Carrington Retail ApS

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

Annual Report for 1 January - 31 December 2017

CVR No 33 49 93 53

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

Per Bech Gasseholm
Chairman

Contents

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 2017.

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 2017 of the Company and of the results of the Company operations for 2017.

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, 5 June 2018

Executive Board

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 2017 and of the results of the Company’s operations for the financial year 1 January - 31 December 2017 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 2017, 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, 5 June 2018
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Hans Jørgen Andersen	Søren Alexander
statsautoriseret revisor	statsautoriseret revisor
mne30211	mne42824

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: 7th 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, e-commerce and related activities.

Development in the year

The income statement of the Company for 2017 shows a profit of DKK 2,055,962, and at 31 December 2017 the balance sheet of the Company shows equity of DKK 2,099,599.

2017 improved on the earnings level from 2016. Retail Operations has been strengthened further in 2017 and now shows a solid base, from where further improvement can be realized.

The earnings result in 2017 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	2017	2016
		DKK	DKK
Gross profit/loss		**9,392,014**	**6,239,757**
Staff expenses	2	-5,505,327	-4,835,557
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-831,395	-823,901
Profit/loss before financial income and expenses		**3,055,292**	**580,299**
Financial income	3	0	17,098
Financial expenses	4	-418,292	-473,354
Profit/loss before tax		**2,637,000**	**124,043**
Tax on profit/loss for the year	5	-581,038	-28,000
Net profit/loss for the year		**2,055,962**	**96,043**

Distribution of profit

Proposed distribution of profit

	2017	2016
Retained earnings	2,055,962	96,043
	2,055,962	**96,043**

Balance Sheet 31 December

Assets

	Note	2017	2016
		DKK	DKK
Other acquired rights		224,821	596,964
Intangible assets	6	**224,821**	**596,964**
Other fixtures and fittings, tools and equipment		43,207	136,383
Leasehold improvements		1,062,180	1,196,457
Property, plant and equipment	7	**1,105,387**	**1,332,840**
Fixed assets		**1,330,208**	**1,929,804**
Finished goods and goods for resale		7,081,917	8,429,861
Inventories		**7,081,917**	**8,429,861**
Trade receivables		99,374	176,014
Receivables from group enterprises		2,119,208	100,627
Other receivables		774,457	449,524
Deferred tax asset	9	870,962	1,452,000
Prepayments		94,514	38,902
Receivables		**3,958,515**	**2,217,067**
Cash at bank and in hand		**813,351**	**1,711,910**
Currents assets		**11,853,783**	**12,358,838**
Assets		**13,183,991**	**14,288,642**

Balance Sheet 31 December

Liabilities and equity

	Note	2017	2016
		DKK	DKK
Share capital		80,000	80,000
Retained earnings		2,019,599	-36,363
Equity	8	**2,099,599**	**43,637**
Credit institutions		0	5,000,000
Prepayments received from customers		741,919	854,108
Trade payables		1,889,865	1,980,457
Payables to group enterprises		4,848,250	4,707,039
Other payables		3,604,358	1,703,401
Short-term debt		**11,084,392**	**14,245,005**
Debt		**11,084,392**	**14,245,005**
Liabilities and equity		**13,183,991**	**14,288,642**
Going concern	1		
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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.

2 Staff expenses

	2017 DKK	2016 DKK
Wages and salaries	5,046,538	4,472,036
Pensions	65,787	38,825
Other social security expenses	98,100	84,611
Other staff expenses	294,902	240,085
	5,505,327	**4,835,557**
Average number of employees	**14**	**14**

3 Financial income

	2017 DKK	2016 DKK
Other financial income	0	17,098
	0	**17,098**

4 Financial expenses

	2017 DKK	2016 DKK
Interest paid to group enterprises	141,211	137,098
Other financial expenses	185,831	284,035
Exchange loss	91,250	52,221
	418,292	**473,354**

5 Tax on profit/loss for the year

	2017 DKK	2016 DKK
Current tax for the year	0	0
Deferred tax for the year	581,038	28,000
	581,038	**28,000**

Notes to the Financial Statements

6 Intangible assets

	Other acquired rights
	DKK
Cost at 1 January	2,575,000
Cost at 31 December	2,575,000
Impairment losses and amortisation at 1 January	1,978,036
Amortisation for the year	372,143
Impairment losses and amortisation at 31 December	2,350,179
Carrying amount at 31 December	**224,821**
Amortised over	7 years

7 Property, plant and equipment

	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
	DKK	DKK	DKK
Cost at 1 January	429,603	2,537,266	2,966,869
Additions for the year	11,199	220,600	231,799
Cost at 31 December	440,802	2,757,866	3,198,668
Impairment losses and depreciation at 1 January	293,220	1,340,809	1,634,029
Depreciation for the year	104,375	354,877	459,252
Impairment losses and depreciation at 31 December	397,595	1,695,686	2,093,281
Carrying amount at 31 December	**43,207**	**1,062,180**	**1,105,387**
Depreciated over	2-3 years	3-5 years	

Notes to the Financial Statements

8 Equity

	Share capital	Retained earnings	Total
	DKK	DKK	DKK
Equity at 1 January	80,000	-36,363	43,637
Net profit/loss for the year	0	2,055,962	2,055,962
Equity at 31 December	**80,000**	**2,019,599**	**2,099,599**

9 Provision for deferred tax

	2017	2016
	DKK	DKK
Intangible assets	38,000	39,000
Property, plant and equipment	-2,000	15,000
Tax loss carry-forward	-906,962	-1,507,000
Transferred to deferred tax asset	870,962	1,453,000
	0	**0**
Deferred tax asset		
Calculated tax asset	870,962	1,452,000
Carrying amount	**870,962**	**1,452,000**

At 31 December 2017 Carrington Retail ApS has recognised deferred tax assets amounting to TDKK 871. The deferred tax assets relate in all material respects to deferred tax resulting from losses in prior financial years.

10 Contingent assets, liabilities and other financial obligations

Charges and security

	2017	2016
	DKK	DKK
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	8,511,499	10,535,679

Notes to the Financial Statements

10 Contingent assets, liabilities and other financial obligations (continued)

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.

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

Name	Place of registered office
Carrington ApS	Copenhagen

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 to the Financial Statements

12 Accounting Policies

The Annual Report of Carrington Retail ApS for 2017 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2017 are presented in DKK.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including 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 to the Financial Statements

12 Accounting Policies (continued)

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.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale 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.

Notes to the Financial Statements

12 Accounting Policies (continued)

The Company is jointly taxed with A/S af 24. juli 1995 and its Danish subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Other acquired rights acquired is measured at cost less accumulated amortisation. Other acquired rights is amortised on a straight-line basis over its useful life, which is assessed at 5-7 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	2-3	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.

Fixed asset investments

Fixed asset investments consist of deposits.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

Notes to the Financial Statements

12 Accounting Policies (continued)

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, 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.

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

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.