingent assets

The Company has received DKK 120K in compensation for the salary due COVID-19.

	2021	2020
	DKK	DKK
2 Staff costs		
Wages and salaries	12.995.312	4.937.297
Pensions	868.736	531.951
Other social security costs	22.486	0
Other staff costs	323.660	178.929
	14.210.194	5.648.177
Transfer to production wages	-486.190	0
	13.724.004	5.648.177
Average number of employees	35	28
3 Financial costs		
Interest paid to group enterprises	97.320	75.502
Other financial costs	62.906	35.061
Exchange loss	111.161	18.511
	271.387	129.074
4 Tax on result for the year		
Deferred tax for the year	120.126	-242.171
	120.126	-242.171

Notes

5 Tangible assets

	Plant and machinery	Other fixtures and fittings, tools and equipment
	DKK	DKK
Cost at 1 January	6.547.499	0
Additions for the year	108.037	70.626
Cost at 31 December	<u>6.655.536</u>	<u>70.626</u>
Depreciation at 1 January	5.899.348	0
Depreciation for the year	211.422	0
Depreciation at 31 December	<u>6.110.770</u>	<u>0</u>
Carrying amount at 31 December	<u>544.766</u>	<u>70.626</u>

6 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.

7 Long term debt

	Debt at 1 January	Debt at 31 December	Instalment next year	Debt outstanding after 5 years
	DKK	DKK	DKK	DKK
Payables to group enterprises	2.627.243	4.725.024	1.425.000	0
Other payables	875.632	885.483	0	0
	<u>3.502.875</u>	<u>5.610.507</u>	<u>1.425.000</u>	<u>0</u>

Notes

	<u>2021</u>	<u>2020</u>
	DKK	DKK
8 Rent and lease liabilities		
Operating lease liabilities.		
Total future lease payments:		
Within 1 year	<u>285.444</u>	<u>268.077</u>
	<u>285.444</u>	<u>268.077</u>

9 Contingent assets, liabilities and other financial obligations

The Company has issued a gurantee of DKK 800k regarding third party relation.

10 Mortgages and collateral

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 2021 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, as well as provisions applying to reporting class C entities.

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

The annual report for 2021 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 installments 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

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.

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.

Accounting policies

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 operating income

Other operating income comprises items of a secondary nature relative to the company's activities, including gains on the sale of intangible assets and items of property, plant and equipment.

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 plant and equipment.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that relate 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, liabilities and foreign currency transactions, amortisation of financial assets and liabilities and surcharges and allowances under the Danish Tax Prepayment Scheme, etc.

Tax on result 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

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. 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
Plant and machinery	5 - 10 years
Other fixtures and fittings, tools and equipment	5 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.'.

Inventories

Inventories 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.

The net realisable value of inventories is calculated as the expected selling price less direct 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.

Prepayments

Prepayments recognised under 'Current assets' comprises expenses incurred concerning subsequent financial years.

Cash and cash equivalents

Cash and cash equivalents comprise cash and deposits at banks.

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 at net realisable value.

Deferred tax assets, including the tax base of tax losses allowed for carry forward, are measured at the value to which the asset is expected to be realised, either as a set-off against tax on future income or as a set-off against deferred tax liabilities within the same legal tax entity. Any deferred net tax assets are measured at net realisable value.

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 net 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.

Deferred income

Deferred income recognised under 'Current liabilities' comprises payments received concerning income in subsequent financial years.

Accounting policies

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 instruments are considered cash flow hedges, any unrealised value adjustments are taken directly to a fair value reserve under '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 translated at the exchange rate at the transaction date.