

Carrington APS Annual Report

01/01–31/12
2020

CVR NO 21 41 61 34

The Annual Report was presented and adopted at the Annual
General Meeting of the Company on July 1, 2021

NØRREBROGADE 106 2
2200 COPENHAGEN N DENMARK

Peter Fabrin (Chairman)

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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Carrington ApS for the financial year 1 January - 31 December 2020. 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 2020 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2020.

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, July 1, 2021

Executive Board
Per Gasseholm

Board of Directors
Peter Fabrin (Chairman)
Mads Christian Bønnelycke Lunøe
Thomas Karl Oskar Olsen
Kristoffer Dahy Ernst

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 2020 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 2020 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 2020, 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.

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, July 1, 2021

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Hans Jørgen Andersen
State Authorised Public Accountant
mne30211

Jesper Bo Winther
State Authorised Public Accountant
mne26864

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

Peter Fabrin (Chairman)
Mads Christian Bønnelycke Lunøe
Thomas Karl Oskar Olsen
Kristoffer Dahy Ernst

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	2020 DKK	2019 DKK	2018 DKK	2017 DKK	2016 DKK
Profit/loss						
Gross profit/loss		26,822	34,937	40,544	35,107	24,865
EBITDA		110	9,129	14,808	12,284	6,237
Operating profit/loss		-4,759	5,335	12,291	10,524	4,287
Profit/loss before financial income and expenses		-3,014	7,558	13,502	10,996	4,992
Net financials		-2,461	-836	-1,384	-2,370	-3,057
Net profit/loss for the year		-4,134	4,291	9,235	6,764	1,295
Balance sheet						
Balance sheet total		60,121	58,131	39,737	37,207	38,280
Equity		-14,520	-10,595	-14,894	-28,745	-35,509
Cash flows						
Cash flows from:						
· operating activities		10,684	-9,378	7,710	16,331	2,315
· investing activities		-6,136	-9,647	-2,390	-963	-1,382
including investment in property, plant and equipment		-6,136	-9,647	-2,390	-963	-1,307
· financing activities		843	17,284	-6,766	-11,707	-2,384
Change in cash and cash equivalents for the year		5,391	-1,741	-1,446	3,661	-1,451
Number of employees		61	66	55	47	44
Ratios						
Return on assets		-5,0%	13,0%	34,0%	29,6%	13,0%
Solvency ratio		-24,2%	-18,2%	-37,5%	-77,3%	-92,8%

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

The Principal activities of the company

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 activities and financial matters

The income statement of the Group for 2020 shows a loss of TDKK 4,134, and at 31 December 2020 the balance sheet of the Group shows negative equity of TDKK 14,520. The ultimate owner of the Company has given commitment to support the Company economically until 30 June 2022, if found necessary. The Result of 2020 is as expected, considering the negative implications of COVID-19, as several customers and also company owned retail stores have been closed for a period. The results are under the circumstances considered satisfactory and continues to underline the strong position of the company. The Company has throughout the year continued to invest heavily 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.

Operating risks and financial risks

Operating risks

Management don't view any significant risk to its current 2021 operations. Employee satisfaction and retention is our biggest focus in ensuring a seamless and optimized operation. To this end we are conducting staff-surveys to ensure staff health, involvement and accountability match our ambitions.

Market risks

Continued, or subsequent further waves of Covid-19, may negatively impact the physical retail space. Any such set-back will be addressed by further focus on the company's e-commerce business, already accounting for 50% of our Direct-to-Consumer business

Market overview and expected development

While 2021 also will be impacted by Covid-19, we expect growth in the range of 25-30% for our wholesale business and a continued challenged retail operation, due to periodic store closures, is expected to be flat for 2021. The financial result for 2021 is expected to show a slight improvement over 2020 in the range of DKK 1-3 million.

External environment

We all have a responsibility for the marks our business leaves on the environment, for how we treat our people and partners when conducting business. We are currently off setting our full corporate CO2 footprint through compensation. We will move toward a more holistic approach to CSR and create a strong community where "rethink" and "reuse" will lead the direction. We much understand and commit to the thinking that social responsibility includes all touchpoints and therefore is much more than just "product sustainability"

Subsequent events

Beside the effect of COVID-19 restrictions in 2021 there have been no significant or noteworthy events subsequent to the balance sheet date.

Per Bech Gasseholm
CEO

Income Statement

1 January – 31 December

	Note	Group		Parent company	
		2020 DKK	2019 DKK	2020 DKK	2019 DKK
Gross profit/loss		26,822,115	34,937,054	22,038,456	28,155,974
Staff expenses	2	-26,711,719	-25,808,294	-16,396,144	-15,168,551
Profit/loss before financial income and expenses, tax, depreciation and amortisation (EBITDA)		110,396	9,128,761	5,642,313	12,987,423
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-3,124,798	-1,570,759	-610,047	-664,788
Profit/loss before financial income and expenses		-3,014,402	7,558,002	5,032,265	12,322,635
Income from investments in subsidiaries	4	0	0	-6,186,660	-4,743,583
Financial income	5	1,152,558	1,096,585	917,621	943,867
Financial expenses	6	-3,613,489	-1,932,307	-2,961,205	-1,621,685
Profit/loss before tax		-5,475,334	6,722,280	-3,197,980	6,901,234
Tax on profit/loss for the year	7	1,341,211	-2,430,880	-936,143	-2,609,834
Net profit/loss for the year		-4,134,123	4,291,400	-4,134,123	4,291,400
Distribution of profit				2020 DKK	2019 DKK
Proposed distribution of profit					
Retained earning				-4,134,123	4,291,400
				-4,134,123	4,291,400

Balance Sheet 31 December

Assets

		Group		Parent company	
Note	2020 DKK	2019 DKK	2020 DKK	2019 DKK	
Acquired other similar rights	1,441,180	342,027	269,930	325,777	
Intangible assets	1,441,180	342,027	269,930	325,777	
Other fixtures and fittings, tools and equipment	2,745,264	1,193,660	1,909,617	735,644	
Leasehold improvements	10,139,420	10,141,672	486,199	765,839	
Property, plant and equipment	12,884,684	11,335,332	2,395,816	1,501,483	
Fixed assets	14,325,864	11,677,359	2,665,746	1,827,260	
Inventory	20,040,087	25,798,806	7,128,517	9,605,963	
Trade receivables	11,682,898	12,066,746	8,020,598	10,872,801	
Receivables from group enterprises	0	0	35,892,990	28,068,661	
Other receivables	1,654,190	2,478,285	9,900	9,900	
Joint tax receivables	802,113	0	0	0	
Deferred tax asset	1,470,727	212,965	0	212,965	
Prepayments	187,097	1,329,301	187,097	403,518	
Receivables	15,797,025	16,087,297	44,110,585	39,567,845	
Cash at bank and in hand	9,958,277	4,567,089	7,774,010	2,198,640	
Currents assets	45,795,389	46,453,192	59,013,112	51,372,448	
Assets	60,121,2538	58,130,551	61,678,858	53,199,708	

Balance Sheet 31 December

Liabilities and equity

		Group		Parent company	
Note	2020 DKK	2019 DKK	2020 DKK	2019 DKK	
Share capital	14	156,250	156,250	156,250	156,250
Retained earning		-14.676.269	-10,751,320	-14,676,269	-10,751,320
Equity		-14,520,019	-10,595,070	-14,520,019	-10,595,070
Provision for deferred tax	12	9,539	4,514	9,539	0
Provisions		9,539	4,514	9,539	0
Credit institutions		22,986,628	23,996,873	22,986,628	21,106,526
Prepayments received from customers		448,938	544,092	11	11
Trade payables		9,216,431	10,860,942	5,776,563	6,636,048
Payables to group enterprises		28,112,952	26,468,886	37,505,244	30,025,386
Joint tax contribution payable		3,845,811	3,132,172	4,896,288	4,182,649
Other payables		10,020,973	3,718,143	5,024,603	1,844,159
Short-term debt		74,631,733	68,721,107	76,189,338	63,794,779
Debt		74,641,272	68,725,621	76,198,877	63,794,779
Liabilities and equity		60,121,253	58,130,551	61,678,858	53,199,708

Going concern	1
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Statement of Changes in Equity

	Share capital	Retained earning	Total
	DKK	DKK	DKK
Group 2020			
Equity at 1 January	156,250	-10,751,320	-10,595,070
Exchange rate differences subsidiaries	0	209,174	209,174
Net profit/loss for the year	0	-4.134.123	-4.134.123
Equity at 31 December	156,250	-14,676,269	-14,520,019
Group 2019			
Equity at 1 January	156,250	-15,049,857	-14,893,607
Exchange rate differences subsidiaries	0	7,137	7,137
Net profit/loss for the year	0	4,291,400	4,291,400
Equity at 31 December	156,250	-10,751,320	-10,595,070
Parent company 2020			
Equity at 1 January	156,250	-10,751,320	-10,595,070
Net profit/loss for the year	0	-4.134.123	-4.134.123
Exchange rate differences subsidiaries	0	209,174	209,174
Equity at 31 December	156,250	-14,676,269	-14,520,019
Parent company 2019			
Equity at 1 January	156,250	-15,042,721	-14,886,471
Net profit/loss for the year	0	4,291,400	4,291,400
Equity at 31 December	156,250	-10,751,320	-10,595,070

Cash Flow Statement

1 January – 31 December

	Group	
Note	2020 DKK	2019 DKK
Net profit/loss for the year	-4,134,123	4,291,400
Adjustments	15 4,606,771	4,837,250
Change in working capital	16 12,672,030	-17,762,709
Cash flows from operating activities before financial income and expenses	13,145,994	-8,634,059
Financial income	1,152,558	1,096,585
Financial expenses	-3,614,805	-1,840,200
Cash flows from operating activities	10,683,746	-9,377,674
Purchase of intangible assets	-1,300,000	0
Purchase of property, plant and equipment	-4,892,705	-9,647,340
Disposals of property, plant and equipment	57,151	0
Cash flows from investing activities	-6,135,554	-9,647,340
Change in Equity	209,175	7,137
Change in loans from credit institutions	-1,010,244	16,505,928
Change in payables to group enterprises	1,644,067	770,938
Cash flows from financing activities	842,997	17,284,003
Change in cash and cash equivalents	5,391,189	-1,741,001
Cash and cash equivalents at 1 January	4,567,089	6,308,100
Cash and cash equivalents at 31 December	9,958,278	4,567,089
Cash and cash equivalents are specified as follows:		
Cash at bank and in hand	9,958,278	4,567,089
Cash and cash equivalents at 31 December	9,958,277	4,567,089

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. Furthermore, the ultimate owner of the Company has given commitment to support the Company economically until 30 June 2022, if found necessary. 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	
	2020 DKK	2019 DKK	2020 DKK	2019 DKK
2 Staff expenses				
Wages and salaries	-23,427,228	-22,500,887	-14,630,386	-13,271,543
Pensions	-1,486,526	-1,398,224	-972,095	-1,059,675
Other social security expenses	-797,023	-812,207	-155,276	-194,153
Other staff expenses	-1,000,941	-1,096,975	-638,388	-643,180
	<u>-26,711,719</u>	<u>-25,808,294</u>	<u>-16,396,144</u>	<u>-15,168,551</u>
Average number of employees	<u>61</u>	<u>66</u>	<u>24</u>	<u>26</u>
Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financials Statements Act.				
3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment				
Amortisation of intangible assets	-200,848	-70,848	-55,848	-55,848
Depreciation of property, plant and equipment	-2,923,950	-1,499,911	-554,200	-608,940
	<u>-3,124,798</u>	<u>-1,570,759</u>	<u>-610,047</u>	<u>-664,788</u>
4 Income from investments in subsidiaries				
Share of profits of subsidiaries			-7,039,033	-4,245,666
Change in intercompany profit on inventories purchased within the Group			<u>852,372</u>	<u>-497,917</u>
			<u>-6,186,660</u>	<u>-4,743,583</u>

	Group		Parent company	
	2020 DKK	2019 DKK	2020 DKK	2019 DKK
5 Financial income				
Other financial income	14,558	20,105	14,558	20,105
Exchange adjustments	<u>1,137,999</u>	<u>1,076,480</u>	<u>903,062</u>	<u>923,762</u>
	<u>1,152,558</u>	<u>1,096,585</u>	<u>917,621</u>	<u>943,867</u>
6 Financial expenses				
Interest paid to group enterprises	-794,067	-770,938	-639,761	-621,128
Other financial expenses	-812,749	-745,160	-680,886	-652,265
Exchange loss	<u>-2,007,990</u>	<u>-416,208</u>	<u>-1,640,558</u>	<u>-348,292</u>
	<u>-3,614,805</u>	<u>-1,932,307</u>	<u>-2,961,205</u>	<u>-1,621,685</u>
7 Tax on profit/loss for the year				
Adjustment previous years	1,293,114	0	-77,000	0
Current tax for the year	88,474	-2,402,048	-713,639	-2,558,531
Deferred tax for the year	<u>-40,377</u>	<u>-28,832</u>	<u>-145,504</u>	<u>-51,303</u>
	<u>1,341,211</u>	<u>-2,430,880</u>	<u>-936,143</u>	<u>-2,609,834</u>

8 Intangible assets

Group	Acquired other similar rights
	DKK
Cost at 1 January	3,133,476
Additions for the year	<u>1,300,000</u>
Cost at 31 December	<u>4,433,476</u>
Impairment losses and amortisation at 1 January	2,791,448
Amortisation for the year	<u>200,848</u>
Impairment losses and amortisation at 31 December	<u>2,992,296</u>
Carrying amount at 31 December	<u>1,441,180</u>
Depreciated over	7-10 years
	Acquired other similar rights
	DKK
Parent company	
Cost at 1 January	<u>558,476</u>
Cost at 31 December	<u>558,476</u>
Impairment losses and amortisation at 1 January	232,698
Amortisation for the year	<u>55,848</u>
Impairment losses and amortisation at 31 December	<u>288,546</u>
Carrying amount at 31 December	<u>269,930</u>
Depreciated over	10 years

9 Property, plant and equipment

Group	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
	DKK	DKK	DKK
Cost at 1 January	3,129,103	15,072,704	18,201,807
Currency adjustments	-1,915	-367,775	-369,690
Additions for the year	1,752,372	3,140,333	4,892,705
Disposal for the year	-57,151	0	-57,151
Cost at 31 December	<u>4,822,409</u>	<u>17,845,262</u>	<u>22,667,671</u>
Impairment losses and depreciation at 1 January	1,935,444	4,931,032	6,866,475
Currency adjustments	-1,887	-5,551	-7,439
Depreciation for the year	<u>143,589</u>	<u>2,780,361</u>	<u>2,923,950</u>
Impairment losses and depreciation at 31 December	2,077,145	7,705,841	9,782,987
Carrying amount at 31 December	<u>2,745,264</u>	<u>10,139,420</u>	<u>12,884,684</u>
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	1,957,958	2,360,917	4,318,875
Additions for the year	1,279,683	226,000	1,505,683
Disposal for the year	<u>-57,151</u>	<u>0</u>	<u>-57,151</u>
Cost at 31 December	<u>3,180,491</u>	<u>2,586,917</u>	<u>5,767,407</u>
Impairment losses and depreciation at 1 January	1,222,314	1,595,078	2,817,392
Depreciation for the year	<u>48,560</u>	<u>505,640</u>	<u>554,200</u>
Impairment losses and depreciation at 31 December	<u>1,270,874</u>	<u>2,100,718</u>	<u>3,371,592</u>
Carrying amount at 31 December	<u>1,909,617</u>	<u>486,199</u>	<u>2,395,816</u>
Depreciated over	3–5 years	3–5 years	

10 Investments in subsidiaries

	Parent company	
	2020 DKK	2019 DKK
Cost at 1 January	5,835,900	5,835,900
Additions for the year		
Cost at 31 December	<u>5,835,900</u>	<u>5,835,900</u>
Value adjustments at 1 January	-14,535,909	-9,799,462
Net profit/loss for the year	209,175	7,137
Currency adjustment	-8,409,148	-4,245,666
Change in intercompany profit on inventories	<u>852,372</u>	<u>-497,917</u>
Value adjustments at 31 December	<u>-21,883,509</u>	<u>-14,535,909</u>
Equity investments with negative net asset value amortised over receivables	<u>16,047,609</u>	<u>8,700,008</u>
Equity investments with negative net asset value transferred to provisions	<u>0</u>	<u>0</u>
Carrying amount at 31 December	<u>0</u>	<u>0</u>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
		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	
	2020 DKK	2019 DKK	2020 DKK	2019 DKK
11 Inventory				
Finished goods and goods for resale	19,744,603	25,128,508	7,128,517	8,808,443
Prepayments for goods	<u>295,484</u>	<u>670,298</u>	<u>0</u>	<u>797,520</u>
	<u>20,040,087</u>	<u>25,798,806</u>	<u>7,128,517</u>	<u>9,605,963</u>
12 Provision for Deferred tax				
Intangible assets	49,650	33,070	41,832	36,567
Property, plant and equipment	-16,749	-76,063	36,546	-41,306
Prepaid expenses	32,226	131,542	41,161	88,774
Provision for bad debts	-156,200	-220,000	-110,000	-220,000
Tax loss carry forward	<u>-1,370,114</u>	<u>-641,493</u>	<u>0</u>	<u>-73,492</u>
	<u>-1,461,188</u>	<u>-772,944</u>	<u>9,539</u>	<u>-209,457</u>

13 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums and subscriptions as well.

14 Equity

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

	Group	
	2020 DKK	2019 DKK
15 Cash flow statement adjustments		
Financial income	-1,152,558	-1,096,585
Financial expenses	3,614,805	1,932,307
Depreciation, amortisation and impairment losses, including losses and gains on sales	3,124,798	1,570,759
Tax on profit/loss for the year	-1,341,211	2,430,880
Other adjustments	<u>362,252</u>	<u>-111</u>
	<u>4,606,771</u>	<u>4,837,250</u>
16 Cash flow statement change in working capital		
Change in inventories	5,758,719	-3,793,902
Change in receivables	2,350,147	-8,315,263
Change in trade payables, etc	<u>4,563,164</u>	<u>-5,653,545</u>
	<u>12,672,030</u>	<u>-17,762,709</u>

17 Contingent assets, liabilities and other financial obligations

	Group		Parent company	
	2020 DKK	2019 DKK	2020 DKK	2019 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	46,048,848	49,542,911	17,814,861	22,306,024
The following assets have been placed as security with letters:				
Bank guarantee for rent	891,361	491,658	547,611	147,908
Rental and lease obligations				
Tenancy commitments	4,253,641	3,994,306	1,876,955	1,567,783

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 2020. The parent company has given suretyship for Carrington Retail ApS's credit institutions.

18 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:

Name	Place of registered office
A/S Codanova	Copenhagen
T.K.O. Holding ApS	Gentofte
EVR 1 B ApS	Copenhagen

Accounting Policies

The Annual Report of Carrington ApS for 2020 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Consolidated and Parent Company Financial Statements for 2020 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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