
Carrington ApS

Nørrebrogade 106, bgh., DK-2200 Copenhagen N

Annual Report for 1 January - 31 December 2015

CVR No 21 41 61 34

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
22/6 2016

Mikael Lunøe
Chairman



pwc

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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 2015.

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 2015 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2015.

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, 22 June 2016

Direktion

Per Gasseholm

Bestyrelse

Mikael Lunøe
Chairman

Adam Frederik B. Lunøe

Bo Raahauge Rasmussen

Independent Auditor's Report on the Financial Statements and the Consolidated Financial Statements

To the Shareholders of Carrington ApS

Report on the Financial Statements and the Consolidated Financial Statements

We have audited the Financial Statements and the Consolidated Financial Statements of Carrington ApS for the financial year 1 January - 31 December 2015, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement, notes and summary of significant accounting policies. The Financial Statements and the Consolidated Financial Statements are prepared in accordance with the Danish Financial Statements Act.

Management's Responsibility for the Financial Statements and the Consolidated Financial Statements

Management is responsible for the preparation of Financial Statements and the Consolidated 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 and Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Financial Statements and the Consolidated Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Financial Statements and the Consolidated Financial Statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements and the Consolidated Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements and the Consolidated Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of Financial Statements and Consolidated Financial Statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Financial Statements and the Consolidated Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Independent Auditor's Report on the Financial Statements and the Consolidated Financial Statements

Opinion

In our opinion, the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position of the Company and the Group at 31 December 2015 and of the results of the Company and the Group operations and of consolidated cash flows for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act.

Statement on Management's Review

We have read Management's Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Financial Statements and the Consolidated Financial Statements. On this basis, in our opinion, the information provided in Management's Review is in accordance with the Financial Statements and the Consolidated Financial Statements.

Hellerup, 22 June 2016

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Hans Jørgen Andersen

statsautoriseret revisor

Company Information

The Company

Carrington ApS
Nørrebrogade 106, 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 three-year period, the development of the Group is described by the following financial highlights:

	Group		
	2015	2014	2013
	TDKK	TDKK	TDKK
Key figures			
Profit/loss			
Gross profit/loss	22.020	16.663	11.912
Operating profit/loss	4.869	6	-3.608
Profit/loss before financial income and expenses	5.092	536	-3.608
Net financials	-3.094	-3.492	-3.211
Net profit/loss for the year	1.454	-2.874	-5.491
Balance sheet			
Balance sheet total	37.226	30.311	30.027
Equity	-36.804	-38.258	-35.383
Cash flows			
Cash flows from:			
- operating activities	5.120	-2.755	-3.672
- investing activities	-1.354	-434	-420
including investment in property, plant and equipment	-796	-434	-420
- financing activities	-841	3.658	4.041
Change in cash and cash equivalents for the year	2.925	469	-51
Number of employees	35	37	36
Ratios			
Return on assets	13,7%	1,8%	-12,0%
Solvency ratio	-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 2015 shows a profit of DKK 1,453,620, and at 31 December 2015 the balance sheet of the Group shows negative equity of DKK 36,804,210.

Our focus for 2015 has been 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 during the year continued to strengthen our team on a number of operational positions, and this effort will continue moving forward.

New initiatives around brand & product, go-to-market strategies and international expansion were initiated during 2015 and this continues to be a priority in 2016.

EBT for 2015 was positive for the first time in the company's history and in line with our expectations. While every individual has played a pivotal role in this achievement, the team is aware further work is ahead of us.

The 2015 result is deemed satisfactory.

Revenue and Earnings growth is expected to continue with a moderate pace for 2016, as our focus will be 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		Parent company	
		2015 DKK	2014 DKK	2015 DKK	2014 DKK
Gross profit/loss		22.020.191	16.662.905	16.697.291	11.276.992
Staff expenses	2	-15.899.940	-15.253.377	-11.580.597	-10.497.583
Profit/loss before financial income and expenses, tax, depreciation and amortisation (EBITDA)		6.120.251	1.409.528	5.116.694	779.409
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-1.028.599	-873.322	-327.562	-192.860
Profit/loss before financial income and expenses		5.091.652	536.206	4.789.132	586.549
Income from investments in subsidiaries		0	0	-223.199	-408.900
Financial income	4	155.008	20.584	155.008	20.584
Financial expenses	5	-3.249.290	-3.512.195	-2.775.571	-3.047.638
Profit/loss before tax		1.997.370	-2.955.405	1.945.370	-2.849.405
Tax on profit/loss for the year	6	-543.750	81.000	-491.750	-25.000
Net profit/loss for the year		1.453.620	-2.874.405	1.453.620	-2.874.405

Distribution of profit

	Parent company	
	2015 DKK	2014 DKK
Proposed distribution of profit		
Proposed dividend for the year	0	0
Retained earnings	1.453.620	-2.874.405
	1.453.620	-2.874.405

Balance Sheet 31 December

Assets

	Note	Group		Parent company	
		2015 DKK	2014 DKK	2015 DKK	2014 DKK
Acquired other similar rights		1.442.025	1.250.000	549.168	0
Intangible assets	7	1.442.025	1.250.000	549.168	0
Other fixtures and fittings, tools and equipment		577.336	361.484	347.336	73.682
Leasehold improvements		613.900	696.134	244.526	178.335
Property, plant and equipment	8	1.191.236	1.057.618	591.862	252.017
Investments in subsidiaries	9	0	0	0	0
Other receivables		0	157.038	0	0
Fixed asset investments		0	157.038	0	0
Fixed assets		2.633.261	2.464.656	1.141.030	252.017
Stocks	10	15.225.096	12.276.684	10.605.562	7.777.952
Trade receivables		4.861.957	4.065.693	4.406.441	3.910.265
Receivables from group enterprises		2.003.243	1.664.418	7.089.667	6.607.745
Other receivables		928.378	614.625	120.554	83.500
Deferred tax asset	13	4.976.000	5.519.750	3.496.000	3.987.750
Prepayments		1.054.236	1.086.098	482.776	290.504
Receivables		13.823.814	12.950.584	15.595.438	14.879.764
Cash at bank and in hand		5.544.138	2.618.951	2.666.867	724.286
Currents assets		34.593.048	27.846.219	28.867.867	23.382.002
Assets		37.226.309	30.310.875	30.008.897	23.634.019

Balance Sheet 31 December

Liabilities and equity

	Note	Group		Parent company	
		2015 DKK	2014 DKK	2015 DKK	2014 DKK
Share capital		125.000	125.000	125.000	125.000
Retained earnings		-36.929.210	-38.382.830	-36.929.210	-38.382.830
Equity	12	-36.804.210	-38.257.830	-36.804.210	-38.257.830
Provisions relating to investments in group enterprises		0	0	6.646.133	6.422.937
Other provisions		186.000	0	186.000	0
Provisions		186.000	0	6.832.133	6.422.937
Credit institutions		30.720.910	31.902.466	25.720.910	26.902.466
Convertible instruments of debt		5.384.068	5.227.250	5.384.068	5.227.250
Prepayments received from customers		1.987.736	908.533	961.796	0
Trade payables		7.058.731	3.525.508	5.626.599	2.267.223
Payables to group enterprises		24.561.455	24.038.668	20.003.998	19.397.766
Other payables		4.131.619	2.966.280	2.283.603	1.674.207
Short-term debt		73.844.519	68.568.705	59.980.974	55.468.912
Debt		73.844.519	68.568.705	59.980.974	55.468.912
Liabilities and equity		37.226.309	30.310.875	30.008.897	23.634.019
Going concern	1				
Contingent assets, liabilities and other financial obligations	14				
Related parties and ownership	15				

Statement of Changes in Equity

Group

	Share capital DKK	Retained earnings DKK	Total DKK
2015			
Equity at 1 January	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

Group

2014			
Equity 1. januar	125.000	-35.508.425	-35.383.425
Net profit/loss for the year	0	-2.874.405	-2.874.405
Equity at 31 December	125.000	-38.382.830	-38.257.830

Parent company

2015			
Equity at 1 January	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

2014			
Equity 1. januar	125.000	-35.508.425	-35.383.425
Net profit/loss for the year	0	-2.874.405	-2.874.405
Equity at 31 December	125.000	-38.382.830	-38.257.830

Cash Flow Statement 1 January - 31 December

	Note	Group	
		2015 DKK	2014 DKK
Net profit/loss for the year		1.453.620	-2.874.405
Adjustments	16	4.666.631	4.307.557
Change in working capital	17	2.094.237	-696.286
Cash flows from operating activities before financial income and expenses		8.214.488	736.866
Financial income		155.009	20.584
Financial expenses		-3.249.294	-3.512.195
Cash flows from operating activities		5.120.203	-2.754.745
Purchase of intangible assets		-558.476	0
Purchase of property, plant and equipment		-795.764	-433.808
Cash flows from investing activities		-1.354.240	-433.808
Change in loans from credit institutions		-1.181.556	1.067.002
Change in payables to group enterprises		183.962	2.438.274
Change in convertible instruments of debt		156.818	152.250
Cash flows from financing activities		-840.776	3.657.526
Change in cash and cash equivalents		2.925.187	468.973
Cash and cash equivalents at 1 January		2.618.951	2.149.978
Cash and cash equivalents at 31 December		5.544.138	2.618.951
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		5.544.138	2.618.951
Cash and cash equivalents at 31 December		5.544.138	2.618.951

Notes to the Financial Statements

1 Going concern

Maintenance of the funding of the Company and group enterprises is assessed and discussed regularly with the Company's banker. It is essential to the Company as a going concern that funding is maintained, and that the Company is brought into a 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	
	<u>2015</u> DKK	<u>2014</u> DKK	<u>2015</u> DKK	<u>2014</u> DKK
2 Staff expenses				
Wages and salaries	15.111.635	14.516.812	11.065.845	10.104.826
Pensions	58.100	0	58.100	0
Other social security expenses	275.004	240.313	148.009	160.790
Other staff expenses	455.201	496.252	308.643	231.967
	<u>15.899.940</u>	<u>15.253.377</u>	<u>11.580.597</u>	<u>10.497.583</u>
Average number of employees	<u>35</u>	<u>37</u>	<u>23</u>	<u>23</u>
3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment				
Amortisation of intangible assets	357.143	357.143	0	0
Depreciation of property, plant and equipment	671.456	516.179	327.562	192.860
	<u>1.028.599</u>	<u>873.322</u>	<u>327.562</u>	<u>192.860</u>
4 Financial income				
Other financial income	26.484	20.584	26.484	20.584
Exchange adjustments	128.524	0	128.524	0
	<u>155.008</u>	<u>20.584</u>	<u>155.008</u>	<u>20.584</u>

Notes to the Financial Statements

	Group		Parent company	
	2015 DKK	2014 DKK	2015 DKK	2014 DKK
5 Financial expenses				
Interest paid to group enterprises	871.856	842.610	738.751	688.040
Other financial expenses	2.332.549	2.595.272	2.036.820	2.325.188
Exchange adjustments, expenses	44.885	74.313	0	34.410
	3.249.290	3.512.195	2.775.571	3.047.638
6 Tax on profit/loss for the year				
Current tax for the year	0	0	0	0
Deferred tax for the year	543.750	-81.000	491.750	25.000
	543.750	-81.000	491.750	25.000
7 Intangible assets				
Group				Acquired other similar rights DKK
Cost at 1 January				2.500.000
Additions for the year				558.476
Cost at 31 December				3.058.476
Impairment losses and amortisation at 1 January				1.250.000
Amortisation for the year				366.451
Impairment losses and amortisation at 31 December				1.616.451
Carrying amount at 31 December				1.442.025

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	1.019.013	1.502.356	2.521.369
Additions for the year	391.157	404.607	795.764
Disposals for the year	-11.999	0	-11.999
Cost at 31 December	<u>1.398.171</u>	<u>1.906.963</u>	<u>3.305.134</u>
Impairment losses and depreciation at 1 January	657.529	806.222	1.463.751
Depreciation for the year	175.305	486.841	662.146
Reversal of impairment and depreciation of sold assets	-11.999	0	-11.999
Impairment losses and depreciation at 31 December	<u>820.835</u>	<u>1.293.063</u>	<u>2.113.898</u>
Carrying amount at 31 December	<u>577.336</u>	<u>613.900</u>	<u>1.191.236</u>
Depreciated over	<u>3-5 years</u>	<u>3-5 years</u>	

Parent company

	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
	DKK	DKK	DKK
Cost at 1 January	619.673	246.968	866.641
Additions for the year	368.270	289.828	658.098
Kostpris at 31 December	<u>987.943</u>	<u>536.796</u>	<u>1.524.739</u>
Impairment losses and depreciation at 1 January	545.991	68.633	614.624
Depreciation for the year	94.616	223.637	318.253
Impairment losses and depreciation at 31 December	<u>640.607</u>	<u>292.270</u>	<u>932.877</u>
Carrying amount at 31 December	<u>347.336</u>	<u>244.526</u>	<u>591.862</u>
Depreciated over	<u>3-5 years</u>	<u>3-5 years</u>	

Notes to the Financial Statements

	Parent company	
	2015 DKK	2014 DKK
9 Investments in subsidiaries		
Cost at 1 January	335.900	289.983
Additions for the year	0	45.917
Cost at 31 December	<u>335.900</u>	<u>335.900</u>
Value adjustments at 1 January	-6.758.837	-6.349.937
Net profit/loss for the year	181.558	-1.036.068
Change in intercompany profit on inventories	<u>-404.757</u>	<u>627.168</u>
Value adjustments at 31 December	<u>-6.982.036</u>	<u>-6.758.837</u>
Equity investments with negative net asset value transferred to provisions	<u>6.646.136</u>	<u>6.422.937</u>
Carrying amount at 31 December	<u>0</u>	<u>0</u>

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%	-2.640.031	-75.289
Carrington Retail ApS	Copenhagen, Denmark	80.000	100%	-5.552.420	181.544
Carrington Enterprises Ltd.	London, UK	47.575	100%	-	-

Notes to the Financial Statements

	Group		Parent company	
	2015	2014	2015	2014
	DKK	DKK	DKK	DKK
10 Stocks				
Finished goods and goods for resale	12.208.125	7.359.369	7.588.591	2.860.637
Prepayments for goods	3.016.971	4.917.315	3.016.971	4.917.315
	15.225.096	12.276.684	10.605.562	7.777.952

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.

	Group		Parent company	
	2015	2014	2015	2014
	DKK	DKK	DKK	DKK
13 Provision for deferred tax				
Intangible assets	121.000	39.000	0	0
Property, plant and equipment	45.000	31.000	0	-3.000
Trade receivables	-258.000	-240.000	0	-240.000
Tax loss carry-forward	-4.884.000	-5.349.750	-3.496.000	-3.744.750
Transferred to deferred tax asset	4.976.000	5.519.750	3.496.000	3.987.750
	0	0	0	0
Deferred tax asset				
Calculated tax asset	4.976.000	5.519.750	3.496.000	3.987.750
Carrying amount	4.976.000	5.519.750	3.496.000	3.987.750

Notes to the Financial Statements

	Group		Parent company	
	2015	2014	2015	2014
	DKK	DKK	DKK	DKK
14 Contingent assets, liabilities and other financial obligations				

Rental agreements and leases

Tenancy commitments	672.000	571.250	81.000	81.000
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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	22.777.713	19.384.885	16.153.033	11.940.234
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The following assets have been placed as security with letters:

Bank guarantee for rent	672.000	571.250	147.838	147.653
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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.

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

Notes to the Financial Statements

	Group	
	<u>2015</u>	<u>2014</u>
	DKK	DKK
16 Cash flow statement - adjustments		
Financial income	-155.008	-20.584
Financial expenses	3.249.290	3.512.195
Depreciation, amortisation and impairment losses, including losses and gains on sales	1.028.599	873.322
Tax on profit/loss for the year	543.750	-81.000
Other adjustments	0	23.624
	<u>4.666.631</u>	<u>4.307.557</u>
17 Cash flow statement - change in working capital		
Change in inventories	-2.948.414	-548.850
Change in receivables	-921.117	-1.402.942
Change in other provisions	186.000	0
Change in trade payables, etc	5.777.768	1.255.506
	<u>2.094.237</u>	<u>-696.286</u>

Accounting Policies

Basis of Preparation

The Annual Report of Carrington ApS for 2015 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.

Consolidated and Parent Company Financial Statements for 2015 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

Business combinations

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.

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Group. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

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

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the enterprise.

Accounting Policies

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

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.

Income from investments in

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

Development costs and costs relating to rights developed by the Company are recognised in the income statement as costs in the year of acquisition.

Accounting Policies

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.

Assets costing less than DKK 12,800 are expensed in the year of acquisition.

Investments in

Investments in are recognised and measured under the equity method.

The item 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 any remaining value of positive differences (goodwill) and deduction of any remaining value of negative differences (negative goodwill).

The total net revaluation of investments in 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 .

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.

Accounting Policies

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.

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.

Accounting Policies

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

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

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

Financial Highlights

Explanation of financial ratios

Return on assets

$$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$$

Solvency ratio

$$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$$