

Carrington ApS

Annual Report
01 Jan – 31 Dec 2018
Wood Wood

CVR NO 21 41 61 34

The Annual Report was presented and adopted at the
Annual General Meeting of the Company on 13/6 2019

NØRREBROGADE 106 2
2200 COPENHAGEN N DENMARK

Mikael Lunøe (Chairman)



Content

Management's Statement and Auditor's Report

Management's Statement	03
Independent Auditor's Report	04

Management's Review

Company Information	07
Financial Highlights	08
Management's Review	09

Consolidated and Parent Company Financial Statements

Income Statement 1 January - 31 December	10
Balance Sheet 31 December	11
Statement of Changes in Equity	13
Cash Flow Statement 1 January - 31 December	14
Notes to the Financial Statements	15

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 2018. 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 2018 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2018.

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, 13 June 2019

Executive Board

Per Gasseholm

Board of Directors

Mikael Lunøe (Chairman)

Johan Frederik Clarentius Gertz

Anders Cleemann

Claus Kongsted Nielsen

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 2018 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 2018 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 2018, 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.

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, 13 June 2019

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Hans Jørgen Andersen
State Authorised Public Accountant
mne30211

Søren Alexander
State Authorised Public Accountant
mne42824

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
Johan Frederik Clarentius Gertz
Anders Cleemann
Claus Kongsted Nielsen

Executive Board

Per Gasseholm

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Financial Highlights

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

Key figures

	Group	2018 DKK	2017 DKK	2016 DKK	2015 DKK	2014 DKK
Profit/loss						
Gross profit/loss		40,544	35,107	24,865	22,020	16,663
Operating profit/loss		12,291	10,524	4,287	4,869	6
Profit/loss before financial income and expenses		13,502	10,996	4,992	5,092	536
Net financials		-1,384	-2,370	-3,057	-3,094	-3,492
Net profit/loss for the year		9,235	6,764	1,295	1,454	-2,874
Balance sheet						
Balance sheet total		39,737	37,207	38,280	37,226	30,311
Equity		-14,894	-28,745	-35,509	-36,804	-38,258
Cash flows						
Cash flows from:						
· operating activities		7,710	16,331	2,315	5,120	-2,755
· investing activities		-2,390	-963	-1,382	-1,354	-434
including investment in property, plant and equipment		-2,390	-963	-1,307	-796	-434
· financing activities		-6,766	-11,707	-2,384	-841	3,658
Change in cash and cash equivalents for the year		-1,446	3,661	-1,451	2,925	469
Number of employees		55	47	44	41	43
Ratios						
Return on assets		34,0%	29,6%	13,0%	13,7%	1,8%
Solvency ratio		-37,5%	-77,3%	-92,8%	-98,9%	-126,2%

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

Key activities

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

Development in the year

The income statement of the Group for 2018 shows a profit of DKK 9,234,557, and at 31 December 2018 the balance sheet of the Group shows negative equity of DKK 14,893,607.

The results of 2018 follows a significant improvement in previous years and underline the strong position of the company. The results are considered satisfactory and we continue to invest in future growth and improvements, including sustainability considerations across the business.

Our goals continue to focus on Operational Improvements, growth, EBITDA, Brand Health and Consumer Satisfaction.

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

		Group		Parent company	
Note	2018 DKK	2017 DKK	2018 DKK	2017 DKK	
Gross profit/loss	40,544,099	35,107,155	31,679,736	23,609,212	
Staff expenses	2 25,735,964	-22,822,865	-16,984,840	-15,885,081	
Profit/loss before financial income and expenses, tax, depreciation and amortisation (EBITDA)	14,808,135	12,284,290	14,694,896	7,724,131	
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3 -1,306,549	-1,288,171	-587,237	-435,337	
Profit/loss before financial income and expenses	13,501,586	10,996,119	14,107,659	7,288,794	
Income from investments in subsidiaries	4 0	0	-734,618	2,325,891	
Financial income	5 488,531	648,742	331,006	548,725	
Financial expenses	6 -1,872,976	-3,018,931	-1,598,492	-2,118,559	
Profit/loss before tax	12,117,141	8,625,930	12,105,555	8,044,851	
Tax on profit/loss for the year	7 -2,882,584	-1,861,824	-2,870,998	-1,280,745	
Net profit/loss for the year	9,234,557	6,764,106	9,234,557	6,764,106	

Balance Sheet 31 December

Assets

		Group		Parent company	
Note	2018 DKK	2017 DKK	2018 DKK	2017 DKK	
Acquired other similar rights	412,875	662,294	381,625	437,473	
Intangible assets	412,875	662,294	381,625	437,473	
Other fixtures and fittings, tools and equipment	252,118	290,212	210,023	210,898	
Leasehold improvements	2,935,674	1,564,704	976,755	488,229	
Property, plant and equipment	3,187,792	1,854,916	1,186,777	699,127	
Investments in subsidiaries	0	0	139,306	608,317	
Fixed asset investments	0	0	139,306	608,317	
Fixed assets	3,600,666	2,517,210	1,707,708	1,744,917	
Inventory	22,004,904	16,886,167	12,291,264	9,786,112	
Trade receivables	5,069,190	5,336,264	3,733,526	5,174,904	
Receivables from group enterprises	0	0	9,389,276	1,840,086	
Other receivables	1,734,206	1,648,630	9,900	844,017	
Deferred tax asset	264,268	2,474,217	264,268	1,603,255	
Prepayments	755,673	590,216	550,916	495,702	
Receivables	7,823,338	10,049,327	13,947,886	9,957,964	
Cash at bank and in hand	6,308,100	7,754,099	2,547,402	6,224,429	
Currents assets	36,136,342	34,689,593	28,786,552	25,968,505	
Assets	39,737,008	37,206,803	30,494,260	27,713,422	

Balance Sheet 31 December

Liabilities and equity

		Group		Parent company	
Note	2018 DKK	2017 DKK	2018 DKK	2017 DKK	
Share capital	156,250	125,000	156,250	125,000	
Retained earning	-15,049,857	-28,870,120	-15,049,857	-28,870,120	
Equity	13	-14,893,607	-28,745,120	-14,893,607	-28,745,120
Provision for deferred tax	26,985	0	0	0	
Provisions		26,985	0	0	0
Credit institutions	7,490,944	13,099,171	7,490,944	13,099,171	
Convertible instruments of debt	0	5,711,957	0	5,711,957	
Prepayments received from customers	654,573	3,370,743	11	2,561,417	
Trade payables	12,793,035	10,683,593	7,578,043	8,176,164	
Payables to group enterprises	25,697,947	25,760,827	24,848,813	23,221,449	
Joint tax contribution payable	638,017	0	1,532,011	0	
Other payables	7,329,114	7,325,632	3,938,044	3,688,384	
Short-term debt		54,603,630	65,951,923	45,387,867	56,458,542
Debt		54,630,615	65,951,923	45,387,867	56,458,542
Liabilities and equity		39,737,008	37,206,803	30,494,260	27,713,422

Going concern	1
Cash flow statement – adjustments	14
Cash flow statement – change in working capital	15
Contingent assets, liabilities and other financial obligations	16
Related parties	17
Accounting Policies	18

Statement of Changes in Equity

	Share capital	Retained earning	Total
	DKK	DKK	DKK
Group 2018			
Equity at 1 January	125,000	-28,870,120	-28,745,120
Capital increase	31,250	4,968,750	5,000,000
Equity instruments	0	-371,509	-371,509
Exchange rate differences subsidiaries	0	-11,536	-11,536
Net profit/loss for the year	0	9,234,557	9,234,557
Equity at 31 December	156,250	-15,049,857	-14,893,607
Group 2017			
Equity at 1 January			
Net profit/loss for the year	125,000	-35,634,226	-35,509,226
	0	6,764,106	6,764,106
Equity at 31 December	125,000	-28,870,120	-28,745,120
Parent company 2018			
Equity at 1 January	125,000	-28,870,120	-28,745,120
Capital increase	31,250	4,968,750	5,000,000
Equity instruments	0	-371,508	-371,508
Exchange rate differences subsidiaries	0	-11,536	-11,536
Net profit/loss for the year	0	9,234,557	9,234,557
Equity at 31 December	156,250	-15,049,857	-14,893,607
Parent company 2017			
Equity at 1 January	125,000	-35,634,226	-35,509,226
Net profit/loss for the year	0	6,764,106	6,764,106
Equity at 31 December	125,000	-28,870,120	-28,745,120

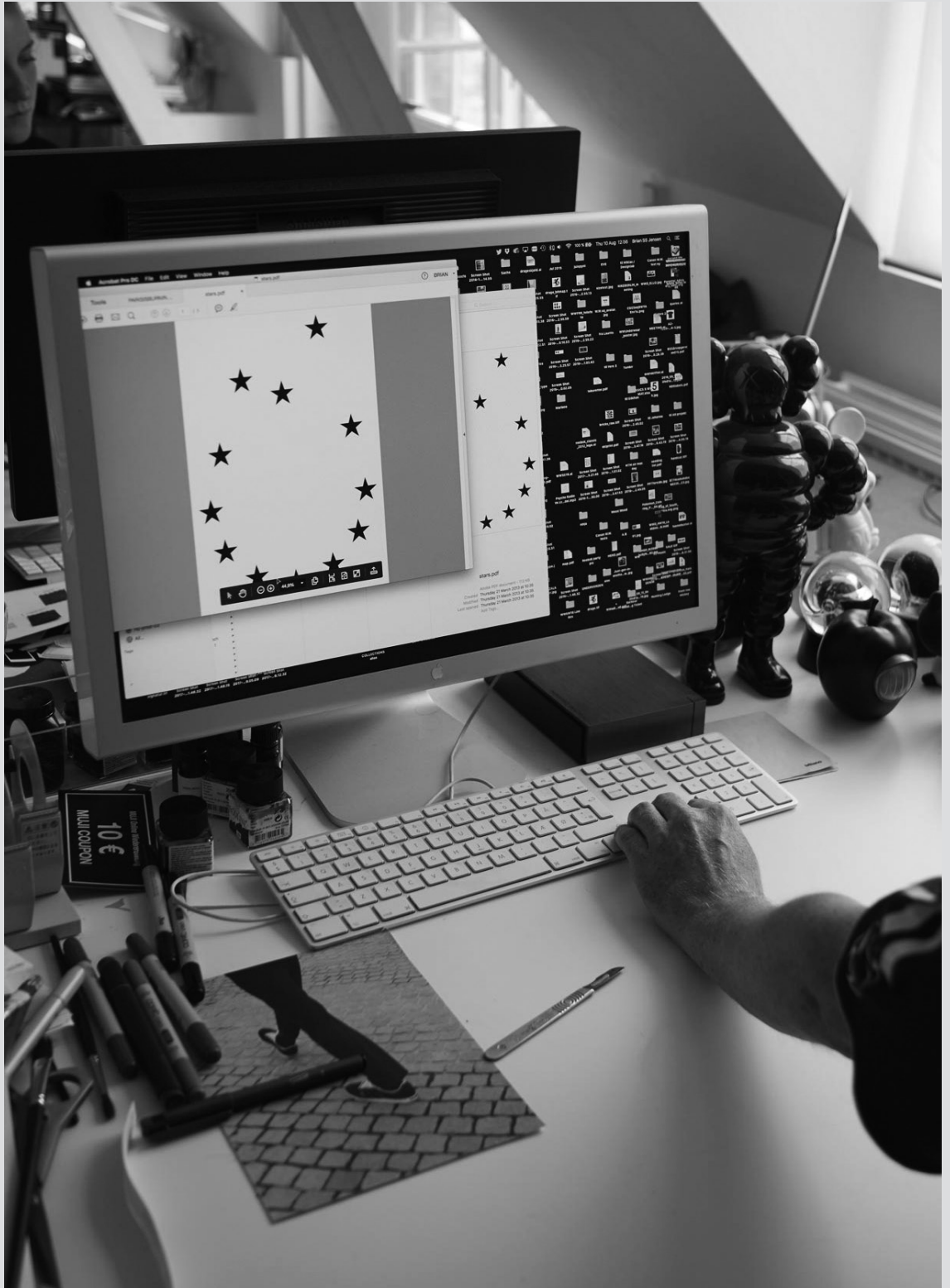
Cash Flow Statement

1 January – 31 December

Group

	Note	2018 DKK	2017 DKK
Net profit/loss for the year		9,234,557	6,764,106
Adjustments	14	5,565,856	5,448,299
Change in working capital	15	-5,705,943	6,489,164
Cash flows from operating activities before financial income and expenses		9,094,469	18,701,569
Financial income		488,531	648,741
Financial expenses		-1,872,976	-3,018,929
Cash flows from operating activities		7,710,025	16,331,381
Purchase of intangible assets			
Purchase of property, plant and equipment		-2,389,916	-962,836
Cash flows from investing activities		-2,389,916	-962,836
Change in Equity		4,616,956	0
Change in loans from credit institutions		-5,608,227	-14,740,913
Change in payables to group enterprises		-62,880	2,867,237
Change in convertible instruments of debt		-5,711,957	166,367
Cash flows from financing activities		-6,766,108	-11,707,309
Change in cash and cash equivalents		-1,445,999	3,661,236
Cash and cash equivalents at 1 January		7,754,099	4,092,863
Cash and cash equivalents at 31 December		6,308,100	7,754,099
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		6,308,100	7,754,099
Cash and cash equivalents at 31 December		6,308,100	7,754,099

Notes to the Financial Statements



1 Going concern

The Company is dependent on the extension of loans from group enterprises to, in addition to the Company's credit line with its bank, support the Company's capital resources.

In Management's opinion, the current funding will continue in the coming financial year supported by continuous profitability and repayment of debt; therefore, Management presents the Annual Report under a going concern assumption.

	Group		Parent company	
	2018 DKK	2017 DKK	2018 DKK	2017 DKK
2 Staff expenses				
Wages and salaries	22,586,463	20,256,307	14,841,827	14,051,559
Pensions	1,444,008	1,016,718	1,184,264	950,931
Other social security expenses	564,088	476,670	172,374	163,593
Other staff expenses	1,141,405	1,073,170	786,375	718,998
	<u>25,735,964</u>	<u>22,822,865</u>	<u>16,984,840</u>	<u>15,885,081</u>
Average number of employees	<u>55</u>	<u>47</u>	<u>27</u>	<u>26</u>
3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment				
Amortisation of intangible assets	249,419	372,143	55,848	0
Depreciation of property, plant and equipment	1,057,129	916,028	531,390	435,337
	<u>1,306,549</u>	<u>1,288,171</u>	<u>587,237</u>	<u>435,337</u>
4 Income from investments in subsidiaries				
Share of profits of subsidiaries			189,696	1,949,293
Change in intercompany profit on inventories purchased within the Group			<u>-924,314</u>	<u>376,598</u>
			<u>-734,618</u>	<u>2,325,891</u>

	Group		Parent company	
	2018 DKK	2017 DKK	2018 DKK	2017 DKK
5 Financial income				
Other financial income	163,245	35,064	56,460	35,064
Exchange adjustments	325,286	613,678	274,546	513,661
	488,531	648,742	331,006	548,725
6 Financial expenses				
Interest paid to group enterprises	762,149	1,304,575	616,702	784,491
Other financial expenses	670,592	979,589	595,990	782,818
Exchange loss	440,234	734,767	385,800	551,250
	1,872,976	3,018,931	1,598,492	2,118,559
7 Tax on profit/loss for the year				
Current tax for the year	1,539,644	7,068	1,532,011	0
Deferred tax for the year	1,342,940	1,854,756	1,338,987	1,280,745
	2,882,584	1,861,824	2,870,998	1,280,745
8 Distribution of profit			2018 DKK	2017 DKK
Proposed distribution of profit				
Retained earning			9,234,557	6,764,106
			<u>9,234,557</u>	<u>6,764,106</u>

9 Intangible assets

Group	Acquired other similar rights
	DKK
Cost at 1 January	3,133,476
Cost at 31 December	3,133,476
Impairment losses and amortisation at 1 January	2,471,182
Amortisation for the year	249,419
Impairment losses and amortisation at 31 December	2,720,601
	412,875
Carrying amount at 31 December	
	7-10 years
Depreciated over	
	Acquired other similar rights
	DKK
Cost at 1 January	558,476
Cost at 31 December	558,476
Impairment losses and amortisation at 1 January	121,003
Amortisation for the year	55,848
Impairment losses and amortisation at 31 December	176,851
	381,625
Carrying amount at 31 December	
Depreciated over	10 years

10 Property, plant and equipment

Group	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
	DKK	DKK	DKK
Cost at 1 January	1,866,269	4,297,167	6,163,436
Additions for the year	183,681	2,206,235	2,389,916
Cost at 31 December	2,049,950	6,503,402	8,553,352
Impairment losses and depreciation at 1 January	1,576,004	2,732,426	4,308,431
Depreciation for the year	221,827	835,302	1,057,129
Impairment losses and depreciation at 31 December	1,797,832	3,567,728	5,365,560
Carrying amount at 31 December	252,118	2,935,674	3,187,792
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	1,166,378	1,209,811	2,376,189
Additions for the year	162,538	856,502	1,019,040
Cost at 31 December	1,328,915	2,066,313	3,395,229
Impairment losses and depreciation at 1 January	955,480	721,582	1,677,062
Depreciation for the year	163,413	367,977	531,390
Impairment losses and depreciation at 31 December	1,118,893	1,089,559	2,208,452
Carrying amount at 31 December	210,023	976,755	1,186,777
Depreciated over	3–5 years	3–5 years	

11 Investments in subsidiaries

	Parent company	
	2018 DKK	2017 DKK
Cost at 1 January	5,835,900	5,835,900
Additions for the year	<u>0</u>	<u>0</u>
Cost at 31 December	<u>5,835,900</u>	<u>5,835,900</u>
Value adjustments at 1 January	-9,053,309	-7,659,963
Net profit/loss for the year	189,696	-1,769,944
Currency adjustment	11,536	0
Change in intercompany profit on inventories	<u>-924,314</u>	<u>376,598</u>
Value adjustments at 31 December	<u>-9,799,463</u>	<u>-9,053,309</u>
Equity investments with negative net asset value amortised over receivables	4,102,868	3,825,726
Equity investments with negative net asset value transferred to provisions	<u>0</u>	<u>0</u>
Carrying amount at 31 December	<u>139,305</u>	<u>608,317</u>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
		DKK	DKK
Wood Wood Rockstrasse 4 GmbH	Berlin, Germany	186,400	100%
Carrington Retail ApS	Copenhagen, Denmark	80,000	100%
Carrington Enterprises Ltd.	London, UK	47,575	100%

	Group		Parent company	
	2018 DKK	2017 DKK	2018 DKK	2017 DKK
12 Inventory				
Finished goods and goods for resale	22,282,919	14,145,621	12,329,461	7,061,921
Prepayments for goods	<u>-278,015</u>	<u>2,740,546</u>	<u>-38,197</u>	<u>2,724,191</u>
	<u>22,004,904</u>	<u>16,886,167</u>	<u>12,291,264</u>	<u>9,786,112</u>

13 Equity

The share capital consists of 156,250 shares of a nominal value of DKK 1. No shares carry any special rights.

	Group	
	2018 DKK	2017 DKK
14 Cash flow statement adjustments		
Financial income	-488,531	-648,742
Financial expenses	1,872,976	3,018,931
Depreciation, amortisation and impairment losses, including losses and gains on sales	1,306,549	1,288,171
Tax on profit/loss for the year	2,882,584	1,861,824
Other adjustments	<u>-7,722</u>	<u>-71,885</u>
	<u>5,565,856</u>	<u>5,448,299</u>
15 Cash flow statement change in working capital		
Change in inventories	-5,118,738	1,283,845
Change in receivables	16,040	-686,453
Change in trade payables, etc	<u>-603,246</u>	<u>5,891,772</u>
	<u>-5,705,943</u>	<u>6,489,164</u>

16 Contingent assets, liabilities and other financial obligations

	Group		Parent company	
	2018 DKK	2017 DKK	2018 DKK	2017 DKK
Charges and 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	30,674,761	28,768,650	17,593,192	18,232,971
The following assets have been placed as security with letters:				
Bank guarantee for rent	491,635	672,103	147,885	147,666
Rental and lease obligations				
Tenancy commitments	4,799,110	762,358	1,501,301	171,258

Other 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 given suretyship for Carrington Retail ApS's credit institutions.

17 Related parties

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 A ApS
 EVR 1 B ApS
 12. JUNI 1976 ApS

Accounting Policies

The Annual Report of Carrington ApS for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The accounting policies applied remain unchanged from last year.

The Consolidated and Parent Company Financial Statements for 2018 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.

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.

18 Accounting Policies (continued)

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.

Expenses for raw materials and consumables

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

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 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.

18 Accounting Policies (continued)

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 7-10 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.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation. If so, the asset is written down to its lower recoverable amount.

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.

Inventory

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

The net realisable value of inventory 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.

18 Accounting Policies (continued)

Other fixed asset investments

Other fixed asset investments consist of deposits.

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.

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

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.

18 Accounting Policies (continued)

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	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Operating profit/loss	Profit/loss before financial income and expenses – Other operating income

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