Carrington ApS

Nørrebrogade 106, 2 bgh., DK-2200 Copenhagen N

Annual Report for 1 January - 31 December 2016

CVR No 21 41 61 34

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 16/6 2017

Mikael Lunøe
Chairman

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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Carrington ApS for the financial year 1 January - 31 December 2016.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2016 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2016.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Copenhagen, 16 June 2017

Executive Board

Per Gasseholm

Board of Directors

Mikael Lunøe Chairman	Adam Frederik B. Lunøe	Bo Raahauge Rasmussen

Independent Auditor's Report

To the Shareholders of Carrington ApS

Opinion
In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2016 and of the results of the Group's and the Parent Company's operations and of consolidated cash flows for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Carrington ApS for the financial year 1 January - 31 December 2016, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("the Financial Statements").

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 Group 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.

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 Financials Statements Act.

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

Independent Auditor's Report

Management's responsibilities for the Financial Statements
Management is responsible for the preparation of consolidated financial statements and parent company 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 Group's and 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 Group or 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.

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 and the Group'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 Group's and 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 Group and 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Hellerup, 16 June 2017
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Hans Jørgen Andersen
State Authorised Public Accountant

Company Information

The Company	Carrington ApS Nørrebrogade 106, 2 bgh. DK-2200 Copenhagen N CVR No: 21 41 61 34 Financial period: 1 January - 31 December Municipality of reg. office: Copenhagen
Board of Directors	Mikael Lunøe, Chairman Adam Frederik B. Lunøe Bo Raahauge Rasmussen
Executive Board	Per Gasseholm
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

Financial Highlights

Seen over a four-year period, the development of the Group is described by the following financial highlights:

	Group			
	2016	2015	2014	2013
	TDKK	TDKK	TDKK	TDKK
Key figures				
Profit/loss				
Gross profit/loss	24.865	22.020	16.663	11.912
Operating profit/loss	4.287	4.869	6	-3.608
Profit/loss before financial income and expenses	4.992	5.092	536	-3.608
Net financials	-3.057	-3.094	-3.492	-3.211
Net profit/loss for the year	1.295	1.454	-2.874	-5.491
Balance sheet				
Balance sheet total	38.280	37.226	30.311	30.027
Equity	-35.509	-36.804	-38.258	-35.383
Cash flows				
Cash flows from:				
- operating activities	2.315	5.120	-2.755	-3.672
- investing activities	-1.382	-1.354	-434	-420
including investment in property, plant and equipment	-1.307	-796	-434	-420
- financing activities	-2.384	-841	3.658	4.041
Change in cash and cash equivalents for the year	-1.451	2.925	469	-51
Number of employees	38	35	37	36
Ratios				
Return on assets	13,0%	13,7%	1,8%	-12,0%
Solvency ratio	-92,8%	-98,9%	-126,2%	-117,8%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Management's Review

Main activity

The group's main activity is to engage in a service, consulting and trading company, preferably in the fashion industry and business related thereto.

Development in the year

The income statement of the Group for 2016 shows a profit of DKK 1,294,984, and at 31 December 2016 the balance sheet of the Group shows negative equity of DKK 35,509,226.

Our focus for 2016 is still on Brand Health, Operational Excellence and Growth. We achieved our annual growth target and believe the brand has strengthened its position and potential for further growth. We have also continued to strengthen our team, and this effort will continue moving forward.

Despite significant investments during the year, EBT for 2016 was on par with 2015 and confirmed that we are on the right path. 2016 was in line with our expectations. While every individual has played a significant role in this achievement, the team is – as always - aware that further work is ahead of us.

The 2016 result is deemed satisfactory.

Revenue and Earnings growth is expected to continue with in 2017, but still with focus on Brand Health, Innovation and Operational Excellence.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 January - 31 December

	Note	Group 2016	Group 2015	Parent company 2016	Parent company 2015
		DKK	DKK	DKK	DKK
Gross profit/loss		**24.865.092**	**22.020.191**	**19.399.485**	**16.697.291**
Staff expenses	2	-18.628.474	-15.899.940	-13.792.917	-11.580.597
Profit/loss before financial income and expenses, tax, depriciation and amortisation (EBITDA)		**6.236.618**	**6.120.251**	**5.606.568**	**5.116.694**
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-1.244.444	-1.028.599	-420.543	-327.562
Profit/loss before financial income and expenses		**4.992.174**	**5.091.652**	**5.186.025**	**4.789.132**
Income from investments in subsidiaries		0	0	-678.107	-223.199
Financial income	4	122.579	155.008	105.481	155.008
Financial expenses	5	-3.179.769	-3.249.290	-2.706.415	-2.775.571
Profit/loss before tax		**1.934.984**	**1.997.370**	**1.906.984**	**1.945.370**
Tax on profit/loss for the year	6	-640.000	-543.750	-612.000	-491.750
Net profit/loss for the year		**1.294.984**	**1.453.620**	**1.294.984**	**1.453.620**

Distribution of profit

	Parent company 2016	Parent company 2015
	DKK	DKK
Proposed distribution of profit		
Retained earnings	1.294.984	1.453.620
	1.294.984	**1.453.620**

Balance Sheet 31 December

Assets

		Group		Parent company	
	Note	2016	2015	2016	2015
		DKK	DKK	DKK	DKK
Acquired other similar rights		1.090.285	1.442.025	493.321	549.168
Intangible assets	7	**1.090.285**	**1.442.025**	**493.321**	**549.168**
Other fixtures and fittings, tools and equipment		352.039	577.336	215.656	347.336
Leasehold improvements		1.328.374	613.900	131.917	244.526
Property, plant and equipment	8	**1.680.413**	**1.191.236**	**347.573**	**591.862**
Investments in subsidiaries	9	0	0	0	0
Fixed assets		**2.770.698**	**2.633.261**	**840.894**	**1.141.030**
Stocks	10	**18.170.012**	**15.225.096**	**11.608.390**	**10.605.562**
Trade receivables		5.959.701	4.861.957	5.783.687	4.406.441
Receivables from group enterprises		2.021.329	2.003.243	2.417.576	7.089.667
Other receivables		497.922	928.378	48.400	120.554
Deferred tax asset	13	4.336.000	4.976.000	2.884.000	3.496.000
Prepayments		431.030	1.054.236	392.128	482.776
Receivables		**13.245.982**	**13.823.814**	**11.525.791**	**15.595.438**
Cash at bank and in hand		**4.092.863**	**5.544.138**	**2.380.953**	**2.666.867**
Currents assets		**35.508.857**	**34.593.048**	**25.515.134**	**28.867.867**
Assets		**38.279.555**	**37.226.309**	**26.356.028**	**30.008.897**

Balance Sheet 31 December

Liabilities and equity

		Group		Parent company	
	Note	2016	2015	2016	2015
		DKK	DKK	DKK	DKK
Share capital		125.000	125.000	125.000	125.000
Retained earnings		-35.634.226	-36.929.210	-35.634.226	-36.929.210
Equity	12	**-35.509.226**	**-36.804.210**	**-35.509.226**	**-36.804.210**
Provisions relating to investments in group enterprises		0	0	1.824.242	6.646.133
Other provisions		0	186.000	0	186.000
Provisions		**0**	**186.000**	**1.824.242**	**6.832.133**
Credit institutions		27.840.083	30.720.910	22.840.083	25.720.910
Convertible instruments of debt		5.545.590	5.384.068	5.545.590	5.384.068
Prepayments received from customers		2.530.351	1.987.736	1.676.243	961.796
Trade payables		8.656.798	7.058.731	6.676.341	5.626.599
Payables to group enterprises	11	24.914.910	24.561.455	20.704.745	20.003.998
Other payables		4.301.049	4.131.619	2.598.010	2.283.603
Short-term debt		**73.788.781**	**73.844.519**	**60.041.012**	**59.980.974**
Debt		**73.788.781**	**73.844.519**	**60.041.012**	**59.980.974**
Liabilities and equity		**38.279.555**	**37.226.309**	**26.356.028**	**30.008.897**

Going concern	1
Contingent assets, liabilities and other financial obligations	14
Related parties and ownership	15

Statement of Changes in Equity

Group

	Share capital	Retained earnings	Total
	DKK	DKK	DKK
2016			
Equity at 1 January	125.000	-36.929.210	-36.804.210
Net profit/loss for the year	0	1.294.984	1.294.984
Equity at 31 December	**125.000**	**-35.634.226**	**-35.509.226**

Group

	Share capital	Retained earnings	Total
2015			
Equity 1. januar	125.000	-38.382.830	-38.257.830
Net profit/loss for the year	0	1.453.620	1.453.620
Equity at 31 December	**125.000**	**-36.929.210**	**-36.804.210**

Parent company

	Share capital	Retained earnings	Total
2016			
Equity at 1 January	125.000	-36.929.210	-36.804.210
Net profit/loss for the year	0	1.294.984	1.294.984
Equity at 31 December	**125.000**	**-35.634.226**	**-35.509.226**

Parent company

	Share capital	Retained earnings	Total
2015			
Equity 1. januar	125.000	-38.382.830	-38.257.830
Net profit/loss for the year	0	1.453.620	1.453.620
Equity at 31 December	**125.000**	**-36.929.210**	**-36.804.210**

Cash Flow Statement 1 January - 31 December

	Note	Group 2016	Group 2015
		DKK	DKK
Net profit/loss for the year		1.294.984	1.453.620
Adjustments	16	4.941.633	4.666.631
Change in working capital	17	-864.890	2.094.237
Cash flows from operating activities before financial income and expenses		**5.371.727**	**8.214.488**
Financial income		122.579	155.008
Financial expenses		-3.179.766	-3.249.293
Cash flows from operating activities		**2.314.540**	**5.120.203**
Purchase of intangible assets		-75.000	-558.476
Purchase of property, plant and equipment		-1.306.881	-795.764
Cash flows from investing activities		**-1.381.881**	**-1.354.240**
Change in loans from credit institutions		-2.880.826	-1.181.556
Change in payables to group enterprises		335.370	183.962
Change in convertible instruments of debt		161.522	156.818
Cash flows from financing activities		**-2.383.934**	**-840.776**
Change in cash and cash equivalents		**-1.451.275**	**2.925.187**
Cash and cash equivalents at 1 January		5.544.138	2.618.951
Cash and cash equivalents at 31 December		**4.092.863**	**5.544.138**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		4.092.863	5.544.138
Cash and cash equivalents at 31 December		**4.092.863**	**5.544.138**

Notes to the Financial Statements

1 Going concern

Maintenance of the funding of the Company and group enterprises is assessed and discussed regulary with the Company's banker. It is essential to the Company as a going concern that funding is maintained, and that the Company maintains the profitable position.

In Management's opinion, it will be possible to maintain funding in the coming financial year, and the Company will remain profitable; therefore, Management presents the Annual Report under a going concern assumption.

	Group		Parent company	
	2016	2015	2016	2015
	DKK	DKK	DKK	DKK
2 Staff expenses				
Wages and salaries	17.082.813	15.111.635	12.610.777	11.065.845
Pensions	636.791	58.100	597.966	58.100
Other social security expenses	236.469	275.004	151.858	148.009
Other staff expenses	672.401	455.201	432.316	308.643
	18.628.474	**15.899.940**	**13.792.917**	**11.580.597**
Average number of employees	**38**	**35**	**24**	**23**
3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment				
Amortisation of intangible assets	370.893	357.143	0	0
Depreciation of property, plant and equipment	873.551	671.456	420.543	327.562
	1.244.444	**1.028.599**	**420.543**	**327.562**
4 Financial income				
Other financial income	122.579	26.484	105.481	26.484
Exchange adjustments	0	128.524	0	128.524
	122.579	**155.008**	**105.481**	**155.008**

Notes to the Financial Statements

		Group		Parent company	
		2016	2015	2016	2015
		DKK	DKK	DKK	DKK
5	**Financial expenses**				
	Interest paid to group enterprises	898.739	871.856	761.641	738.751
	Other financial expenses	1.808.056	2.332.549	1.524.021	2.036.820
	Exchange loss	472.974	44.885	420.753	0
		3.179.769	**3.249.290**	**2.706.415**	**2.775.571**

		Group		Parent company	
6	**Tax on profit/loss for the year**				
	Current tax for the year	0	0	0	0
	Deferred tax for the year	640.000	543.750	612.000	491.750
		640.000	**543.750**	**612.000**	**491.750**

7 Intangible assets

Group

	Acquired other similar rights
	DKK
Cost at 1 January	3.058.476
Additions for the year	75.000
Cost at 31 December	3.133.476
Impairment losses and amortisation at 1 January	1.616.451
Amortisation for the year	426.740
Impairment losses and amortisation at 31 December	2.043.191
Carrying amount at 31 December	**1.090.285**

Notes to the Financial Statements

8 Property, plant and equipment

Group

	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
	DKK	DKK	DKK
Cost at 1 January	1.398.171	1.906.962	3.305.133
Additions for the year	39.452	1.267.429	1.306.881
Cost at 31 December	1.437.623	3.174.391	4.612.014
Impairment losses and depreciation at 1 January	820.834	1.293.063	2.113.897
Depreciation for the year	264.750	552.954	817.704
Impairment losses and depreciation at 31 December	1.085.584	1.846.017	2.931.601
Carrying amount at 31 December	**352.039**	**1.328.374**	**1.680.413**
Depreciated over	3-5 years	3-5 years	

Parent company

	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
	DKK	DKK	DKK
Cost at 1 January	987.943	536.795	1.524.738
Additions for the year	20.077	100.330	120.407
Kostpris at 31 December	1.008.020	637.125	1.645.145
Impairment losses and depreciation at 1 January	640.607	292.270	932.877
Depreciation for the year	151.757	212.938	364.695
Impairment losses and depreciation at 31 December	792.364	505.208	1.297.572
Carrying amount at 31 December	**215.656**	**131.917**	**347.573**
Depreciated over	3-5 years	3-5 years	

Notes to the Financial Statements

		Parent company	
		2016	2015
		DKK	DKK
9	**Investments in subsidiaries**		
	Cost at 1 January	335.900	381.817
	Additions for the year	5.500.000	-45.917
	Cost at 31 December	5.835.900	335.900
	Value adjustments at 1 January	-6.982.036	-6.758.837
	Net profit/loss for the year	96.403	181.558
	Change in intercompany profit on inventories	-774.330	-404.757
	Value adjustments at 31 December	-7.659.963	-6.982.036
	Equity investments with negative net asset value transferred to provisions	1.824.063	6.646.136
	Carrying amount at 31 December	**0**	**0**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
Wood Wood Rockstrasse 4 GmbH	Berlin, Germany	186,400	100%	-4.112.116	6.833
Carrington Retail ApS	Copenhagen, Denmark	80,000	100%	43.637	96.403
Carrington Enterprises Ltd.	London, UK	47,575	100%	-	-

Notes to the Financial Statements

	Group		Parent company	
	2016	2015	2016	2015
	DKK	DKK	DKK	DKK
10 Stocks				
Finished goods and goods for resale	16.776.155	12.208.125	10.214.533	7.588.591
Prepayments for goods	1.393.857	3.016.971	1.393.857	3.016.971
	18.170.012	**15.225.096**	**11.608.390**	**10.605.562**

11 Payables to group enterprises

The receivables and payables to group enterprises are current.
However, there is no instalment plan surrounding the group loans.

12 Equity

The share capital consists of 125 shares of a nominal value of DKK 1,000. No shares carry any special rights.

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

Notes to the Financial Statements

	Group 2016	Group 2015	Parent company 2016	Parent company 2015
	DKK	DKK	DKK	DKK
13 Provision for deferred tax				
Intangible assets	109.000	121.000	21.000	0
Property, plant and equipment	-13.000	45.000	-56.000	-3.000
Trade receivables	-259.000	-258.000	-259.000	-240.000
Tax loss carry-forward	-4.173.000	-4.884.000	-2.590.000	-3.253.000
Transferred to deferred tax asset	4.336.000	4.976.000	2.884.000	3.496.000
	0	**0**	**0**	**0**
Deferred tax asset				
Calculated tax asset	4.336.000	4.976.000	2.884.000	3.496.000
Carrying amount	**4.336.000**	**4.976.000**	**2.884.000**	**3.496.000**

At 31 December 2016 the Carrington ApS Group has recognised deferred tax assets amounting to TDKK 4.615. The deferred tax assets relate in all material respects to deferred tax resulting from losses from jointly taxated subsidiaries amounting to TDKK 18.628.

Notes to the Financial Statements

	Group		Parent company	
	2016	2015	2016	2015
	DKK	DKK	DKK	DKK
14 Contingent assets, liabilities and other financial obligations				
Rental agreements and leases				
Tenancy commitments	672.000	672.000	81.000	81.000
Security				
The following assets have been placed as security with bankers:				
Intangible and tangible assets, stocks and trade receivables with a net book value amounting to DKK	28.768.650	22.777.713	18.232.971	16.153.033
The following assets have been placed as security with letters:				
Bank guarantee for rent	672.000	672.000	147.563	147.838

Contingent liabilities

The Group is jointly and severally liable for tax on the jointly taxed income with A/S af 24. juli 1995 and its Danish subsidiaries. Moreover, the Danish group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, royalty tax and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Group's liability.

The parent company has issued a letter of support for Carrington Retail ApS for the financial year 2016.

The parent company has given suretyship for Carrington Retail ApS's credit institutions.

Notes to the Financial Statements

15 Related parties and ownership

Ownership

The following shareholders are recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

A/S Codanova, Copenhagen

EVR 1 ApS, Copenhagen

16 Cash flow statement - adjustments

	Group	
	2016	2015
	DKK	DKK
Financial income	-122.579	-155.008
Financial expenses	3.179.769	3.249.290
Depreciation, amortisation and impairment losses, including losses and gains on sales	1.244.443	1.028.599
Tax on profit/loss for the year	640.000	543.750
	4.941.633	**4.666.631**

17 Cash flow statement - change in working capital

Change in inventories	-2.944.914	-2.948.414
Change in receivables	-44.084	-921.117
Change in other provisions	-186.000	186.000
Change in trade payables, etc	2.310.108	5.777.768
	-864.890	**2.094.237**

Accounting Policies

Basis of Preparation

The Annual Report of Carrington ApS for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Consolidated and Parent Company Financial Statements for 2016 are presented in DKK.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciations, impairment losses and provisions as well as write backs as a consequence of changes in the amounts of accounting estimates previously recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset 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 out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, Carrington ApS, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

Accounting Policies

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

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

Income Statement

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, revenue has not been disclosed in the Annual Report.

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Group.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Group, including gains and losses on the sale of intangible assets and property, plant and equipment.

Accounting Policies

Income from investments in subsidiaries

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with A/S af 24. juli 1995 and its Danish subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Other acquired rights relate to the right to assign according to the tenancy agreement and are measured at cost less accumulated amortisation. Other acquired rights are amortised on a straight line basis over its useful life, which is assessed at 7 years.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	3-5	years
Leasehold improvements	3-5	years

Depreciation period and residual value are reassessed annually.

Accounting Policies

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item"Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Stocks

Stocks are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of stocks is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

Receivables

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Accounting Policies

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.

Cash Flow Statement

The cash flow statement shows the Group´s cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group´s cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Accounting Policies

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise ”Cash at bank and in hand”.

The cash flow statement cannot be immediately derived from the published financial records.

Financial Highlights

Explanation of financial ratios

Return on assets	$\dfrac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\dfrac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$