2019

CVR NO 21 41 61 34

The Annual Report was presented and adopted at the Annual General Meeting of the Company on September 8, 2020

NØRREBROGADE 106 2
2200 COPENHAGEN N DENMARK

Mikael Lunøe (Chairman)

Content

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Management's Review

Consolidated and Parent Company Financial Statements

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 2019.
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 2019 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2019.

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, September 8, 2020

Executive Board
Per Gasseholm

Board of Directors
Mikael Lunøe (Chairman)
Mads Lunøe
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 2019 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 2019 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 2019, 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, September 8, 2020

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Hans Jørgen Andersen
State Authorised Public Accountant
mne30211

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
Mads Lunøe
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	2019 DKK	2018 DKK	2017 DKK	2016 DKK	2015 DKK
Profit/loss						
Gross profit/loss		34,937	40,544	35,107	24,865	22,020
Operating profit/loss		5,335	12,291	10,524	4,287	4,869
Profit/loss before financial income and expenses		7,558	13,502	10,996	4,992	5,092
Net financials		-836	-1,384	-2,370	-3,057	-3,094
Net profit/loss for the year		4,291	9,235	6,764	1,295	1,454
Balance sheet						
Balance sheet total		58,131	39,737	37,207	38,280	37,226
Equity		-10,595	-14,894	-28,745	-35,509	-36,804
Cash flows						
Cash flows from:						
· operating activities		-9,378	7,710	16,331	2,315	5,120
· investing activities		-9,647	-2,390	-963	-1,382	-1,354
including investment in property, plant and equipment		-9,647	-2,390	-963	-1,307	-796
· financing activities		17,284	-6,766	-11,707	-2,384	-841
Change in cash and cash equivalents for the year		-1,741	-1,446	3,661	-1,451	2,925
Number of employees		66	55	47	44	41
Ratios						
Return on assets		13,0%	34,0%	29,6%	13,0%	13,7%
Solvency ratio		-18,2%	-37,5%	-77,3%	-92,8%	-98,9%

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 service, consulting and trading, in the fashion industry and businesses related thereto.

Development in the year

The income statement of the Group for 2019 shows a profit of DKK 4,291,400, and at 31 December 2019 the balance sheet of the Group shows negative equity of DKK 10,595,070.

The Result of 2019 is slightly below prior year but continues to underline the strong position of the company. The results are considered satisfactory, and as expected, as the year including strategic changes to distribution, as well as significant investments in retail, e-commerce, ERP systems and sustainability.

Our goals continue to focus on operational improvements, growth, EBITDA, brand health and consumer satisfaction, with a strong focus on CSR

Subsequent events

The implications of COVID-19 with many governments across the world deciding to" close down their countries" will have great impact on the global economy. Management considers the implications of COVID-19 a subsequent event occurred after the balance sheet date (31 December 2019), which is therefore a non-adjusting event to the Company.

To date, the Company has been negatively impacted by the effects of COVID-19 as several customers, and also company owned retail stores, have been closed for a period. We are though continuing our planned investments in future projects and despite the mentioned implications of COVID-19, Management still considers the cash resources reasonable.

Income Statement 1 January – 31 December

		Group		Parent company	
	Note	2019 DKK	2018 DKK	2019 DKK	2018 DKK
Gross profit/loss		**34,937,054**	**40,544,099**	**28.155.974**	**31,679,736**
Staff expenses	2	-25,808,294	25,735,964	-15.168.551	-16,984,840
Profit/loss before financial income and expenses, tax, depreciation and amortisation (EBITDA)		**9,128,761**	**14,808,135**	**12.987.423**	**14,694,896**
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-1,570,759	-1,306,549	-664.788	-587,237
Profit/loss before financial income and expenses		**7,558,002**	**13,501,586**	**12.322.635**	**14,107,659**
Income from investments in subsidiaries	4	0	0	-4.743.583	-734,618
Financial income	5	1,096,585	488,531	943.867	331,006
Financial expenses	6	-1,932,307	-1,872,976	-1.621.685	-1,598,492
Profit/loss before tax		**6,722,280**	**12,117,141**	**6.901.234**	**12,105,555**
Tax on profit/loss for the year	7	-2,430,880	-2,882,584	-2.609.834	-2,870,998
Net profit/loss for the year	8	**4,291,400**	**9,234,557**	**4.291.400**	**9,234,557**

Balance Sheet 31 December

Assets

		Group		Parent company	
	Note	2019 DKK	2018 DKK	2019 DKK	2018 DKK
Acquired other similar rights		342,027	412,875	325.777	381,625
Intangible assets	9	**342,027**	**412,875**	**325.777**	**381,625**
Other fixtures and fittings, tools and equipment		1,193,660	252,118	735.644	210,023
Leasehold improvements		10,141,672	2,935,674	765.839	976,755
Property, plant and equipment	10	**11,335,332**	**3,187,792**	**1.501.483**	**1,186,777**
Investments in subsidiaries	11	0	0	0	139,306
Fixed asset investments		**0**	**0**	**0**	**139,306**
Fixed assets		**11,677,359**	**3,600,666**	**1.827.260**	**1,707,708**
Inventory	12	**25,798,806**	**22,004,904**	**9.605.963**	**12,291,264**
Trade receivables		12,066,746	5,069,190	10.872.801	3,733,526
Receivables from group enterprises		0	0	28.068.661	9,389,276
Other receivables		2,478,285	1,734,206	9.900	9,900
Deferred tax asset		212,965	264,268	212.965	264,268
Prepayments		1,329,301	755,673	403.518	550,916
Receivables		**16,087,297**	**7,823,338**	**39.567.845**	**13,947,886**
Cash at bank and in hand		**4,567,089**	**6,308,100**	**2.198.640**	**2,547,402**
Currents assets		**46,453,192**	**36,136,342**	**51.372.448**	**28,786,552**
Assets		**58,130,551**	**39,737,008**	**53.199.708**	**30,494,260**

Balance Sheet 31 December

Liabilities and equity

		Group		Parent company	
	Note	2019 DKK	2018 DKK	2019 DKK	2018 DKK
Share capital		156,250	156,250	156,250	156,250
Retained earning		-10,751,320	-15,049,857	-10.751.320	-15,049,857
Equity	13	**-10,595,070**	**-14,893,607**	**-10.595.070**	**-14,893,607**
Provision for deferred tax		4,514	26,985	0	0
Provisions		**4,514**	**26,985**	**0**	**0**
Credit institutions		23,996,873	7,490,944	21.106.526	7,490,944
Prepayments received from customers		544,092	654,573	11	11
Trade payables		10,860,942	12,793,035	6.636.048	7,578,043
Payables to group enterprises		26,468,886	25,697,947	30.025.386	24,848,813
Joint tax contribution payable		3,132,172	638,017	4.182.649	1,532,011
Other payables		3,718,143	7,329,114	1.844.159	3,938,044
Short-term debt		**68,721,107**	**54,603,630**	**63.794.779**	**45,387,867**
Debt		**68,725,621**	**54,630,615**	**63.794.779**	**45,387,867**
Liabilities and equity		**58,130,551**	**39,737,008**	**53.199.708**	**30,494,260**

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Statement of Changes in Equity

	Share capital	Retained earning	Total
	DKK	DKK	DKK
Group 2019			
Equity at 1 January	156,250	-15,049,857	-14,893,607
Exchange rate differences subsidiaries		7,137	7,137
Net profit/loss for the year		4,291,400	4,291,400
Equity at 31 December	**156,250**	**-10,751,320**	**-10,595,070**
Group 2018			
Equity at 1 January	156,250	-29,241,628	-29,085,378
Equity instruments		4,968,750	4,968,750
Exchange rate differences subsideries		-11,536	-11,536
Net profit/loss for the year		9,234,557	9,234,557
Equity at 31 December	**156,250**	**-15,049,857**	**-14,893,607**
Parent company 2019			
Equity at 1 January	156,250	-15,049,857	-14,893,607
Net profit/loss for the year	0	4,291,400	4,291,400
Exchange rate differences subsideries	0	7,137	7,137
Equity at 31 December	**156,250**	**-10,751,320**	**-10,595,070**
Parent company 2018			
Equity at 1 January	156,250	-24,284,414	-24,128,164
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**

Cash Flow Statement 1 January — 31 December

	Note	Group 2019 DKK	Group 2018 DKK
Net profit/loss for the year		4,291,400	9,234,557
Adjustments	14	4,837,250	5,565,856
Change in working capital	15	-17,762,709	-5,705,943
Cash flows from operating activities before financial income and expenses		**-8,634,059**	**9,094,469**
Financial income		1,096,585	488,531
Financial expenses		-1,840,200	-1,872,976
Cash flows from operating activities		**-9,377,674**	**7,710,025**
Purchase of intangible assets			
Purchase of property, plant and equipment		-9,647,340	-2,389,916
Cash flows from investing activities		**-9,647,340**	**-2,389,916**
Change in Equity		7,137	4,616,956
Change in loans from credit institutions		16,505,928	-5,608,227
Change in payables to group enterprises		770,938	-62,880
Change in convertible instruments of debt		0	-5,711,957
Cash flows from financing activities		**17,284,003**	**-6,766,108**
Change in cash and cash equivalents		**-1,741,001**	**-1,445,999**
Cash and cash equivalents at 1 January		6,308,100	7,754,099
Cash and cash equivalents at 31 December		**4,567,089**	**6,308,100**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		4,567,089	6,308,100
Cash and cash equivalents at 31 December		**4,567,089**	**6,308,100**

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 on a long term basis.

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

	Group		Parent company	
	2019 DKK	2018 DKK	2019 DKK	2018 DKK
2 Staff expenses				
Wages and salaries	22,500,887	22,586,463	13,271,543	14,841,827
Pensions	1,398,224	1,444,008	1,059,675	1,184,264
Other social security expenses	812,207	564,088	194,153	172,374
Other staff expenses	1,096,975	1,141,405	643,180	786,375
	25,808,294	**25,735,964**	**15,168,551**	**16,984,840**
Average number of employees	**66**	**55**	**26**	**27**
3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment				
Amortisation of intangible assets	70,848	249,419	55,848	55,848
Depreciation of property, plant and equipment	1,499,911	1,057,129	608,940	531,390
	1,570,759	**1,306,549**	**664,788**	**587,237**
4 Income from investments in subsidiaries				
Share of profits of subsidiaries			-4,245,666	189,696
Change in intercompany profit on inventories purchased within the Group			-497,917	-924,314
			-4,743,583	**-734,618**

	Group		Parent company	
	2019 DKK	2018 DKK	2019 DKK	2018DKK
5 Financial income				
Other financial income	20,105	163,245	20,105	56,460
Exchange adjustments	1,076,480	325,286	923,762	274,546
	1,096,585	**488,531**	**943,867**	**331,006**
6 Financial expenses				
Interest paid to group enterprises	770,938	762,149	621,128	616,702
Other financial expenses	745,160	670,592	652,265	595,990
Exchange loss	416,208	440,234	348,292	385,800
	1,932,307	**1,872,976**	**1,621,685**	**1,598,492**
7 Tax on profit/loss for the year				
Current tax for the year	2,402,048	1,539,644	2,558,531	1,532,011
Deferred tax for the year	28,832	1,342,940	51,303	1,338,987
	2,430,880	**2,882,584**	**2,609,834**	**2,870,998**

8 Distribution of profit	2019 DKK	2018 DKK
Proposed distribution of profit		
Retained earning	4,291,400	9,234,557
	4,291,400	**9,234,557**

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	2,720,601
Amortisation for the year	70,848
Impairment losses and amortisation at 31 December	2,791,448
Carrying amount at 31 December	**342,027**
Depreciated over	7-10 years

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	176,851
Amortisation for the year	55,848
Impairment losses and amortisation at 31 December	232,698
Carrying amount at 31 December	**325,777**
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	2,050,860	6,503,607	8,554,467
Additions for the year	1,078,243	8,569,097	9,647,340
Cost at 31 December	3,129,103	15,072,704	18,201,807
Impairment losses and depreciation at 1 January	1,798,734	3,567,830	5,366,564
Depreciation for the year	136,709	1,363,202	1,499,911
Impairment losses and depreciation at 31 December	1,935,444	4,931,032	6,866,475
Carrying amount at 31 December	**1,193,660**	**10,141,672**	**11,335,332**
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	1,328,915	2,066,313	3,395,229
Additions for the year	629,043	294,603	923,646
Cost at 31 December	1,957,958	2,360,916	4,318,875
Impairment losses and depreciation at 1 January	1,118,893	1,089,559	2,208,452
Depreciation for the year	103,422	505,519	608,940
Impairment losses and depreciation at 31 December	1,222,314	1,595,078	2,817,392
Carrying amount at 31 December	**735,644**	**765,839**	**1,501,483**
Depreciated over	3–5 years	3–5 years	

11 Investments in subsidiaries

	Parent company	
	2019 DKK	2018 DKK
Cost at 1 January	5,835,900	5,835,900
Additions for the year	0	0
Cost at 31 December	5,835,900	5,835,900
Value adjustments at 1 January	-9,799,462	-9,053,309
Net profit/loss for the year	7,137	189,696
Currency adjustment	-4,245,666	11,536
Change in intercompany profit on inventories	-497,917	-924,314
Value adjustments at 31 December	-14,535,909	-9,799,463
Equity investments with negative net asset value amortised over receivables	8,700,008	4,102,868
Equity investments with negative net asset value transferred to provisions	0	0
Carrying amount at 31 December	**0**	**139,305**

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	
	2019¨DKK	2018 DKK	2019 DKK	2018 DKK
12 Inventory				
Finished goods and goods for resale	25,128,508	22,282,919	8.808.443	12,329,461
Prepayments for goods	670,298	-278,015	797.520	-38,197
	25,798,806	**22,004,904**	**9.605.963**	**12,291,264**

13 Equity

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

	Group	
	2019 DKK	2018 DKK
14 Cash flow statement adjustments		
Financial income	-1,096,585	-488,531
Financial expenses	1,932,307	1,872,976
Depreciation, amortisation and impairment losses, including losses and gains on sales	1,570,759	1,306,549
Tax on profit/loss for the year	2,430,880	2,882,584
Other adjustments	-111	-7,722
	4,837,250	**5,565,856**
15 Cash flow statement change in working capital		
Change in inventories	-3,793,902	-5,118,738
Change in receivables	-8,315,263	16,040
Change in other provisions	0	0
Change in trade payables, etc	-5,653,545	-603,246
	-17,762,709	**-5,705,943**

16 Contingent assets, liabilities and other financial obligations

	Group		Parent company	
	2019 DKK	2018 DKK	2019 DKK	2018 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	49,542,911	30,674,761	22.306.024	17,593,192
The following assets have been placed as security with letters: Bank guarantee for rent	491,658	491,635	147.908	147,885
Rental and lease obligations				
Tenancy commitments	3,994,306	4,799,110	1.567.783	1,501,301

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.

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

18 Subsequent events

The implications of COVID-19 with many governments across the world deciding to" close down their countries" will have great impact on the global economy. Management considers the implications of COVID-19 a subsequent event occurred after the balance sheet date (31 December 2019), which is therefore a non-adjusting event to the Company.

To date, the Company has been negatively impacted by the effects of COVID-19 as several customers, and also company owned retail stores, have been closed for a period. We are though continuing our planned investments in future projects and despite the mentioned implications of COVID-19, Management still considers the cash resources reasonable.

19 Accounting Policies

The Annual Report of Carrington ApS for 2019 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 2019 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	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Operating profit/loss	Profit/loss before financial income and expenses – Other operating income

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