
Carrington Retail ApS

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

Annual Report for 1 January - 31 December 2016

CVR No 33 49 93 53

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
16/6 2017

Per Bech Gasseholm
Chairman



pwc

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Management's Statement

The Executive Board has today considered and adopted the Annual Report of Carrington Retail ApS for the financial year 1 January - 31 December 2016.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In my opinion the Financial Statements give a true and fair view of the financial position at 31 December 2016 of the Company and of the results of the Company operations for 2016.

In my opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

I recommend that the Annual Report be adopted at the Annual General Meeting.

Copenhagen, 16 June 2017

Direktion

Per Bech Gasseholm
CEO

Independent Auditor's Report

To the Shareholder of Carrington Retail ApS

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Carrington Retail ApS for the financial year 1 January - 31 December 2016, which comprise income statement, balance sheet and notes, including a summary of significant accounting policies ("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 Company 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 Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Independent Auditor's Report

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of 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 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 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Independent Auditor's Report

- 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 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 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.

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, 16 June 2017

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Hans Jørgen Andersen

State Authorised Public Accountant

Company Information

The Company

Carrington Retail ApS
Nørrebrogade 106, 2. bgh.
DK-2200 Copenhagen N

CVR No: 33 49 93 53

Financial period: 1 January - 31 December

Incorporated: 16 February 2011

Financial year: 6th financial year

Municipality of reg. office: Copenhagen

Executive Board

Per Bech Gasseholm

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Management's Review

Key activities

The Company's main activity is to run stores, web shops and related activities.

Development in the year

The income statement of the Company for 2016 shows a profit of DKK 96,043, and at 31 December 2016 the balance sheet of the Company shows equity of DKK 43,637.

In 2016 we opened a new store in Copenhagen. 2016 maintained the earnings level from 2015. Retail Operations has been strengthened further in 2016 and expanded on a solid foundation with operational procedures and KPI monitoring, from where further improvement can be realized.

The earnings result in 2016 is deemed satisfactory.

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

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 January - 31 December

	Note	2016 DKK	2015 DKK
Gross profit/loss		6.239.757	5.727.657
Staff expenses	2	-4.835.557	-4.319.343
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-823.901	-701.037
Profit/loss before financial income and expenses		580.299	707.277
Financial income	3	17.098	0
Financial expenses	4	-473.354	-473.719
Profit/loss before tax		124.043	233.558
Tax on profit/loss for the year	5	-28.000	-52.000
Net profit/loss for the year		96.043	181.558

Distribution of profit

Proposed distribution of profit

Retained earnings		96.043	181.558
		96.043	181.558

Balance Sheet 31 December

Assets

	Note	2016 DKK	2015 DKK
Other acquired rights		596.964	892.857
Intangible assets	6	596.964	892.857
Other fixtures and fittings, tools and equipment		136.383	230.000
Leasehold improvements		1.196.457	369.374
Property, plant and equipment	7	1.332.840	599.374
Fixed assets		1.929.804	1.492.231
Finished goods and goods for resale		8.429.861	5.759.181
Inventories		8.429.861	5.759.181
Trade receivables		176.014	455.516
Receivables from group enterprises		100.627	0
Other receivables		449.524	807.824
Deferred tax asset	9	1.452.000	1.480.000
Prepayments		38.902	571.460
Receivables		2.217.067	3.314.800
Cash at bank and in hand		1.711.910	2.831.337
Currents assets		12.358.838	11.905.318
Assets		14.288.642	13.397.549

Balance Sheet 31 December

Liabilities and equity

	Note	2016 DKK	2015 DKK
Share capital		80.000	80.000
Retained earnings		-36.363	-5.632.406
Equity	8	43.637	-5.552.406
Credit institutions		5.000.000	5.000.000
Prepayments received from customers		854.108	1.025.940
Trade payables		1.980.457	1.432.132
Payables to group enterprises		4.707.039	9.643.881
Other payables		1.703.401	1.848.002
Short-term debt		14.245.005	18.949.955
Debt		14.245.005	18.949.955
Liabilities and equity		14.288.642	13.397.549
Going concern	1		
Contingent assets, liabilities and other financial obligations	10		
Related parties	11		

Notes to the Financial Statements

1 Going concern

Maintenance of the funding of the Company and group enterprises is assessed and discussed regularly with the Company's banker. It is essential to the Company as a going concern that funding is maintained, and that the Company maintains the profitable position.

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

	<u>2016</u> DKK	<u>2015</u> DKK
2 Staff expenses		
Wages and salaries	4.472.036	4.045.790
Pensions	38.825	0
Other social security expenses	84.611	126.995
Other staff expenses	240.085	146.558
	<u>4.835.557</u>	<u>4.319.343</u>
 Average number of employees	 <u>14</u>	 <u>12</u>
 3 Financial income		
Other financial income	17.098	0
	<u>17.098</u>	<u>0</u>
 4 Financial expenses		
Interest paid to group enterprises	137.098	133.105
Other financial expenses	284.035	295.729
Exchange loss	52.221	44.885
	<u>473.354</u>	<u>473.719</u>

Notes to the Financial Statements

	2016 DKK	2015 DKK
5 Tax on profit/loss for the year		
Current tax for the year	0	0
Deferred tax for the year	28.000	52.000
	28.000	52.000
 6 Intangible assets		
		Other acquired rights DKK
Cost at the beginning		2.500.000
Additions for the year		75.000
Cost at the end		2.575.000
Impairment losses and amortisation at the beginning		1.607.143
Amortisation for the year		370.893
Impairment losses and amortisation at the end		1.978.036
 Carrying amount at the end		596.964
 Amortised over		7 years

Notes to the Financial Statements

7 Property, plant and equipment

	Other fixtures and fittings, tools and equipment <small>DKK</small>	Leasehold improvements <small>DKK</small>	Total <small>DKK</small>
Cost at the beginning	410.228	1.370.167	1.780.395
Additions for the year	19.375	1.167.099	1.186.474
Cost at the end	<u>429.603</u>	<u>2.537.266</u>	<u>2.966.869</u>
Impairment losses and depreciation at the beginning	180.227	1.000.793	1.181.020
Depreciation for the year	112.993	340.016	453.009
Impairment losses and depreciation at the end	<u>293.220</u>	<u>1.340.809</u>	<u>1.634.029</u>
Carrying amount at the end	<u>136.383</u>	<u>1.196.457</u>	<u>1.332.840</u>
Depreciated over	<u>2-3 years</u>	<u>3-5 years</u>	

8 Equity

	Share capital <small>DKK</small>	Retained earnings <small>DKK</small>	Total <small>DKK</small>
Equity at the beginning	80.000	-5.632.406	-5.552.406
Group contribution	0	5.500.000	5.500.000
Net profit/loss for the year	0	96.043	96.043
Equity at the end	<u>80.000</u>	<u>-36.363</u>	<u>43.637</u>

Notes to the Financial Statements

	2016	2015
	DKK	DKK
9 Deferred tax asset		
Intangible assets	39.000	39.000
Property, plant and equipment	15.000	28.000
Tax loss carry-forward	-1.507.000	-1.547.000
Transferred to deferred tax asset	1.453.000	1.480.000
	0	0
Deferred tax asset		
Calculated tax asset	1.452.000	1.480.000
Carrying amount	1.452.000	1.480.000

At 31 December 2016 Carrington Retail ApS has recognised deferred tax assets amounting to DKK 1,452. The deferred tax assets relate in all material respects to deferred tax resulting from losses.

10 Contingent assets, liabilities and other financial obligations

Charges and security

The following assets have been placed as security with credit institutions:

Intangible and tangible assets, stocks and trade receivables with a net book value amounting to DKK	10.535.679	7.764.327
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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.

Notes to the Financial Statements

11 Related parties

Ownership

The following shareholder is recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

Carrington ApS, Copenhagen, CVR No. 21416134

Consolidated Financial Statements

Carrington Retail ApS is included in the Group Annual Report of

Carrington ApS

The Group Annual Report of Carrington ApS may be obtained at the following address:

Carrington ApS
Nørrebrogade 106, 2. bgh.
2200 Copenhagen N
Denmark

Notes, Accounting Policies

Basis of Preparation

The Annual Report of Carrington Retail ApS for 2016 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 Financial Statements for 2016 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, impairment and provisions as well as reversals caused by reassessments of accounting estimates previously included 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.

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.

Notes, Accounting Policies

Income Statement

Gross profit

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 Company.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

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.

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 Danish enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Development costs and costs relating to rights developed by the Company are recognised in the income statement as costs in the year of acquisition.

Notes, Accounting Policies

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	2-3	years
Leasehold improvements	3-5	years

Depreciation period and residual value are reassessed annually.

Inventories

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 in the process of normal operations with deduction of selling expenses and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected sales sum.

The cost of goods for resale, raw materials and consumables equals landed cost.

Receivables

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

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, including the tax base of tax loss carry-forwards, 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.

Notes, Accounting Policies

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.

Financial debts

Loans, such as mortgage loans and 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.