

**UNITED
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549
FORM 10-QSB

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2003

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File number 0-25541

STARBERRYS CORPORATION

(Exact name of registrant as specified in charter)

Nevada
(State or other jurisdiction of
incorporation or organization)

21—2236 Folkestone Way
West Vancouver, BC, Canada
(Address of principal executive offices)

91-1948357
(I.R.S. Employer
Identification No.)

V7S 2X7
(Zip Code)

604-922-0113
Registrant's telephone number, including area code

(Former name, address, and fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), Yes No and () has been subject to filing requirements for the past 90 days. Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the last practicable date.

Class	Outstanding as of June 30, 2003
Common Stock, \$0.001 per share	13,311,200

INDEX

PART 1.

ITEM 1. [Financial Statements](#)

[Balance Sheet as at June 30, 2003 and September 30, 2002](#)

[Statement of Operations](#)

[For the three months ended June 30, 2003 and 2002, the nine months ended June 30, 2003 and 2002 and for the period from October 8, 1998 \(Date of Inception\) to June 30, 2003](#)

[Statement of Cash Flows](#)

[For the nine months ended June 30, 2003 and 2002 and for the period from October 8, 1998 \(Date of Inception\) to June 30, 2003](#)

[Notes to Financial Statements](#)

ITEM 2. [Plan of Operations](#)

PART 11. [Signatures](#)

three months ended June 30, 2003 and 2002, the nine months to June 30, 2003 and 2002 and for the period from October 8, 1998 (date of inception) to June 30, 2003 and the statement of cash flow for the nine months ended June 30, 2003 and 2002 and for the period from October 8, 1998 (date of inception) to June 30, 2003 have been prepared by the Company's management in conformity with accounting principles generally accepted in the United States of America. In the opinion of management, all adjustments considered necessary for a fair presentation of the results of operations and financial position have been included and all such adjustments are of a normal recurring nature.

Operating results for the nine months ended June 30, 2003 are not necessarily indicative of the results that can be expected for the year ending September 30, 2003.

STARBERRYS CORPORATION
(A Development Stage Company)

BALANCE SHEET

June 30, 2003 and September 30, 2002
(Unaudited - Prepared by Management)

	June 30, 2003	September 30, 2002
ASSETS		
CURRENT ASSETS		
Bank	\$ 0	\$ 553
Prepaid expenses	10,000	0
TOTAL CURRENT ASSETS	10,000	553
Deposits pursuant to Letters of Intent and Purchase Agreement	897,777	0
TOTAL ASSETS	\$ 907,777	\$ 553
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Bank overdraft	\$ 94,285	\$ 0
Accounts payable and accrued liabilities	271,087	112,056
Shareholder and other loans payable	1,061,314	0
TOTAL CURRENT LIABILITIES	1,426,686	112,056
STOCKHOLDERS' EQUITY		
Common stock 200,000,000 shares authorized, at \$0.001 par value; 13,311,200 (2002 - 10,561,200) shares issued and outstanding	\$ 13,311	\$ 10,561
Capital in excess of par value	91,281	91,281
Stock subscriptions receivable	(2,750)	0
Deficit accumulated during the development stage	(620,751)	(213,345)
TOTAL STOCKHOLDERS' DEFICIENCY	(518,909)	(111,503)
TOTAL LIABILITIES & STOCKHOLDERS' DEFICIENCY	\$ 907,777	\$ 553

The accompanying notes are an integral part of these unaudited financial statements.

STARBERRYS CORPORATION
(A Development Stage Company)

STATEMENT OF OPERATIONS

For the three and nine months ended June 30, 2003 and 2002,
and for the period from October 8, 1998 (Date of Inception) to June 30, 2003

(Unaudited - Prepared by Management)

	For the Three Months Ended June 30, 2003	For the Three Months Ended June 30, 2002	For the Nine Months Ended June 30, 2003	For the Nine Months Ended June 30, 2002	From Inception To June 30, 2003
SALES	\$ —	\$ —	\$ —	\$ —	\$ —
GENERAL AND ADMINISTRATIVE EXPENSES:					
Loss of license	—	—	—	—	50,000
Accounting and audit	1,445	—	5,080	1,900	26,713

Bank charges and interest	302	—	599	34	1,148
Consulting	56,744	—	70,744	—	88,657
Filing fees	1,073	—	4,281	—	9,796
Legal	149,773	—	268,404	—	359,412
Office and administration	6,567	—	18,944	14	23,341
Rent	—	—	—	—	4,500
Telephone	—	—	—	—	2,700
Transfer agent's fees	642	—	2,475	1,664	11,313
Travel	13,631	—	14,007	—	17,423
Website fees	—	—	—	—	500
Foreign exchange loss	21,529	—	22,871	—	22,880
Miscellaneous other	—	—	—	—	2,368
NET LOSS	\$ (251,706)	\$ —	\$ (407,405)	\$ (3,612)	\$ (620,751)
NET LOSS PER COMMON SHARE					
Basic	\$ (0.02)	\$ —	\$ (0.03)	\$ —	
TOTAL OUTSTANDING SHARES					
Basic	<u>13,311,200</u>	<u>10,535,000</u>	<u>13,311,200</u>	<u>10,535,000</u>	

The accompanying notes are an integral part of these unaudited financial statements.

5

STARBERRYS CORPORATION
(A Development Stage Company)

STATEMENT OF CASH FLOWS

For the nine months ended June 30, 2003 and 2002 and for the period from October 8, 1998 (Date of Inception) to June 30, 2003

(Unaudited - Prepared by Management)

	For the Nine Months Ended June 30, 2003	For the Nine Months Ended June 30, 2002	From Inception To June 30, 2003
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	\$ (407,405)	\$ (3,612)	\$ (620,751)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Changes in current assets and liabilities:			
Capital contributions — expenses	—	—	10,950
Prepaid expenses	(10,000)	135	(10,000)
Accounts payable	159,030	3,493	271,087
Net cash (deficiency) from operations	<u>(258,375)</u>	<u>16</u>	<u>(348,714)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Deposits pursuant to Letters of Intent and Purchase Agreement	<u>(897,777)</u>	<u>—</u>	<u>(897,777)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from loans	1,061,314	—	1,061,314
Proceeds from issuance of common stock	<u>0</u>	<u>—</u>	<u>90,892</u>
Net Increase (Decrease) in Cash	<u>(94,838)</u>	<u>16</u>	<u>(94,285)</u>
Cash at Beginning of Period	<u>553</u>	<u>2</u>	<u>—</u>
CASH (BANK OVERDRAFT) AT END OF PERIOD	\$ (94,285)	\$ 18	\$ (94,285)

The accompanying notes are an integral part of these unaudited financial statements.

6

STARBERRYS CORPORATION
(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

June 30, 2003

(Unaudited - Prepared by Management)

1. ORGANIZATION

The Company was incorporated under the laws of the State of Nevada on October 8, 1998 under the name of "Cigar King Corporation" with authorized common stock of 200,000,000 shares at \$0.001 par value. On September 13, 2002 the name was changed to "Starberrys Corporation" and the authorized capital stock was changed by the addition of 50,000,000 shares of preferred stock with a par value of \$0.001. There are no preferred shares issued and the terms have not been determined.

The Company was originally organized for the purpose of engaging in quality cigar sales. During 1998 the Company purchased the right to use the name "Cigar King" to market high quality cigars. During 2000 the activity was abandoned. Under a new board of directors and management during 2002, the Company signed a Letter of Intent, dated November 29, 2002 and amended and extended on March 13, 2003 and on June 25, 2003, outlining the terms of a proposed acquisition of all of the assets and intellectual property related to the CBN and "Color by Numbers" business and system (see Note 7). On April 9, 2003, the Company signed a Purchase Agreement for the acquisition of all of the shares of the company which owns the Natural Colour System, a colour notation/specification system used worldwide among professionals in architecture, design, paint and building products (see Note 8). No operations have been started.

The Company is in the development stage.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Methods

The Company recognizes income and expenses based on the accrual method of accounting.

Dividend Policy

The Company has not yet adopted a policy regarding payment of dividends.

Income Taxes

On June 30, 2003 the Company had a net operating loss carry forward of \$613,751. The tax benefit of approximately \$184,000 from the loss carry forward has been fully offset by a valuation reserve because the use of the future tax benefit is doubtful since the Company has no operations. The net operating loss will expire in 2022.

7

Basic and Diluted Net Income (Loss) Per Share

Basic net income (loss) per share amounts are computed based on the weighted average number of shares actually outstanding. Diluted net income (loss) per share amounts are computed using the weighted average number of common shares and common equivalent shares outstanding as if shares had been issued on the exercise of the common share rights unless the exercise becomes antidilutive and then only the basic per share amounts are shown in the report.

Cash and Cash Equivalents

The Company considers all highly liquid instruments purchased with a maturity, at the time of purchase, of less than three months, to be cash equivalents.

Financial Instruments

The carrying amounts of financial instruments, including cash and accounts payable, are considered by management to be their estimated fair values.

Estimates and Assumptions

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of the assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing these financial statements.

Foreign Currency Translation

Part of the transactions of the Company were completed in Canadian dollars and have been translated to US dollars as incurred, at the exchange rate in effect at the time, and, therefore, no gain or loss from the translations is recognized. US dollars are considered to be the functional currency.

3. COMMON CAPITAL STOCK

Since its inception, the Company has completed private placements of 13,311,200 shares of its common capital stock for \$93,642. See also Subsequent Events note.

4. COMMON CAPITAL STOCK OPTIONS

On June 6, 2002 the Company granted stock options to related parties of 1,140,000 shares of common stock at \$1.00 per share which will expire on June 6, 2005. On January 13, 2003,

8

210,000 of these options were cancelled. In April 2003, an additional 420,000 of these options were cancelled. The options outstanding at June 30, 2003 for 510,000 shares vest in equal proportions of one-twelfth on the first day of each calendar quarter starting the October to December 2002 quarter. (See Note 8.) On the date of the grant the fair value of outstanding shares of the Company was less than \$1.00. As there have been no transactions involving the Company's shares since common stock was sold from Treasury in June 2003 at the par value of \$0.001 per share, it is assumed that the options vested to June 30, 2003 have no value.

5. SHAREHOLDER LOANS AND OTHER LOANS PAYABLE

During the nine months ended June 30, 2002, loans of \$561,314 were advanced to the Company by shareholders and a loan of \$500,000 was advanced to the Company by a third party. The loans from shareholders are non-interest bearing and unsecured. The third party loan bears interest at the rate of 15% per annum, payable monthly, and is secured by the pledge of Company shares from directors, officers and certain others.

6. RELATED PARTY TRANSACTIONS

Officers, directors and key consultants have acquired 43% of the outstanding common stock and have received the stock options outlined in Note 4.

7. DEPOSITS PURSUANT TO LETTER OF INTENT AND TO PURCHASE AGREEMENT

The Company signed a Letter of Intent on November 29, 2002, amended and extended on March 13, 2003, and further extended on June 25, 2003, with eVision Technologies Inc. and Mr. Ken Turpin ("the Vendors") outlining the general terms of a proposed acquisition by the Company or its assigns for \$5,000,000 of all of the assets and intellectual property related to the CBN and "Color by Numbers" business owned by the Vendors. The acquisition is subject to, amongst other items, completion of due diligence satisfactory to the Company, negotiating a definitive purchase agreement and the obtaining of the required financing for the purchase. In consideration for certain undertakings given by the Vendors, the Company agreed to make monthly payments of CDN\$50,000 commencing January 1, 2003 and payments of CDN\$300,000 on June 30, 2003 and CDN\$200,000 on August 15, 2003 as deposits toward the agreed purchase price.

On April 9, 2003 the Company signed a Definitive Purchase Agreement with Mälaremästarnas Riksförening, the owner of all the shares of Skandinaviska Färginstitut AB (the Scandinavian Colour Institute or "SCI") which owns the colour notation system Natural Color Systems ("NCS"), subject to certain conditions, containing the terms of an acquisition by the Company or its assigns for a price of SEK 35,000,000 of all the shares of SCI. Pursuant the terms of that agreement, on June 30, 2003 the Company deposited \$436,832 into an escrow account as the initial payment for the purchase.

9

A summary of these deposits is:

	In CDN \$	CDN \$ Deposits converted to US \$	In US \$	Total in US \$
Deposits made to:				
eVision Technologies Inc.	650,000.00	460,945.00	0.00	460,945.00
Karlero & Co., in trust	0.00	0.00	436,832.00	436,832.00
Total	650,000.00	460,945.00	436,832.00	897,777.00

8. SUBSEQUENT EVENTS

Subsequent to June 30, 2003, the Company refunded the subscription proceeds to the only three individuals who subscribed for a total of 26,200 common shares of the Company in July 2002 pursuant to an Offering Memorandum for Non-Qualifying Issuers dated July 8, 2002. As that Offering Memorandum indicated that the intended use of funds was for a business different from the activities now planned for the Company, the Company and those shareholders agreed that their subscription proceeds of \$13,100 should be refunded and the shares then purchased cancelled.

On August 18, 2003, the Company and Mälaremästarnas Riksförening, the owner of all the shares of Skandinaviska Färginstitut AB ("SCI"), signed an agreement to suspend the Closing Date of the purchase of all of the outstanding shares of SCI, pursuant to the April 9, 2003 Agreement on the Sale and Purchase of Shares, from August 31, 2003 to November 30, 2003.

9. GOING CONCERN

The Company does not have the working capital to service its debt and for any future planned activity. The Company's management believes they can obtain the necessary working capital needed to pay its debt and for any future planned activity by receiving loans from officers, directors and shareholders, and by additional equity funding which will enable the Company to operate for the coming year.

10

ITEM 2. PLAN OF OPERATIONS

Under new management and Board of Directors, the Company is in process of raising funds and acquiring assets and an operating company for the purposes of engaging in a new business. The Company has signed a Letter of Intent (amended and extended on 13 March 2003 and further extended on 25 June 2003) with eVision Technologies Inc. and Mr. Ken Turpin ("the Vendors") outlining the general terms of a proposed acquisition by the Company of all of the assets and intellectual property related to the CBN and digital "Color By Numbers" business owned by the Vendors.

In addition, the Company signed a Letter of Intent on 19 January 2003 with Mälaremästarnas Riksförening, the owner of all the shares of Skandinaviska Färginstitut AB ("SCI" or The Scandinavian Colour Institute) which owns the colour notation system Natural Color Systems ("NCS") and the Scandinavian Colour School, outlining the general terms of a proposed acquisition by the Company of all of the shares of SCI. On 9 April 2003 the Company signed a Definitive Purchase Agreement to complete the acquisition, subject to certain conditions, of all the shares of SCI for a price of SEK 35,000,000 (see attached Exhibit A). Subsequent to 30 June 2003 that Agreement was amended to change the Closing Date from 31 August 2003 to 30 November 2003. NCS is the leading colour notation system in Europe and is also highly regarded around the world. It is the national standard for colour in Sweden, Norway, Spain and South Africa.

The Company intends to expand the NCS revenues in both existing markets and new markets in the colour world through the addition of its marketing expertise, financial resources and network of contacts, and to deploy the technology of CBN, an important element of which is to extend the NCS product offerings to existing NCS customers through the application of the CBN technology.

Liquidity and Capital Resources

The process of raising funds has been initiated to fund these new activities.

Results of Operations

The Company has had no revenues from operations since its inception.

Changes in Securities

On 2 June 2003 the Company issued 2,750,000 common shares from Treasury at the par value price of \$0.001 each, or total proceeds of \$2,750, to be paid upon delivery of the shares pursuant to an agreement entered into by the Company in November 2002. The five purchasers are either members of the Company's Board of Directors or key consultants to the Company who are expecting to join the Company's management team in the near future. These shares were sold in

11

reliance on the exemption provided by Section 4 (2) of the U.S Securities Act of 1933 and by Rule 701 of the Securities Act.

Subsequent to 30 June 2003 the Company cancelled 26,200 common shares issued from Treasury in July 2002 to three Canadian subscribers pursuant to a 8 July 2002 Offering Memorandum for Non-Qualifying Issuers with respect to a business unrelated to the present plans of the Company, and refunded their subscription proceeds.

Exhibits and Reports on Form 8-K

The Company filed a Form 8-K report on 28 May 2003 with respect to the proposed acquisition of all the shares of Skandinaviska Färginstitutet AB ("SCI" or The Scandinavian Colour Institute). No financial statements were filed related to that pending acquisition. The purchase agreement for that acquisition is appended as Exhibit A to this Form 10-QSB.

12

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

STARBERRYS CORPORATION
(Registrant)

By: /s/ "JOHN H. GOODWIN"
John H. Goodwin, President and CEO
Date: August 28, 2003

In accordance with the Exchange Act, this report has been signed below by the following persons on its behalf by the registrant and in the capacities and on the dates indicated.

By: /s/ "JOHN H. GOODWIN"
John H. Goodwin, President and CEO
Date: August 28, 2003

By: /s/ "KENNETH R. TOLMIE"
Kenneth R. Tolmie, Chief Financial Officer and Secretary
Date: August 28, 2003

13

**CERTIFICATION PURSUANT TO
SECTION 302(a) OF THE SARBANES-OXLEY ACT OF 2002**

I, John H. Goodwin, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the nine months ended June 30, 2003 of Starberrys Corporation, the registrant;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 45 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors:
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: August 28, 2003

/s/ JOHN H. GOODWIN

John H. Goodwin
Chief Executive Officer

**CERTIFICATION PURSUANT TO
SECTION 302(a) OF THE SARBANES-OXLEY ACT OF 2002**

I, Kenneth R. Tolmie, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the nine months ended June 30, 2003 of Starberrys Corporation, the registrant;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 45 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors:
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: August 28, 2003

/s/ KENNETH R. TOLMIE

**Kenneth R. Tolmie
Chief Financial Officer**

AGREEMENT ON THE SALE AND PURCHASE OF SHARES

This Agreement has been made on the date set out below between

1. **Målaremästarnas Riksförening** (hereinafter referred to as “the Seller”), with the registration number 802002-3886, an interest organization incorporated under the laws of Sweden with its office located in Skeppsbron 40, Box 16 286, 103 25 Stockholm, Sweden.

And

2. **Starberrys Corporation** (hereinafter referred to as “the Buyer”), a company incorporated under the laws of Nevada, USA with its head office located in Suite 21, 2236 Folkestone Way, West Vancouver B.C. Canada V7S 2X7.

Background

The Seller owns all the shares in the company Skandinaviska Färginstitutet AB a company incorporated under the laws of Sweden (“the Company”), registered under number 556045-5288.

The Company provides a colour notation system, the Natural Colour System (“NCS”), which is a well know colour language. It is the only colour system, which describes colour exactly as we see it. Design professionals and industries use NCS as a tool for precise colour communication, selection and specification. Subject to granted licences the Company owns all rights to NCS, all shares in the subsidiary Skandinaviska Färgskolar, AB, registered under number 556473-0793 and all shares in the subsidiaries NCS Colour Centre SA/NV in Belgium, NCS Colour Centre GmbH in Germany and one not active company incorporated under the laws of Sweden, Färgsättningstjänsten i Sverige AB, with the registration number 556296-9914. Exhibit 1.

The Company and its subsidiaries as described above and defined in accordance with Chapter 1, Section 2 of the Swedish Companies Act are hereinafter referred to as “the Group Companies” or “the Group”.

1

1. Transfer of shares and certain definitions

- 1.1. Upon the terms and conditions herein contained, the Seller sells and transfers as per August 31st, 2003 to the Buyer, or to any other party that the buyer assigns, all 15,000 shares, representing all of the outstanding capital stock of the Company and having a par value of SEK 100 each.
- 1.2. Consummation of the transactions contemplated herein shall be effected on, August 31st, 2003 (“the Closing Date”).
- 1.3. The transfer is, inter alia, based on a balance sheet (“the Balance Sheet”) made on August 31st, 2002. (“the Balance Sheet Date”). Exhibit 2.

2. Purchase sum and payment

- 2.1. The purchase sum shall amount to SEK 35,000,000 exclusive of VAT to be paid in accordance with the following.
 - 2.1.1. Ten (10) per cent of the purchase sum, i.e., SEK 3,500,000 shall be deposited no later than on June 30th, 2003 to an escrow account with Karlerö & Co Advokarbyrå HB, Stockholm, Sweden on the terms and conditions pursuant to the Escrow Agreement format attached hereto as Exhibit 3.
 - 2.1.2. Sixty-five (65) per cent of the purchase sum, i.e. SEK 22,750,000 shall be paid in cash to a bank account designated by the Seller on or before the Closing Date.
 - 2.1.3. Twenty-five (25) per cent of the purchase sum, i.e. SEK 8,750,000, shall be paid on or before the Closing Date to an escrow account with Karlerö & Co Advokarbyrå HB, Stockholm, Sweden on the terms and conditions pursuant to the Escrow Agreement format attached hereto as Exhibit 3.

2

- 2.2. The amount deposited to the escrow account pursuant to sub-section 2.1.1 above shall be released to the Seller as per the Closing Date. If the Buyer prior to the Closing Date withdraws from the consummation of this Agreement without good cause due to the material breach by the Seller of its obligations under this Agreement, then the Buyer shall pay SEK 3,500,000 to the Seller as full and final compensation for such withdrawal. The amount in escrow pursuant to sub-section 2.2.1 above (i.e. SEK 3,500,000) shall unconditionally and irrevocably secure said obligation to compensate the Seller. If the Buyer would withdraw with good cause due to the material breach by the Seller of its obligations, then the Buyer has no obligation to compensate the Seller for the withdrawal and the amount in escrow shall not be released to the Seller. Notice of withdrawal shall be made in writing prior to the Closing Date. The amount paid per sub-section 2.1.3 above, secures claims by the Buyer under the representations and warranties made by the Seller in accordance with this Agreement. If the Buyer within three (3) months after the Closing Date has not made any such claim (in full or in part), the escrow amount shall be released to the Seller. The claimed amount shall be released to the Buyer. Notwithstanding the release of the escrow amount the Buyer is however always entitled to make claims during a twelve (12) months period after the Closing Date pursuant to sub-sections 21.1 and section 23.1 below.

The Buyer is pursuant to sub-section 23.1 regarding taxes and environmental issues entitled to make claims during three (3) years from the Closing Date.

- 2.3. It is agreed between the parties that the annual report of the Group for the fiscal year of 2002/2003 will be audited within three (3) months after the Closing Date.
- 2.4. The Seller shall deliver on the Closing Date all share certificates representing the shares transferred duly endorsed in blank together with any talons and dividend coupons against payment of the cash portion of the consideration.

3. The interim between the Letter of Intent Date and the Date of agreement

- 3.1. The Seller represents and warrants that, since the Letter of Intent Date (January 23rd, 2003) and until the Date of Agreement, unless otherwise provided in this Agreement, there has

3

not, with respect to business transactions of the Group Companies, been:

- 3.1.1. any change in the manner of conducting the business of the Group Companies relative to previously applied business principles, nor has there been any entering into agreements and undertakings by the Group Companies other than in the ordinary course of business or on terms and conditions generally applied in the respective company's field of business,
- 3.1.2. any change in employment compensation, pension and other employment benefits (except for changes caused by normal market conditions in Sweden) with respect to the personnel nor has there been any new employment or any termination of employment,
- 3.1.3. any divestment of, nor investment in any fixed assets,
- 3.1.4. any change in the backlog of orders with respect to terms and conditions, prices and credit risks,
- 3.1.5. any indebtedness (except ordinary credits from suppliers) incurred by the Group Companies either directly by way of loans or other credits, or indirectly by way of guarantee or pledge,
- 3.1.6. any payment of dividend or any similar distribution of funds or assets,
- 3.1.7. any payment of (or decision regarding) any group contribution ("koncernbidrag").

4. The interim between the Date of Agreement and the Closing Date

- 4.1. During the period from the Date of Agreement and until the Closing Date, the Seller shall take any necessary steps to cause the management of the Group to consult with the Buyer's representatives prior to all material business decisions outside ordinary course of business and to ensure that the Group's business activities will be carried out in accordance with pre-

4

viously applied business principles. The Buyer shall have unlimited rights to investigate and control the Seller's compliance with the provisions of this paragraph.

- 4.2. Prior approval from the Buyer's representative shall be required with respect to any of the following matters:

- 4.2.1. payment of dividend or similar distribution of funds or assets,
- 4.2.2. payment of group contribution ("koncernbidrag"),
- 4.2.3. new employment or termination of employment of personnel,
- 4.2.4. entering into any pension commitments,
- 4.2.5. sale of any fixed asset having a market value in excess of SEK 40,000,
- 4.2.6. acquisition of any single fixed asset having a value in excess of SEK 40,000,
- 4.2.7. entering into or amendment of any credit commitment (other than ordinary supplier's credits),
- 4.2.8. the granting of any credit (other than ordinary customer credits) or entering into guarantee commitments or the furnishing of any other security,
- 4.2.9. entering into, or amendment of any long-term or substantial agreement, any agreement with the Seller or any person or entity related to or associated with the Seller or entering into any other agreement outside the ordinary course of business,
- 4.2.10. change of prices or rebates outside the ordinary course of business.

5

5. Directors and auditors

- 5.1. Immediately upon the Closing Date, the Seller shall cause extraordinary shareholders' meetings of the Group Companies to be held for purposes of electing new directors and auditors.
- 5.2. The Seller covenants that the present directors and auditors may be removed from their positions without any claim for compensation or remuneration, and that these directors will not exercise their formal authority to represent the company.
- 5.3. The Buyer covenants that the next ordinary shareholders' meetings of the Group Companies will pass the necessary resolutions whereby the present directors will be discharged from liability with respect to their administration of the respective Group Company's affairs, provided, however, that the company's auditors will approve such discharge from liability.
- 5.4. The Seller agrees to cause general powers of attorney to be duly and validly issued as per the Closing Date in favor of persons appointed by the Buyer, which individuals shall have unlimited authority to represent the Group Companies in all matters until the new Board of Directors has been officially registered with the Swedish registration authority (sw: Patentoch Registreringsverket).

6. Closing Balance Sheet

- 6.1. As of the Closing Date a balance sheet and a profit and loss account for the twelve (12) months then ended, (hereinafter jointly referred to as the "Closing Balance Sheet") shall be prepared in accordance with the same accounting principles, which have been applied in preparation of the balance sheet and the profit and loss account as of the Balance Sheet Date. As a part of the preparation of the Closing Balance Sheet a complete physical inventory of stock and other assets of the Group shall thereby, at the Closing Date, jointly be performed by the Buyer and Seller.
- 6.2. The Closing Balance Sheet shall be prepared jointly by the Buyer and the Seller and in con-

sultation with the Group's present auditors and the auditors to be appointed.

- 6.3. Total equity of the Company shall be minimum SEK 10,076,000 as per Closing Date. The Buyer shall be compensated for any decrease, if the total equity is below said amount as of Closing Date.
Total equity is defined as equity plus seventy-two (72) percent of untaxed reserves as per the Balance Sheet Date plus seventy-two (72) percent of profit before tax as of Closing Date. Profit before tax shall, as of Closing Date, be minimum SEK 2,200,000.
Compensation to the Buyer shall be made by one (1) SEK for each one (1) SEK.

7. Valuation

- 7.1. In case of disagreement between the parties regarding any question in connection with the Closing Balance Sheet, any such unresolved question shall be submitted for final determination by two authorised public accountants of which, each party shall appoint one. Should the auditors so appointed not be able to submit within sixty (60) days from the Closing Date a joint written opinion, any such unresolved question shall, at the request of one of the parties, within ninety (90) days from the Closing Date, with binding effect for them, be finally resolved by one authorised public accountant appointed by the Stockholm Chamber of Commerce, Stockholm, Sweden. The accountant thus appointed shall give his opinion in writing.
- 7.2. If a party does not appoint an auditor in accordance with the above and within the time limits mentioned above, he is automatically bound by the decision made by the other party's appointed auditor.
- 7.3. Each party shall bear its own costs for his appointed auditor. The parties will in equal parts share the costs for the authorised public accountant in case such accountant is appointed.

8. Information about the Group

- 8.1. The information concerning the Group upon which the Buyer has relied in concluding this

Agreement is contained in the following documentation in addition to other documents and information disclosed hereunder:

- 8.1.1. Audited annual accounts for the years 97/98, 98/99, 99/00 and 00/01, in addition to the audited accounts as per the Balance Sheet Date, as attached hereto, Exhibit 4.
- 8.1.2. budgets and forecasts provided by the Seller, Exhibit 5, provided always that the Seller has not represented or warranted any results or developments of the Company's business for the future beyond the Closing Date,
- 8.1.3. articles of association and certificates of registration, Exhibit 6.
- 8.1.4. a schedule of employees including information regarding salaries and other employment benefits and employment contracts for key employees and labour union contracts as per the Date of Agreement Exhibit 7.
- 8.1.5. a schedule of long-term agreements including license-, distributor-and royalty agreements Exhibit 8.
- 8.1.6. a schedule of the Group Companies' intangible assets Exhibit 9.
- 8.1.7. a fixed assets register Exhibit 10.
- 8.1.8. a stock list as of February 28, 2003, Exhibit 11, which indicates the turnover rate and the principles for valuation and applied principles for write-off due to obsolescence,
- 8.1.9. a schedule of confirmed orders Exhibit 12.
- 8.1.10. a schedule of firm offers Exhibit 13.
- 8.1.11. a schedule of the accounting principles applied within the Group Exhibit 14.

- 8.1.12. price lists, including applicable rebates Exhibit 15.
- 8.1.13. general conditions Exhibit 16.
- 8.1.14. a schedule of insurances Exhibit 17.

- 8.2. The Seller represents and warrants that the information furnished by the Seller and the Group Companies is in all material aspects correct and that the documents and information mentioned herein contain all materially relevant information regarding the Group and its business activities, thus materially completely and correctly reflecting the Group Companies' financial position and results.

9. The company's shares; warranty

- 9.1.1. The Company's total paid up share capital is SEK 1,500,000 represented by 15,000 shares.
- 9.2. The Seller represents and warrants that:
- 9.2.1. the said shares constitute all issued and outstanding shares of the Company, for which payment in full has been made,
- 9.2.2. the said shares are owned by the Seller free and clear of all liens, claims, options, pre-emption rights, charges or other encumbrances,

- 9.2.3. all the shares of the Company are of the same class with respect to the rights vested therein,
- 9.2.4. no resolutions have been made regarding issue of (i) new shares, (ii) convertible debt instruments, (iii) debt instruments with a right of option to subscribe to new shares or (iv) participating debt instruments.

10. Balance sheets and accounts; warranty

- 10.1. The Seller represents and warrants that:
- 10.1.1. the accounts of the Group including annual reports and balance sheets presented to the Buyer are in all respects in compliance with, and have been prepared in accordance with law and generally accepted accounting principles in Sweden, and present a true and fair view of the financial position of the Group as of their respective dates,
- 10.1.2. the Group's accounting principles have been consistently applied since fiscal year 1997/1998,
- 10.1.3. the Balance Sheet as presented to the Buyer is in all respects in compliance with law and generally accepted accounting principles in Sweden and includes all of the Group Companies' assets, liabilities, pledges, guarantees and other undertakings. The Buyer is aware that the Company's intellectual property rights are not reflected in the Balance Sheet.
- 10.1.4. the shareholders contribution given by the Seller to the Company shall at no cost for the Company and/or Buyer be certified as "non-conditional" by the seller, Exhibit 18.

11. The group companies' assets; warranty

- 11.1. The Seller represents and warrants that:
- 11.1.1. unless otherwise stated herein, the Group Companies has legal title to all assets described herein as being the property of the respective Group Company, and that such legal title is unrestricted and includes full right of disposition and that any such property is free of any lien, charge or other encumbrance,
- 11.1.2. the receivables reported in the Group's accounts as of the Closing Date have been

collected or will be collected at book value within normal trade terms, however, maximum within 3 month from the Closing Date,

- 11.1.3. the Group Companies stock as of Closing Date has been valued in accordance with the principles mentioned in the stock list Exhibit 19, including the therein mentioned allowance for obsolescence,
- 11.1.4. the Group Companies have not failed to maintain, service and repair their assets and that all material assets, whether owned by the Group Companies or not, are in good and functional condition,
- 11.1.5. the Group Companies industrial and intellectual property rights listed in Exhibit 20 do not infringe any right belonging to a third party, that they have been duly maintained and monitored, that, to the best of the Company's knowledge, any material infringement by a third party of any of these rights has not occurred without the Company taking commercially justified defensive action against the infringements and that the Group Companies trade secrets have been properly protected against access and use by unauthorized third parties.

12. Personnel; warranty

- 12.1. The Seller represents and warrants that:
- 12.1.1. all employees of the Group as of the Date of Agreement have been listed in Exhibit 21 and that no salary, pension or other employment benefits have been granted to such employees on terms and conditions which are more favourable than those indicated in the said exhibit, except for changes guided by general market conditions in Sweden,
- 12.1.2. all previously employed personnel which as of the Date of Agreement are entitled to receive pension benefits have been listed in Exhibit 22 and that such personnel has

not been granted pension benefits on terms more favourable than those indicated in the said exhibit,

- 12.1.3. no claim for compensation except as expressly provided herein will be or is likely to be raised against any Group Company from any person now or previously employed or from any trade union of which such employee is or has been a member,
- 12.1.4. no employee of the Company has been or will be offered employment (or assignment as a consultant) by the Seller or any enterprise controlled by the Seller for a period of 3 years after the Closing Date.
- 12.1.5. The Seller agree that they will use their best efforts to encourage their members and related trade partners to continue to use products and services of NCS.

13. Agreements and undertakings; warranty

- 13.1. The Seller represents and warrants that:

- 13.1.1. the Group Companies are not bound by any agreement or undertaking (including firm offers) other than those listed in Exhibit 23 except offers related to ordinary course of business, and that any such agreement and undertaking in all respects completely and correctly reflect valid rights and obligations of the respective Company and that the respective Group Company and the respective counter party have fulfilled and, prior to the Closing Date, will fulfil all their obligations under any such agreement and undertaking,
- 13.1.2. the Group Companies are not bound by any agreement or undertaking which is not made in the ordinary course of business or which has not been made on market conditions or terms customary in the trade and which is not disclosed in said Exhibit,
- 13.1.3. the Group Companies are not and have not been partners in partnerships or limited partnerships,

12

- 13.1.4. the Group Companies have not entered into any agreement or executed any undertaking or commitment (including firm offers) to the benefit of any related or affiliated company or individual except as expressly mentioned in the said Exhibit.

14. Backlog of orders and outstanding offers; warranty

- 14.1. The Seller represents and warrants that the Group Companies' backlog of orders and outstanding offers:
 - 14.1.1. include orders and offers containing prices and other terms and conditions which do not deviate from the principles which were applied by the respective Group Company prior to the Balance Sheet Date,
 - 14.1.2. concern customers whose good credit standing has been thoroughly examined and accepted and that the respective Group Company in making any such judgement has not deviated from principles applied prior to the Balance Sheet Date,
 - 14.1.3. include orders and offers with a calculated contribution margin which in each case has been calculated according to the ordinary methods previously used within the Group.

15. The activities of the Group Companies; warranty

- 15.1. The Seller represents and warrants that:
 - 15.1.1. the Group Companies have obtained all necessary permits from authorities to carry out their activities and that all such activities always have been in accordance with applicable laws and regulations,
 - 15.1.2. no material objections as of the Closing Date have been made or will be made against any Group Company with respect to works and premises, machinery and other assets,

13

and that the Seller as of the Date of Agreement has no reason to believe that any such objections will be directed against any Group Company after the Closing Date,

- 15.1.3. the activities of the Group Companies are in no material respect in conflict with rights of third parties according to law or contract,
- 15.1.4. no other circumstance or event has occurred or may reasonably be expected to occur which implies or could imply any material limitation or material restriction in the conduct of the Group Companies' activities.

16. Taxes and charges; warranty

- 16.1. The Seller represents and warrants that:
 - 16.1.1. all necessary cost reservations for taxes, fees and other public charges have been made in the accounts as of the Balance sheet Date,
 - 16.1.2. the Group Companies will not be the subject of additional assessment of taxes, fines or other punitive charges which are attributable to business transactions prior to the Closing Date,
 - 16.1.3. the Group Companies currently have fully paid and will, prior to the Closing Date, make any and all payments for taxes, fees and other public charges as required by laws and regulations.

17. Warranty provisions; warranty

- 17.1. The Seller represents and warrants that:
 - 17.1.1. the Group Companies have not issued any warranties which are not in the ordinary course of business or not normal in the trade and which relate to products which either have been delivered prior to the Closing Date or, as evident from the backlog of

14

orders or offers made as of the Closing Date, will be delivered subsequent thereto,

- 17.1.2. the aggregate amount of liability of the Group Companies with respect to such warranties will not exceed 10 per cent of the invoiced value of the related products and that such percentage reflects the provision made in the accounts as per the Closing Date with respect to liability under warranties.

18. Insurance; warranty

- 18.1. The Seller represents and warrants that:
 - 18.1.1. any and all assets of the Group Companies are adequately insured against fire, damage and loss,

- 18.1.2. the Group Companies maintain normal liability insurance and product liability insurance,
- 18.1.3. the Group Companies maintain normal insurance against operational interruption,
- 18.1.4. the insurance policies under sub-sections 18.1.1 – 18.1.3 above have been validly in effect since the Balance Sheet Date and that such policies will be in full force and effect at least one month after the Closing Date.
- 18.2. The Seller also represents and warrants that:
- 18.2.1. the assets of the Group Companies during the time between the Balance Sheet Date and the Closing Date have not diminished and will not diminish in value due to fire, theft, damage, flooding or any other unexpected event, which is not completely covered by insurance,
- 18.2.2. neither the Group Companies nor anyone for whom the Group Companies are responsible has during the time between the Balance Sheet Date and the Closing Date

15

committed and will not commit any act or omission, which subjects any of the Group Companies to tort liability and which is not covered by liability or product liability insurance,

- 18.2.3. the value of the Group during the time between the Balance Sheet Date and the Closing Date has not diminished and will not diminish as a result of an event entailing that the business activities of any Group Company cannot be conducted to an ordinary extent and which are not covered by valid insurance against the risk of operational interruption.

19. Litigation; warranty

- 19.1. The Seller represents and warrants that the Group Companies are not involved in any litigation, arbitration proceedings or any other dispute which may result in liability or costs and that no such litigation, arbitration or dispute will arise by reason of any event or circumstance which is attributable to the period prior to the Closing Date unless as disclosed hereunder. A complete list of all outstanding litigation, arbitration or disputes is listed in Exhibit 24.

20. Documentation and registration; warranty

- 20.1. The Seller represents and warrants that as of the Closing Date all documentation concerning the Group Companies, such as share register, minutes of meetings of the Board of Directors and the shareholders, contracts, undertakings, Government permits, books and accounts, etc., will be in the possession and safe custody of the respective Group Company and freely available to the Buyer and that all prescribed registrations, notices and applications have been made and that all required approvals have been obtained.

21. Indemnity

- 21.1. In the event that any representation or warranty by the Seller, expressly provided for in this Agreement, shall be inaccurate in any material respect the discrepancy shall be de-

16

ducted from the consideration by one (1) SEK for each one (1) SEK of the discrepancy amount, provided always that the Buyer's right to be indemnified/to be compensated shall be subject to (i) that the aggregated discrepancy amount is exceeding one (1) percent of the total assets of the Company on the Closing Date (ii) that any and all obligations or liability on part of the Seller to indemnify and/or pay compensation to the Buyer in connection with this Agreement is effectively limited to an aggregated total maximum amount of SEK 15,000,000.

- 21.2. Interest on the amount of compensation shall be payable at a rate which by 4 percentage units exceeds the reference rate under the Swedish Interest Act from the Closing Date until payment is made through set-off against outstanding purchase money or otherwise.

22. No Other remedies

- 22.1. The remedy of indemnity/ compensation provided for under Article 21 above is the sole remedy available to the Buyer subsequent to the consummation of the Agreement on the Closing Date. Thus, the Buyer shall, e.g., have no right to any further compensation or to rescind the Agreement. It is explicitly agreed that the Buyer waives any and all other remedies available to the Seller pursuant to the Swedish Sale of Goods Act or any other statutory or otherwise granted non-mandatory rights to remedies under Swedish law.

23. Notice of claims and time limit

- 23.1. Any claims against the Seller other than related to taxes or environmental issues shall be communicated to the Seller in writing within twelve (12) months from the Closing Date. Any such claims subsequent to said date, shall be null and void, subject to Sub-section 23.2 below. However, claims related to taxes or environmental issues may be communicated to the Seller in writing within six months from the final decision by the relevant court or authority in such matters and in no case later than three (3) years from the Closing Date. Any claims shall be communicated to the Seller as soon as the Buyer has or should have justified reason to believe that a claim may be forwarded.

17

The time limit for claims set out in sub-section 23.1 above shall not apply in case the Seller has committed acts or omissions in gross negligence or acts contrary to good faith and fair dealing as defined pursuant to section 33 of the Swedish Contracts Act.

24. Security furnished by the Seller

- 24.1. The Buyer agrees to cause any guarantee and other security, which the Seller has furnished in favour of any Group Company with respect to its liabilities, to be released no later than November 30, 2003. In the event that such release has not been effectively made within the said time limit, this Agreement and the sale of shares contemplated thereby shall, at the request of the Seller be forthwith avoided and all transactions hereunder be reversed.

25. Non-competition

25.1. The Seller undertakes, during a period equal to the Seller's rights under Article 37.3 below, not to carry out or further or support any activity which in any way may compete with activities which are presently carried out by the Company (NCS, Colour School) and including the addition of the Buyer's present activities into the Company.

26. Secrecy

26.1. Each party undertakes not to make any unauthorized disclosure of any confidential information regarding the other party, Group Company or its activities. Each party ensures that his employees, consultants, financial institutions, present and/or future investors, and directors of the board will be bound by a corresponding secrecy undertaking.

26.2. "Confidential information" shall mean any information, technical, commercial or of any other kind, whether written or oral, with the exception of

a) information which has been published, is publicly known, or which will under any law

18

or action be brought to the public knowledge without any fault made by the party receiving the information;

b) information, shown to be known to a party before receipt thereof from the other party; and information, received from a third party or which will be received from a third party without restraints as to the use thereof;

c) information which is independently developed for a party by personnel or agents having no access to confidential information of the other party.

26.3. Also non-intentional or non-negligent acts or omissions shall be considered as breaches of contract under this secrecy clause.

27. Press release

27.1. The parties agree that a special press release shall be worked out jointly and be released within five (5) days after the Date of Agreement.

27.2. The employees of the Group shall, however, be informed about the contents of this Agreement immediately upon its execution.

27.3. The Buyer may make required disclosures required by securities laws applicable to it.

28. The Swedish Democracy at Work Act

28.1. The Seller and the Buyer represent that they have fulfilled their respective information and negotiation obligations under the Democracy at Work Act (SFS 1976:580).

19

29. Conditions precedent

29.1. The validity of this agreement is subject to the following conditions precedent:

a) the completion, to the satisfaction of the Buyer, of the Due Diligence review of the Group Companies no later than May 15th, 2003,

b) the approval of the Seller's and the Buyers respective Board of Directors, and to the extent necessary by law, the approval of the Seller's and Buyer's members and shareholders; no later than May 15, 2003,

c) the execution and delivery by the Seller, their affiliates or associates of such documents and agreements as shall be reasonably requested by the Buyer (in its sole discretion after satisfactory completion of its due diligence) relating to the sale or assignment of intellectual property and other assets relating to the Group Companies business,

d) the obtaining of any and all regulatory approvals (or similar) applicable to the transaction. The parties shall jointly make their best efforts to obtain such permits and approvals.

29.2. In the event that the required permits and approvals have not been obtained prior to Closing Date, this Agreement shall be deemed null and void and any and all transactions contemplated herein shall be reversed.

30. Governing law

30.1. This Agreement shall be construed in accordance with and be governed by the substantive laws of Sweden, with exception of its conflict of laws principles.

31. Notices and language

31.1. Notices and other communications shall be in the English language and deemed to be valid and effective if sent by courier or registered letter to the addresses of the parties stated in the Preamble to this Agreement or to other addresses supplied at a later date.

20

31.2. The communications will be considered as having reached the addressee:

31.2.1. If sent by courier; on delivery.

31.2.2. If sent by registered letter; 8 days after the date of mailing.

31.3. Changes of address are to be notified as set out in this provision.

32. Headings

32.1. The division of this Agreement into separate articles and the insertion of headings shall not affect the interpretation of this Agreement.

33. Amendments

33.1. Only those amendments and additions to this Agreement that are made in writing and signed by the parties are valid.

34. Entire agreement

34.1. The Agreement and its appendices constitute the entire agreement between the parties on all issues to which the Agreement relates. Those issues that have not been expressly dealt with under the terms of the Agreement are to be decided with reference to the intentions upon which the Agreement is based.

34.2. The contents of this Agreement and its appendices, exhibits and schedules constitute the entire agreement of the parties and supersede all previous written or oral commitments and undertakings. However, the secrecy undertaking under the Letter of Intent between the Parties as per January 23rd, 2003 shall prevail if this Agreement is deemed invalid pursuant to Article 29 above or is otherwise not consummated, executed or fulfilled.

21

35. Severability

35.1. If any provision of this Agreement or part thereof shall to any extent be or become invalid or unenforceable, the parties shall agree upon any necessary and reasonable adjustment of the Agreement in order to secure the vital interests of the parties and the main objectives prevailing at the time of execution of the Agreement. Failing an agreement between the parties on adjustments of the Agreement, arbitrators in accordance with the provisions of the arbitration clause shall make such adjustments in this Agreement.

36. Disputes

36.1. Any dispute, controversy or claim arising out of or in connection with this Agreement or the breach, termination or invalidity thereof, shall be finally settled by arbitration in accordance with the Rules of the Arbitration Institute of the Stockholm Chamber of Commerce.

The rules for Expedited Arbitrations of the arbitration institute of the Stockholm Chamber of Commerce shall apply, unless the SCC institute, taking into account the complexity of the case, the amount in dispute and other circumstances, determines, in its discretion that the rules of the SCC institute shall apply. In the latter case, the SCC institute shall also decide whether the arbitral tribunal shall be composed of one or three arbitrators.

36.2. The place of arbitration shall be Stockholm, Sweden.

36.3. The language(s) to be used in the arbitral proceedings shall be English.

37. Condition subsequent and post completion covenant

37.1. The Buyer shall procure that NCS is maintained for the Swedish market.

37.2. In case NCS would not be maintained for the Swedish market the Buyer shall procure the full and effective transfer upon the Seller of all rights to the use of the

22

NCS (including a non exclusive license to use NCS) in order to enable the Seller the use of NCS within Sweden.

37.3. The Sellers right under sub-section 37.2 above shall be valid for a period of ten (10) years after the Closing Date.

This Agreement has been executed in three (3) copies of which the Buyer has taken two and the Seller has taken one.

Stockholm April 9, 2003

**Authorised signatory on behalf of
Mälaremästarnas Riksförening**

/s/ Per Sturesson
Per Sturesson
Chairman of the Board

/s/ Arne Jakobsson
Arne Jakobsson
Managing Director

**Authorised signatory on behalf of
Starberrys Corporation**

/s/ Hans Näsholm
Hans Näsholm
Member Board of Directors

/s/ John H Goodwin
John H Goodwin
President and Chairman of the Board

23

ESCROW AGREEMENT

MADE THIS 9th day of April, 2003, by and between

- (1) MÅLAREMÄSTARNAS RIKSFÖRENING (hereinafter referred to as "MRF"), with the registration number 802002-3886, an interest organization incorporated under the laws of Sweden with its office located in Skeppsbron 40, Box 16 286, 103 25 Stockholm, Sweden; and
- (2) STARBERRYS CORPORATION (hereinafter referred to as "STARBERRYS"), a company incorporated under the laws of Nevada, USA with its head office located at Suite 21, 2236 Folkestone Way, West Vancouver B.C. Canada V7S 2X7, Vancouver, Canada, or any of its assignees.

The parties are jointly referred to as "the Parties".

RECITALS

- A. The Parties have on this day entered into an Agreement on the Sale and Purchase of Shares ("SPA") according to which STARBERRYS acquires the outstanding shares in Skandinaviska Färginstitutet AB, reg No. 556045-5288 ("the Company").
- B. It follows from the SPA that STARBERRYS shall deposit money in an escrow account and that the amounts deposited shall be released to MRF on certain agreed conditions.

NOW THEREFORE, the Parties agree as follows:

1. DEPOSITION OF MONEY IN ESCROW

- 1.1. Subject to the terms and conditions of the SPA STARBERRYS shall on or before June 30th, 2003 cause the deposition of SEK 3,500,000 (three million five hundred

1

thousand) to an joint bank account administrated by Karlerö & Co Advokatbyrå HB ("Karlerö") in the name of both of the Parties (first deposition).

- 1.2. Subject to the terms and conditions of the SPA STARBERRYS shall on or before August 31st, 2003 cause the further deposition of SEK 8,750,000 (eight million seven hundred and fifty thousand) to the same joint bank account administrated with Karlerö in the name of both of the Parties (second deposition).
- 1.3. Karlerö shall confirm in writing to each of the Parties if and when the depositions are made.

2. EXPENSES

The parties shall carry any expenses and costs in connection with the deposition in escrow jointly and severally towards Karlerö and in equal parts as between the Parties.

3. RELEASE OF DEPOSITED AMOUNTS

The Parties hereby jointly instructs Karlerö to release, at one or several occasions, any part of and/or all of the deposited amounts (first and second depositions) under this Escrow Agreement to either of the Parties or to a third party

- (i) either at the joint request in writing of the Parties,
- (ii) or at the request of one of the parties, provided that the accuracy of such request is proved by a final and binding arbitral award or, as the case may be, a final and binding court judgement or decision.

4. GOVERNING LAW AND ARBITRATION

- 4.1 This Agreement shall be construed in accordance with and be governed by the substantive laws of Sweden, with the exception of its conflict of laws principles.

2

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- 4.2 Any dispute, controversy or claim arising out of or in connection with this Agreement or the breach, termination or invalidity thereof, shall be finally settled by arbitration in accordance with the Rules of the Arbitration Institute of the Stockholm Chamber of Commerce.

The rules for Expedited Arbitrations of the arbitration institute of the Stockholm Chamber of Commerce shall apply, unless the SCC institute, taking into account the complexity of the case, the amount in dispute and other circumstances, determines, in its discretion that the rules of the SCC institute shall apply. In the latter case, the SCC institute shall also decide whether the arbitral tribunal shall be composed of one or three arbitrators.

The place of arbitration shall be Stockholm, Sweden.

The language(s) to be used in the arbitral proceedings shall be English.

This Agreement has been executed in three (3) copies of which the parties have taken one each.

Stockholm April 9, 2003

Authorised signatory on behalf of
Målaremästarnas Riksförening

/s/ Per Stuesson
Per Stuesson
Chairman of the Board

/s/ Arne Jakobsson
Arne Jakobsson

Authorised signatory on behalf of
Starberrys Corporation

/s/ Hans Näsholm
Hans Näsholm
Member Board of Directors

/s/ John H Goodwin
John H Goodwin

We, the undersigned Company, hereby acknowledge the receipt of one copy of above Agreement. We confirm that we are aware of its content and undertake to fulfil the obligations of Karlerö pursuant to the Agreement.

Signed this 9th day of April, 2003
Karlerö & Co Advokatbyrå HB

/s/ [ILLEGIBLE] _____