
Carrington ApS

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

Annual Report for 1 January - 31 December 2017

CVR No 21 41 61 34

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
5 /6 2018

Mikael Lunøe
Chairman



pwc

Contents

| | <u>Page</u> |
|---|-------------|
| Management's Statement and Auditor's Report | |
| Management's Statement | 1 |
| Independent Auditor's Report | 2 |
| Management's Review | |
| Company Information | 5 |
| Financial Highlights | 6 |
| Management's Review | 7 |
| Consolidated and Parent Company Financial Statements | |
| Income Statement 1 January - 31 December | 8 |
| Balance Sheet 31 December | 9 |
| Statement of Changes in Equity | 11 |
| Cash Flow Statement 1 January - 31 December | 12 |
| Notes to the Financial Statements | 13 |

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 2017.

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 2017 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2017.

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, 5 June 2018

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 2017 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 2017 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 2017, 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 Financial 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

Independent Auditor's Report

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, 5 June 2018

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Hans Jørgen Andersen
statsautoriseret revisor
mne30211

Søren Alexander
statsautoriseret revisor
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:

| | Group | | | | |
|---|--------------|--------------|--------------|--------------|--------------|
| | 2017 TDKK | 2016 TDKK | 2015 TDKK | 2014 TDKK | 2013 TDKK |
| Key figures | | | | | |
| Profit/loss | | | | | |
| Gross profit/loss | 35,107 | 24,865 | 22,020 | 16,663 | 11,912 |
| Operating profit/loss | 10,524 | 4,287 | 4,869 | 6 | -3,608 |
| Profit/loss before financial income and expenses | 10,996 | 4,992 | 5,092 | 536 | -3,608 |
| Net financials | -2,370 | -3,057 | -3,094 | -3,492 | -3,211 |
| Net profit/loss for the year | 6,764 | 1,295 | 1,454 | -2,874 | -5,491 |
| Balance sheet | | | | | |
| Balance sheet total | 37,207 | 38,280 | 37,226 | 30,311 | 30,027 |
| Equity | -28,745 | -35,509 | -36,804 | -38,258 | -35,383 |
| Cash flows | | | | | |
| Cash flows from: | | | | | |
| - operating activities | 16,331 | 2,315 | 5,120 | -2,755 | -3,672 |
| - investing activities | -963 | -1,382 | -1,354 | -434 | -420 |
| including investment in property, plant and equipment | -963 | -1,307 | -796 | -434 | -420 |
| - financing activities | -11,707 | -2,384 | -841 | 3,658 | 4,041 |
| Change in cash and cash equivalents for the year | 3,661 | -1,451 | 2,925 | 469 | -51 |
| Number of employees | 40 | 38 | 35 | 37 | 36 |
| Ratios | | | | | |
| Return on assets | 29.6% | 13.0% | 13.7% | 1.8% | -12.0% |
| Solvency ratio | -77.3% | -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

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 2017 shows a profit of DKK 6,764,106, and at 31 December 2017 the balance sheet of the Group shows negative equity of DKK 28,745,120.

The results of 2017 are a significant improvement from 2016 and are considered satisfactory. We continue to invest in future growth and improvements.

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

| | Note | Group | | Parent company | |
|--|------|-------------------|-------------------|-------------------|-------------------|
| | | 2017 DKK | 2016 DKK | 2017 DKK | 2016 DKK |
| Gross profit/loss | | 35,107,155 | 24,865,092 | 23,609,212 | 19,399,485 |
| Staff expenses | 2 | -22,822,865 | -18,628,474 | -15,885,081 | -13,792,917 |
| Profit/loss before financial income and expenses, tax, depreciation and amortisation (EBITDA) | | 12,284,290 | 6,236,618 | 7,724,131 | 5,606,568 |
| Depreciation, amortisation and impairment of intangible assets and property, plant and equipment | 3 | -1,288,171 | -1,244,444 | -435,337 | -420,543 |
| Profit/loss before financial income and expenses | | 10,996,119 | 4,992,174 | 7,288,794 | 5,186,025 |
| Income from investments in subsidiaries | 4 | 0 | 0 | 2,325,891 | -678,107 |
| Financial income | 5 | 648,742 | 122,579 | 548,725 | 105,481 |
| Financial expenses | 6 | -3,018,931 | -3,179,769 | -2,118,559 | -2,706,415 |
| Profit/loss before tax | | 8,625,930 | 1,934,984 | 8,044,851 | 1,906,984 |
| Tax on profit/loss for the year | 7 | -1,861,824 | -640,000 | -1,280,745 | -612,000 |
| Net profit/loss for the year | | 6,764,106 | 1,294,984 | 6,764,106 | 1,294,984 |

Distribution of profit

| | Parent company | |
|--|------------------|------------------|
| | 2017 DKK | 2016 DKK |
| Proposed distribution of profit | | |
| Retained earning | 6,764,106 | 1,294,984 |
| | 6,764,106 | 1,294,984 |

Balance Sheet 31 December

Assets

| | Note | Group | | Parent company | |
|--|------|-------------------|-------------------|-------------------|-------------------|
| | | 2017 DKK | 2016 DKK | 2017 DKK | 2016 DKK |
| Acquired other similar rights | | 662,294 | 1,090,285 | 437,473 | 493,321 |
| Intangible assets | 8 | 662,294 | 1,090,285 | 437,473 | 493,321 |
| Other fixtures and fittings, tools and equipment | | 290,212 | 352,039 | 210,898 | 215,656 |
| Leasehold improvements | | 1,564,704 | 1,328,374 | 488,229 | 131,917 |
| Property, plant and equipment | 9 | 1,854,916 | 1,680,413 | 699,127 | 347,573 |
| Investments in subsidiaries | 10 | 0 | 0 | 608,317 | 0 |
| Fixed asset investments | | 0 | 0 | 608,317 | 0 |
| Fixed assets | | 2,517,210 | 2,770,698 | 1,744,917 | 840,894 |
| Inventory | 11 | 16,886,167 | 18,170,012 | 9,786,112 | 11,608,390 |
| Trade receivables | | 5,336,264 | 5,959,701 | 5,174,904 | 5,783,687 |
| Receivables from group enterprises | | 0 | 2,021,329 | 1,840,086 | 2,417,576 |
| Other receivables | | 1,648,630 | 497,922 | 844,017 | 48,400 |
| Deferred tax asset | | 2,474,217 | 4,336,000 | 1,603,255 | 2,884,000 |
| Prepayments | | 590,216 | 431,030 | 495,702 | 392,128 |
| Receivables | | 10,049,327 | 13,245,982 | 9,957,964 | 11,525,791 |
| Cash at bank and in hand | | 7,754,099 | 4,092,863 | 6,224,429 | 2,380,953 |
| Currents assets | | 34,689,593 | 35,508,857 | 25,968,505 | 25,515,134 |
| Assets | | 37,206,803 | 38,279,555 | 27,713,422 | 26,356,028 |

Balance Sheet 31 December

Liabilities and equity

| | Note | Group | | Parent company | |
|--|------|--------------------|--------------------|--------------------|--------------------|
| | | 2017 DKK | 2016 DKK | 2017 DKK | 2016 DKK |
| Share capital | | 125,000 | 125,000 | 125,000 | 125,000 |
| Retained earning | | -28,870,120 | -35,634,226 | -28,870,120 | -35,634,226 |
| Equity | 12 | -28,745,120 | -35,509,226 | -28,745,120 | -35,509,226 |
| Provisions relating to investments in group enterprises | | 0 | 0 | 0 | 1,824,242 |
| Provisions | | 0 | 0 | 0 | 1,824,242 |
| Credit institutions | | 13,099,171 | 27,840,083 | 13,099,171 | 22,840,083 |
| Convertible instruments of debt | | 5,711,957 | 5,545,590 | 5,711,957 | 5,545,590 |
| Prepayments received from customers | | 3,370,743 | 2,530,351 | 2,561,417 | 1,676,243 |
| Trade payables | | 10,683,593 | 8,656,798 | 8,176,164 | 6,676,341 |
| Payables to group enterprises | | 25,760,827 | 24,914,910 | 23,221,449 | 20,704,745 |
| Other payables | | 7,325,632 | 4,301,049 | 3,688,384 | 2,598,010 |
| Short-term debt | | 65,951,923 | 73,788,781 | 56,458,542 | 60,041,012 |
| Debt | | 65,951,923 | 73,788,781 | 56,458,542 | 60,041,012 |
| Liabilities and equity | | 37,206,803 | 38,279,555 | 27,713,422 | 26,356,028 |
| Going concern | 1 | | | | |
| Contingent assets, liabilities and other financial obligations | 15 | | | | |
| Related parties | 16 | | | | |
| Accounting Policies | 17 | | | | |

Statement of Changes in Equity

Group

| | <u>Share capital</u> DKK | <u>Retained earning</u> DKK | <u>Total</u> DKK |
|------------------------------|-----------------------------|------------------------------------|---------------------------|
| 2017 | | | |
| Equity at 1 January | 125,000 | -35,634,226 | -35,509,226 |
| Net profit/loss for the year | <u>0</u> | <u>6,764,106</u> | <u>6,764,106</u> |
| Equity at 31 December | <u>125,000</u> | <u>-28,870,120</u> | <u>-28,745,120</u> |

Group

| | | | |
|------------------------------|-----------------------|---------------------------|---------------------------|
| 2016 | | | |
| Equity 1 January | 125,000 | -36,929,210 | -36,804,210 |
| Net profit/loss for the year | <u>0</u> | <u>1,294,984</u> | <u>1,294,984</u> |
| Equity at 31 December | <u>125,000</u> | <u>-35,634,226</u> | <u>-35,509,226</u> |

Parent company

| | | | |
|------------------------------|-----------------------|---------------------------|---------------------------|
| 2017 | | | |
| Equity at 1 January | 125,000 | -35,634,226 | -35,509,226 |
| Net profit/loss for the year | <u>0</u> | <u>6,764,106</u> | <u>6,764,106</u> |
| Equity at 31 December | <u>125,000</u> | <u>-28,870,120</u> | <u>-28,745,120</u> |

Parent company

| | | | |
|------------------------------|-----------------------|---------------------------|---------------------------|
| 2016 | | | |
| Equity 1 January | 125,000 | -36,929,210 | -36,804,210 |
| Net profit/loss for the year | <u>0</u> | <u>1,294,984</u> | <u>1,294,984</u> |
| Equity at 31 December | <u>125,000</u> | <u>-35,634,226</u> | <u>-35,509,226</u> |

Cash Flow Statement 1 January - 31 December

| | Note | Group | |
|--|------|--------------------|-------------------|
| | | 2017 DKK | 2016 DKK |
| Net profit/loss for the year | | 6,764,106 | 1,294,984 |
| Adjustments | 13 | 5,448,299 | 4,941,633 |
| Change in working capital | 14 | 6,489,164 | -864,890 |
| Cash flows from operating activities before financial income and expenses | | 18,701,569 | 5,371,727 |
| Financial income | | 648,741 | 122,579 |
| Financial expenses | | -3,018,929 | -3,179,766 |
| Cash flows from operating activities | | 16,331,381 | 2,314,540 |
| Purchase of intangible assets | | 0 | -75,000 |
| Purchase of property, plant and equipment | | -962,836 | -1,306,881 |
| Cash flows from investing activities | | -962,836 | -1,381,881 |
| Change in loans from credit institutions | | -14,740,913 | -2,880,826 |
| Change in payables to group enterprises | | 2,867,237 | 335,370 |
| Change in convertible instruments of debt | | 166,367 | 161,522 |
| Cash flows from financing activities | | -11,707,309 | -2,383,934 |
| Change in cash and cash equivalents | | 3,661,236 | -1,451,275 |
| Cash and cash equivalents at 1 January | | 4,092,863 | 5,544,138 |
| Cash and cash equivalents at 31 December | | 7,754,099 | 4,092,863 |
| Cash and cash equivalents are specified as follows: | | | |
| Cash at bank and in hand | | 7,754,099 | 4,092,863 |
| Cash and cash equivalents at 31 December | | 7,754,099 | 4,092,863 |

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 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 | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| | <u>2017</u> DKK | <u>2016</u> DKK | <u>2017</u> DKK | <u>2016</u> DKK |
| 2 Staff expenses | | | | |
| Wages and salaries | 20,256,307 | 17,082,813 | 14,051,559 | 12,610,777 |
| Pensions | 1,016,718 | 636,791 | 950,931 | 597,966 |
| Other social security expenses | 476,670 | 236,469 | 163,593 | 151,858 |
| Other staff expenses | 1,073,170 | 672,401 | 718,998 | 432,316 |
| | <u>22,822,865</u> | <u>18,628,474</u> | <u>15,885,081</u> | <u>13,792,917</u> |
| Average number of employees | <u>40</u> | <u>38</u> | <u>26</u> | <u>24</u> |
| 3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment | | | | |
| Amortisation of intangible assets | 372,143 | 370,893 | 0 | 0 |
| Depreciation of property, plant and equipment | 916,028 | 873,551 | 435,337 | 420,543 |
| | <u>1,288,171</u> | <u>1,244,444</u> | <u>435,337</u> | <u>420,543</u> |
| 4 Income from investments in subsidiaries | | | | |
| Share of profits of subsidiaries | | | 1,949,293 | 50,125 |
| Change in intercompany profit on inventories purchased within the Group | | | 376,598 | -728,232 |
| | | | <u>2,325,891</u> | <u>-678,107</u> |

Notes to the Financial Statements

| | Group | | Parent company | |
|---|------------------|------------------|------------------|---|
| | 2017 DKK | 2016 DKK | 2017 DKK | 2016 DKK |
| 5 Financial income | | | | |
| Other financial income | 35,076 | 122,579 | 35,064 | 105,481 |
| Exchange adjustments | 613,666 | 0 | 513,661 | 0 |
| | 648,742 | 122,579 | 548,725 | 105,481 |
| 6 Financial expenses | | | | |
| Interest paid to group enterprises | 1,304,575 | 898,739 | 784,491 | 761,641 |
| Other financial expenses | 979,589 | 1,808,056 | 782,818 | 1,524,021 |
| Exchange loss | 734,767 | 472,974 | 551,250 | 420,753 |
| | 3,018,931 | 3,179,769 | 2,118,559 | 2,706,415 |
| 7 Tax on profit/loss for the year | | | | |
| Current tax for the year | 7,068 | 0 | 0 | 0 |
| Deferred tax for the year | 1,854,756 | 640,000 | 1,280,745 | 612,000 |
| | 1,861,824 | 640,000 | 1,280,745 | 612,000 |
| 8 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 | | | | 2,043,191 |
| Amortisation for the year | | | | 427,991 |
| Impairment losses and amortisation at 31 December | | | | 2,471,182 |
| Carrying amount at 31 December | | | | 662,294 |

Notes to the Financial Statements

Parent company

| | Acquired other similar rights DKK |
|---|---|
| Cost at 1 January | 558,476 |
| Cost at 31 December | 558,476 |
| Impairment losses and amortisation at 1 January | 65,155 |
| Amortisation for the year | 55,848 |
| Impairment losses and amortisation at 31 December | 121,003 |
| Carrying amount at 31 December | 437,473 |

9 Property, plant and equipment

Group

| | Other fixtures and fittings, tools and equipment DKK | Leasehold improvements DKK | Total DKK |
|---|--|----------------------------------|------------------|
| Cost at 1 January | 1,682,157 | 3,502,892 | 5,185,049 |
| Additions for the year | 169,557 | 793,286 | 962,843 |
| Cost at 31 December | 1,851,714 | 4,296,178 | 6,147,892 |
| Impairment losses and depreciation at 1 January | 1,275,279 | 2,157,497 | 3,432,776 |
| Depreciation for the year | 286,223 | 573,977 | 860,200 |
| Impairment losses and depreciation at 31 December | 1,561,502 | 2,731,474 | 4,292,976 |
| Carrying amount at 31 December | 290,212 | 1,564,704 | 1,854,916 |
| Depreciated over | 3-5 years | 3-5 years | |

Notes to the Financial Statements

9 Property, plant and equipment (continued)

Parent company

| | Other fixtures and fittings, tools and equipment | Leasehold improvements | Total |
|---|---|---------------------------|----------------|
| | DKK | DKK | DKK |
| Cost at 1 January | 1,008,020 | 637,125 | 1,645,145 |
| Additions for the year | 158,358 | 572,686 | 731,044 |
| Cost at 31 December | 1,166,378 | 1,209,811 | 2,376,189 |
| Impairment losses and depreciation at 1 January | 792,364 | 505,208 | 1,297,572 |
| Depreciation for the year | 163,116 | 216,374 | 379,490 |
| Impairment losses and depreciation at 31 December | 955,480 | 721,582 | 1,677,062 |
| Carrying amount at 31 December | 210,898 | 488,229 | 699,127 |
| Depreciated over | 3-5 years | 3-5 years | |

Parent company

10 Investments in subsidiaries

| | 2017 | 2016 |
|---|----------------|------------|
| | DKK | DKK |
| Cost at 1 January | 5,835,900 | 335,900 |
| Additions for the year | 0 | 5,500,000 |
| Cost at 31 December | 5,835,900 | 5,835,900 |
| Value adjustments at 1 January | -7,659,963 | -6,982,036 |
| Net profit/loss for the year | -1,769,944 | 96,403 |
| Change in intercompany profit on inventories | 376,598 | -774,330 |
| Value adjustments at 31 December | -9,053,309 | -7,659,963 |
| Equity investments with negative net asset value amortised over receivables | 3,825,726 | 0 |
| Equity investments with negative net asset value transferred to provisions | 0 | 1,824,063 |
| Carrying amount at 31 December | 608,317 | 0 |

Notes to the Financial Statements

Investments in subsidiaries are specified as follows:

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

| | Group | | Parent company | |
|-------------------------------------|-------------------|-------------------|------------------|-------------------|
| | 2017 DKK | 2016 DKK | 2017 DKK | 2016 DKK |
| 11 Inventory | | | | |
| Finished goods and goods for resale | 14,145,621 | 16,776,155 | 7,061,921 | 10,214,533 |
| Prepayments for goods | 2,740,546 | 1,393,857 | 2,724,191 | 1,393,857 |
| | 16,886,167 | 18,170,012 | 9,786,112 | 11,608,390 |

12 Equity

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

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

13 Cash flow statement - adjustments

| | Group | |
|---|------------------|------------------|
| | 2017 DKK | 2016 DKK |
| Financial income | -648,742 | -122,579 |
| Financial expenses | 3,018,931 | 3,179,769 |
| Depreciation, amortisation and impairment losses, including losses and gains on sales | 1,288,171 | 1,244,443 |
| Tax on profit/loss for the year | 1,861,824 | 640,000 |
| Other adjustments | -71,885 | 0 |
| | 5,448,299 | 4,941,633 |

Notes to the Financial Statements

14 Cash flow statement - change in working capital

| | | |
|-------------------------------|------------------|-----------------|
| Change in inventories | 1,283,845 | -2,944,914 |
| Change in receivables | -686,453 | -44,084 |
| Change in other provisions | 0 | -186,000 |
| Change in trade payables, etc | 5,891,772 | 2,310,108 |
| | <u>6,489,164</u> | <u>-864,890</u> |

Notes to the Financial Statements

| | Group | | Parent company | |
|--|-------|------|----------------|------|
| | 2017 | 2016 | 2017 | 2016 |
| | DKK | DKK | DKK | DKK |

15 Contingent assets, liabilities and other financial obligations

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 | 24,677,661 | 28,768,650 | 15,959,304 | 18,232,971 |
|---|------------|------------|------------|------------|

The following assets have been placed as security with letters:

| | | | | |
|-------------------------|---------|---------|---------|---------|
| Bank guarantee for rent | 672,103 | 672,000 | 147,666 | 147,563 |
|-------------------------|---------|---------|---------|---------|

Rental and lease obligations

| | | | | |
|---------------------|---------|---------|---------|--------|
| Tenancy commitments | 762,258 | 672,000 | 171,258 | 81,000 |
|---------------------|---------|---------|---------|--------|

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 issued a letter of support for Carrington Retail ApS for the financial year 2017.

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

16 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 ApS, Copenhagen

Notes to the Financial Statements

17 Accounting Policies

The Annual Report of Carrington ApS for 2017 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 2017 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.

Notes to the Financial Statements

17 Accounting Policies (continued)

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.

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.

Notes to the Financial Statements

17 Accounting Policies (continued)

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.

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.

Notes to the Financial Statements

17 Accounting Policies (continued)

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.

Notes to the Financial Statements

17 Accounting Policies (continued)

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.

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.

Notes to the Financial Statements

17 Accounting Policies (continued)

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.

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

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