

Carrington ApS Annual Report 01/01–31/12 2021



CVR NO 21 41 61 34

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 17/6 2022

NØRREBROGADE 106 2
2200 COPENHAGEN N DENMARK

Peter Fabrin (Chairman)

Chairman of the General Meeting

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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 2021. 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 2021 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2021. 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, 17/6 2022

Executive Board

Kyrk Tassai Macmillan (CEO)

Board of Directors

Peter Fabrin (Chairman)

Thomas Karl Oskar Olsen

Kristoffer Dahy Ernst

Mads Christian Bønnelycke Lunøe

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 2021 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 2021 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 2021, 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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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, 17/6 2022

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Hans Jørgen Andersen
statsautoriseret revisor mne3021
mne30211

Jesper Bo Winther
statsautoriseret revisor
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)
Thomas Karl Oskar Olsen
Kristoffer Dahy Ernst
Mads Christian Bønnelycke Lunøe

Executive Board

Kyrk Tassai Macmillan

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	2021 TDKK	2020 TDKK	2019 TDKK	2018 TDKK	2017 TDKK
Profit/loss						
Gross profit/loss		29,793	26,822	34,937	40,544	35,107
EBITDA		339	110	9,129	14,808	12,284
Operating profit/loss		-3,381	-4,759	5,335	12,291	10,524
Profit/loss before financial income and expenses		-2,540	-3,014	7,558	13,502	10,996
Net financials		-261	-2,461	-836	-1,384	-2,370
Net profit/loss for the year		-2,693	-4,134	4,291	9,235	6,764
Balance sheet						
Balance sheet total		75,680	60,121	58,131	39,737	37,207
Equity		-17,732	-14,520	-10,595	-14,894	-28,745
Cash flows						
Cash flows from:						
· operating activities		-14,565	10,684	-9,378	7,710	16,331
· investing activities		-1,546	-6,136	-9,647	-2,390	-963
including investment in property, plant and equipment		-1,546	-6,136	-9,647	-2,390	-963
· financing activities		10,813	843	17,284	-6,766	-11,707
Change in cash and cash equivalents for the year		-5,299	5,391	-1,741	-1,446	3,661
Number of employees		55	61	66	55	47
Ratios						
Return on assets		-3,4%	-5,0%	13,0%	34,0%	29,6%
Solvency ratio		-23,4%	-24,2%	-18,2%	-37,5%	-77,3%

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 2021 shows a loss of DKK 2,693,417, and at 31 December 2021 the balance sheet of the Group shows negative equity of DKK 17,732,430. The ultimate owner of the Company has given commitment to support the Company economically until 31 March 2023. In addition, it should be noted that the ultimate owner deliberately has decided to fund the Company through intercompany loans, rather than equity. The Result of 2021 is lower than expected due to mandatory retail closures in Q1 and the impact of external global pressures on the supply chain. The Company has, throughout the year, continued to invest heavily in marketing, retail, e-commerce, ERP systems and sustainability. Our goals continue to focus on operational improvements, growth, EBITDA, brand health and consumer satisfaction. Due to the lockdown, the company has filed for compensation in the form of the governmental relief packages relating to the Covid-19 crisis, including compensation for fixed costs and wage compensation.

Operating risks and financial risks

Operating risks

Management does not view any significant risks to its current 2022 operations and external global supply chain fluctuations have been accounted for in annual forecasts. Employee satisfaction and retention remains our biggest focus; ensuring a highly optimized and efficient organization. To this end, we have invested in several areas including management training, staff programs and a new HQ.

Market risks

Concerns and implications of COVID-19 continue to have an impact on our business. Whilst it is expected that physical stores will continue to experience delayed up-turn in performance due to altered consumer patterns and behavior; e-com is anticipated to continue with accelerated growth.

Market overview and expected development

While 2022 also will be impacted by Covid-19 and global inflation, we expect growth in the range of 15-18% for our wholesale business. We expect retail to increase significantly on 2021 by 50%. This is driven by anticipated full year opening in all locations and the further development of our retail business by a number of new store openings. We have also prepared our "Good to Great" strategy and will implement this towards our 2025 goals.

External environment

We currently off setting our full corporate CO2 footprint through carbon compensation. We have integrated a CSR manager into our daily business to ensure that our expectations and achievements exceed the requirements of our industry. This means that we have adopted a holistic approach to CSR, looking both internally and externally to ensure we do the right things for our people and the planet.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet, although the development of market conditions with the Russians invasion of Ukraine and high inflation creates uncertainty for the future.

Income Statement

1 January – 31 December

		Group		Parent company	
Note	2021 DKK	2020 DKK	2021 DKK	2020 DKK	
Gross profit/loss	29,793,314	26,822,115	24,934,566	22,038,456	
Staff expenses	2 -29,454,045	-26,711,719	-20,369,312	-16,396,144	
Profit/loss before financial income and expenses, tax, depreciation and amortisation (EBITDA)	339,269	110,396	4,565,254	5,642,313	
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3 -2,879,379	-3,124,798	-528,374	-610,047	
Profit/loss before financial income and expenses	-2,540,110	-3,014,402	4,036,880	5,032,265	
Income from investments in subsidiaries	4 0	0	-5,969,615	-6,186,660	
Financial income	5 2,824,298	1,152,558	2,377,718	917,621	
Financial expenses	6 -3,085,517	-3,613,489	-2,346,460	-2,961,205	
Profit/loss before tax	-2,801,329	-5,475,334	-1,901,477	-3,197,980	
Tax on profit/loss for the year	107,912	1,341,211	-791,940	-936,143	
Net profit/loss for the year	-2,693,417	-4,134,123	-2,693,417	-4,134,123	

Balance Sheet 31 December

Assets

		Group		Parent company	
Note	2021 DKK	2020 DKK	2021 DKK	2020 DKK	
Goodwill	1,065,333	1,441,180	214,083	269,930	
Intangible assets	7 1,065,333	1,441,180	214,083	269,930	
Other fixtures and fittings, tools and equipment	3,394,433	2,745,264	2,885,906	1,909,617	
Leasehold improvements	8,903,635	10,139,420	368,625	486,199	
Property, plant and equipment	8 12,298,068	12,884,684	3,254,531	2,395,816	
Fixed assets	9 13,363,401	14,325,864	3,468,614	2,665,746	
Inventory	10 30,273,928	20,040,087	15,057,624	7,128,517	
Trade receivables	19,815,299	11,682,898	15,935,071	8,020,598	
Receivables from group enterprises	0	0	19,235,313	35,892,990	
Other receivables	1,603,838	1,654,190	0	9,900	
Joint tax receivables	1,576,408	802,113	0	0	
Deferred tax asset	14 2,299,030	1,470,727	0	0	
Prepayments	11 2,088,882	187,097	1,486,213	187,097	
Receivables	27,383,457	15,797,025	36,656,597	44,110,585	
Cash at bank and in hand	4,659,027	9,958,277	2,129,993	7,774,010	
Currents assets	62,316,412	45,795,389	53,844,214	59,013,112	
Assets	75,679,813	60,121,253	57,312,828	61,678,858	

Balance Sheet 31 December

Liabilities and equity

		Group		Parent company	
Note	2021 DKK	2020 DKK	2021 DKK	2020 DKK	
Share capital	12	156,250	156,250	156,250	156,250
Retained earning		-17,888,680	-14,676,269	-17,888,680	-14,676,269
Equity		-17,732,430	-14,520,019	-17,732,430	-14,520,019
Provision for deferred tax	14	0	9,539	160,729	9,539
Provisions		0	9,539	160,729	9,539
Credit institutions		23,530,105	22,986,628	21,226,989	22,986,628
Prepayments received from customers		668,622	448,938	0	11
Trade payables		10,759,348	9,216,431	6,359,912	5,776,563
Payables to group enterprises		40,991,069	28,112,952	35,624,310	37,505,244
Payables to associates		162,816	0	162,816	0
Joint tax contribution payable		1,638,514	3,845,811	1,638,514	4,896,288
Other payables		15,661,769	10,020,973	9,871,988	5,024,603
Short-term debt		93,412,243	74,631,733	74,884,529	76,189,338
Debt		93,412,243	74,641,272	74,884,529	76,198,877
Liabilities and equity		75,679,813	60,121,253	57,312,828	61,678,858

Going concern	1
Distribution of profit	13
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Statement of Changes in Equity

	Share capital	Retained earning	Total
	DKK	DKK	DKK
Group 2021			
Equity at 1 January	156,250	-14,676,269	-14,520,019
Exchange adjustments relating to foreign entities	0	-518,994	-518,994
Net profit/loss for the year	0	-2,693,417	-2,693,417
Equity at 31 December	156,250	-17,888,680	-17,732,430
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
Parent company 2021			
Equity at 1 January	156,250	-14,676,269	-14,520,019
Exchange adjustments relating to foreign entities	0	-518,994	-518,994
Net profit/loss for the year	0	-2,693,417	-2,693,417
Equity at 31 December	156,250	-17,888,680	-17,732,430
Parent company 2020			
Equity at 1 January	156,250	-10,751,320	-10,595,070
Exchange adjustments relating to foreign entities	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

Cash Flow Statement

1 January – 31 December

		Group	
	Note	2021 DKK	2020 DKK
Net profit/loss for the year		-2,693,417	-4,134,123
Adjustments	15	2,906,892	4,606,771
Change in working capital	16	-13,024,437	12,673,346
Cash flows from operating activities before financial income and expenses		-12,810,962	13,145,994
Financial income		0	1,152,559
Financial expenses		-1,754,461	-3,614,809
Cash flows from operating activities		-14,565,423	10,683,744
Purchase of intangible assets		0	-1,300,000
Purchase of property, plant and equipment		-1,546,492	-4,892,705
Sale of property, plant and equipment		0	57,151
Cash flows from investing activities		-1,546,492	-6,135,554
Repayment of loans from credit institutions		0	-1,010,244
Repayment of payables to associates		162,815	0
Change of debt concerning corporation tax		-2,252,749	0
Raising of loans from credit institutions		543,478	0
Raising of loans from group enterprises		12,878,115	1,644,067
Exchange adjustments		-518,994	209,175
Cash flows from financing activities		10,812,665	842,998
Change in cash and cash equivalents		-5,299,250	5,391,188
Cash and cash equivalents at 1 January		9,958,277	4,567,089
Cash and cash equivalents at 31 December		4,659,027	9,958,277
Cash and cash equivalents are specified as follows: Cash at bank and in hand		4,659,027	9,958,277
Cash and cash equivalents at 31 December		4,659,027	9,958,277

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 develops a profitable position. Furthermore, the ultimate owner of the Company has given commitment to support (though limited with a CAP) economically until 31. May 2023, if found necessary. In Management's opinion, it will be possible to maintain funding in the coming financial year, and Carrington ApS will be profitable; therefore, Management presents the Annual Report under a going concern assumption.

	Group		Parent company	
	2021 DKK	2020 DKK	2021 DKK	2020 DKK
2 Staff expenses				
Wages and salaries	26,277,177	23,427,228	17,975,276	14,630,385
Pensions	1,656,362	1,486,526	1,507,007	972,095
Other social security expenses	334,594	797,023	126,715	155,276
Other staff expenses	<u>1,185,912</u>	<u>1,000,942</u>	<u>760,314</u>	<u>638,388</u>
	<u>29,454,045</u>	<u>26,711,719</u>	<u>20,369,312</u>	<u>16,396,144</u>
Average number of employees	<u>55</u>	<u>61</u>	<u>25</u>	<u>24</u>
Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.				
3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment				
Amortisation of intangible assets	375,848	200,848	55,848	55,848
Depreciation of property, plant and equipment	<u>2,503,531</u>	<u>2,923,950</u>	<u>472,526</u>	<u>554,199</u>
	<u>2,879,379</u>	<u>3,124,798</u>	<u>528,374</u>	<u>610,047</u>
4 Income from investments in subsidiaries				
Share of profits of subsidiaries			-5,454,789	-7,039,033
Change in intercompany profit on inventories purchased within the Group			<u>-514,826</u>	<u>852,372</u>
			<u>-5,969,615</u>	<u>-6,186,661</u>

	Group		Parent company	
	2021 DKK	2020 DKK	2021 DKK	2020 DKK
5 Financial income				
Other financial income	14,559	14,558	0	0
Exchange adjustments	<u>2,824,298</u>	<u>1,137,999</u>	<u>2,377,718</u>	<u>917,621</u>
	<u>2,824,298</u>	<u>1,152,558</u>	<u>2,377,718</u>	<u>903,062</u>
6 Financial expenses				
Interest paid to group enterprises	939,556	794,067	870,611	639,761
Other financial expenses	814,896	812,750	684,207	680,885
Exchange adjustments, expenses	740,331	2,010,862	302,747	1,640,558
Exchange loss	<u>590,734</u>	<u>0</u>	<u>488,895</u>	<u>0</u>
	<u>3,085,517</u>	<u>3,617,679</u>	<u>2,346,460</u>	<u>2,961,204</u>

7 Intangible assets

Group	Goodwill
	DKK
Cost at 1 January	4,433,476
Cost at 31 December	4,433,476
Impairment losses and amortisation at 1 January	2,992,295
Amortisation for the year	375,848
Impairment losses and amortisation at 31 December	3,368,143
Carrying amount at 31 December	1,065,333
Amortised over	7-10 years
Parent company	Goodwill
	DKK
Cost at 1 January	558,476
Cost at 31 December	558,476
Impairment losses and amortisation at 1 January	288,545
Amortisation for the year	55,848
Impairment losses and amortisation at 31 December	344,393
Carrying amount at 31 December	214,083
Amortised over	10 years

8 Property, plant and equipment

Group	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
	DKK	DKK	DKK
Cost at 1 January	4,824,301	17,845,262	22,669,563
Exchange adjustment	-946	462,707	461,761
Additions for the year	1,040,876	505,616	1,546,492
Cost at 31 December	<u>5,864,231</u>	<u>18,813,585</u>	<u>24,677,816</u>
Impairment losses and depreciation at 1 January	2,077,145	7,705,841	9,782,986
Exchange adjustment	1,039	89,567	90,606
Depreciation for the year	391,614	2,114,542	2,506,156
Impairment losses and depreciation at 31 December	<u>2,469,798</u>	<u>9,909,950</u>	<u>12,379,748</u>
Carrying amount at 31 December	<u>3,394,433</u>	<u>8,903,635</u>	<u>12,298,068</u>
Depreciated over	<u>3-5 years</u>	<u>3-5 years</u>	
Parent company	tools and equipment	Leasehold improvements	Total
	DKK	DKK	DKK
Cost at 1 January	3,180,491	2,586,917	5,767,408
Additions for the year	1,040,875	290,366	1,331,241
Kostpris at 31 December	<u>4,221,366</u>	<u>2,877,283</u>	<u>7,098,649</u>
Impairment losses and depreciation at 1 January	1,270,874	2,100,718	3,371,592
Depreciation for the year	64,586	407,940	472,526
Impairment losses and depreciation at 31 December	<u>1,335,460</u>	<u>2,508,658</u>	<u>3,844,118</u>
Carrying amount at 31 December	<u>2,885,906</u>	<u>368,625</u>	<u>3,254,531</u>
Depreciated over	<u>3-5 years</u>	<u>3-5 years</u>	

9 Investments in subsidiaries

	Parent company	
	2021 DKK	2020 DKK
Cost at 1 January	<u>5,835,900</u>	<u>5,835,900</u>
Cost at 31 December	<u>5,835,900</u>	<u>5,835,900</u>
Value adjustments at 1 January	-21,883,510	-14,535,909
Exchange adjustment	-518,994	209,175
Net profit/loss for the year	-5,454,789	-8,409,148
Change in intercompany profit on inventories	-514,826	852,372
Other adjustments	<u>1,370,115</u>	<u>0</u>
Value adjustments at 31 December	<u>-27,002,004</u>	<u>-21,883,510</u>
Equity investments with negative net asset value amortised over receivables	<u>21,166,104</u>	<u>16,047,610</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	
	2021 DKK	2020 DKK	2021 DKK	2020 DKK
10 Inventory				
Finished goods and goods for resale	30,273,928	19,744,603	15,057,624	7,128,517
Prepayments for goods	<u>0</u>	<u>295,484</u>	<u>0</u>	<u>0</u>
	<u>30,273,928</u>	<u>20,040,087</u>	<u>15,057,624</u>	<u>7,128,517</u>
11 Prepayments				
Prepayments consist of prepaid expenses concerning rent, insurance premiums and subscriptions as well.				
12 Equity				
The share capital consists of 156,250 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 Distribution of profit			<u>-2,693,417</u>	<u>-4,134,123</u>
Retained earnings			<u>-2,693,417</u>	<u>-4,134,123</u>

	Group		Parent company	
	2021 DKK	2020 DKK	2021 DKK	2020 DKK
14 Deferred tax asset				
Deferred tax asset at 1 January	1,461,188	208,451	-9,539	212,965
Amounts recognised in the income statement for the year	115,220	1,252,737	-151,190	-222,504
Deferred tax asset at 31 December	<u>1,576,408</u>	<u>1,461,188</u>	<u>-160,729</u>	<u>-9,539</u>
Intangible assets	66,466	49,650	47,098	41,832
Property, plant and equipment	265,313	-16,749	166,230	36,546
Prepaid expenses	130,608	32,226	112,401	41,161
Provision for bad debts	-165,000	-156,200	-165,000	-110,000
Tax loss carry-forward	-1,873,795	-1,370,115	0	0
Transferred to deferred tax asset	<u>1,576,408</u>	<u>1,470,727</u>	<u>0</u>	<u>0</u>
	<u>0</u>	<u>9,539</u>	<u>160,729</u>	<u>9,539</u>

Deferred tax has been provided at 22% corresponding to the current tax rate.

Deferred tax asset

Calculated tax asset	<u>1,576,408</u>	<u>1,470,727</u>	<u>0</u>	<u>0</u>
Carrying amount	<u>1,576,408</u>	<u>1,470,727</u>	<u>0</u>	<u>0</u>

	Group	
	2021 DKK	2020 DKK
15 Cash flow statement adjustments		
Financial income	-2,824,298	-1,152,558
Financial expenses	3,085,517	3,614,805
Depreciation, amortisation and impairment losses, including losses and gains on sales	2,879,380	3,124,798
Tax on profit/loss for the year	-107,912	-1,341,211
Other adjustments	-125,795	360,937
	<u>2,906,892</u>	<u>4,606,711</u>
16 Cash flow statement – change in working capital		
Change in inventories	-10,233,842	5,758,719
Change in receivables	-10,193,979	2,350,147
Change in trade payables, etc	7,403,384	4,564,480
	<u>-13,024,437</u>	<u>12,673,346</u>

17 Contingent assets, liabilities and other financial obligations

	Group		Parent company	
	2021 DKK	2020 DKK	2021 DKK	2020 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	65,825,693	46,048,848	34,461,309	17,814,861
The following assets have been placed as security with letters:				
Bank guarantee for rent	891,361	891,361	547,611	547,611
Rental and lease obligations				
Tenancy commitments	2,623,002	4,253,641	1,933,264	1,876,955

Other contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of A/S af 24. juli 1995, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability. The parent company has issued a letter of support for Carrington Retail ApS for the financial year 2021. The parent company has given suretyship for Carrington Retail ApS's credit institutions. 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

A/S Codanova
T,K,O, Holding ApS
EVR 1 B ApS

Accounting Policies

The Annual Report of Carrington ApS for 2021 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Consolidated and Parent Company Financial Statements for 2021 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 depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been 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.

19 Accounting Policies (continued)

Income Statement

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.

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, other operating income, expenses for raw materials and consumables and other external expenses.

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.

19 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

The fixed assets' residual values are determined at nil.

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. 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

Inventories are measured at the lower of cost under the FIFO method and net realisable value. The net realisable value of inventories 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 equals landed cost. The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour.

19 Accounting Policies (continued)

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively. Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity. Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Loans, such as loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period. Other 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.

18 Accounting Policies (continued)

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	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
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Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
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