Carrington Retail ApS

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

Annual Report for 1 January - 31 December 2015

CVR No 33 49 93 53

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 22/6 2016

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 2015.

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 2015 of the Company and of the results of the Company operations for 2015.

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, 22 June 2016

Direktion

Per Bech Gasseholm
CEO

Independent Auditor’s Report on the Financial Statements

To the Shareholder of Carrington Retail ApS

Report on the Financial Statements

We have audited the Financial Statements of Carrington Retail ApS for the financial year 1 January - 31 December 2015, which comprise income statement, balance sheet, notes and summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

Management’s Responsibility 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.

Auditor’s Responsibility
Our responsibility is to express an opinion on the Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company’s preparation of Financial Statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion
In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2015 and of the results of the Company operations for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act.

Independent Auditor's Report on the Financial Statements

Statement on Management's Review

We have read Management's Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Financial Statements. On this basis, in our opinion, the information provided in Management's Review is in accordance with the Financial Statements.

Hellerup, 22 June 2016
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Hans Jørgen Andersen
statsautoriseret revisor

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 Municipality of reg. office: Copenhagen
Executive Board	Per Bech Gasseholm
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

Management's Review

Main activity

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

Development in the year

The income statement of the Company for 2015 shows a profit of DKK 181,558, and at 31 December 2015 the balance sheet of the Company shows negative equity of DKK 5,552,406.

2015 continued the trend from 2014 with a significant increase in earnings.

Retail Operations has during 2015 created a solid foundation with operational procedures and KPI monitoring, from where further improvement can be realized.

The earnings result in 2015 is deemed satisfactory.

Our 2016 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	2015	2014
		DKK	DKK
Gross profit/loss		**5.727.657**	**4.758.745**
Staff expenses	2	-4.319.343	-4.755.794
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-701.037	-680.462
Profit/loss before financial income and expenses		**707.277**	**-677.511**
Financial expenses	3	-473.719	-464.557
Profit/loss before tax		**233.558**	**-1.142.068**
Tax on profit/loss for the year	4	-52.000	106.000
Net profit/loss for the year		**181.558**	**-1.036.068**

Distribution of profit

Proposed distribution of profit

Proposed dividend for the year	0	0
Retained earnings	181.558	-1.036.068
	181.558	**-1.036.068**

Balance Sheet 31 December

Assets

	Note	2015 DKK	2014 DKK
Other acquired rights		892.857	1.250.000
Intangible assets	5	**892.857**	**1.250.000**
Other fixtures and fittings, tools and equipment		230.000	287.802
Leasehold improvements		369.374	517.799
Property, plant and equipment	6	**599.374**	**805.601**
Other receivables		0	157.038
Fixed asset investments		**0**	**157.038**
Fixed assets		**1.492.231**	**2.212.639**
Finished goods and goods for resale		5.759.181	5.233.622
Inventories		**5.759.181**	**5.233.622**
Trade receivables		455.516	155.428
Other receivables		807.824	531.126
Deferred tax asset	8	1.480.000	1.532.000
Prepayments		571.460	795.594
Receivables		**3.314.800**	**3.014.148**
Cash at bank and in hand		**2.831.337**	**1.848.748**
Currents assets		**11.905.318**	**10.096.518**
Assets		**13.397.549**	**12.309.157**

Balance Sheet 31 December

Liabilities and equity

	Note	2015	2014
		DKK	DKK
Share capital		80.000	80.000
Retained earnings		-5.632.406	-5.813.964
Equity	7	**-5.552.406**	**-5.733.964**
Credit institutions		5.000.000	5.000.000
Prepayments received from customers		1.025.940	908.533
Trade payables		1.432.132	1.258.285
Payables to group enterprises		9.643.881	9.584.229
Other payables		1.848.002	1.292.074
Short-term debt		**18.949.955**	**18.043.121**
Debt		**18.949.955**	**18.043.121**
Liabilities and equity		**13.397.549**	**12.309.157**
Going concern	1		
Contingent assets, liabilities and other financial obligations	9		
Related parties and ownership	10		

Notes to the Financial Statements

1 Going concern

Maintenance of the funding of the Company and group enterprises is assessed and discussed reqularly with the Company's banker. It is essential to the Company as a going concern that funding is maintained, and that the Company is brought into a 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

	2015 DKK	2014 DKK
Wages and salaries	4.045.790	4.411.986
Other social security expenses	126.995	79.523
Other staff expenses	146.558	264.285
	4.319.343	**4.755.794**
Average number of employees	**12**	**14**

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

3 Financial expenses

	2015 DKK	2014 DKK
Interest paid to group enterprises	133.105	154.570
Other financial expenses	295.729	270.084
Exchange adjustments, expenses	44.885	39.903
	473.719	**464.557**

4 Tax on profit/loss for the year

	2015 DKK	2014 DKK
Current tax for the year	0	0
Deferred tax for the year	52.000	-106.000
	52.000	**-106.000**

Notes to the Financial Statements

5 Intangible assets

	Other acquired rights
	DKK
Cost at the beginning	2.500.000
Cost at the end	2.500.000
Impairment losses and amortisation at the beginning	1.250.000
Amortisation for the year	357.143
Impairment losses and amortisation at the end	1.607.143
Carrying amount at the end	**892.857**
Amortised over	7 years

6 Property, plant and equipment

	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
	DKK	DKK	DKK
Cost at the beginning	399.340	1.255.388	1.654.728
Additions for the year	22.887	114.779	137.666
Disposals for the year	-11.999	0	-11.999
Cost at the end	410.228	1.370.167	1.780.395
Impairment losses and depreciation at the beginning	111.538	737.589	849.127
Depreciation for the year	80.689	263.204	343.893
Reversal of impairment and depreciation of sold assets	-11.999	0	-11.999
Impairment losses and depreciation at the end	180.228	1.000.793	1.181.021
Carrying amount at the end	**230.000**	**369.374**	**599.374**
Depreciated over	2-3 years	3-5 years	

Notes to the Financial Statements

7 Equity

	Share capital	Retained earnings	Total
	DKK	DKK	DKK
Equity at the beginning	80.000	-5.813.964	-5.733.964
Net profit/loss for the year	0	181.558	181.558
Equity at the end	**80.000**	**-5.632.406**	**-5.552.406**

The share capital consists of 80 shares of a nominal value of DKK 1.000. No shares carry any special rights.

There have been no changes in the share capital during the last 5 years.

	2015	2014
	DKK	DKK

8 Provision for deferred tax

	2015	2014
Intangible assets	39.000	39.000
Property, plant and equipment	28.000	34.000
Tax loss carry-forward	-1.547.000	-1.605.000
Transferred to deferred tax asset	1.480.000	1.532.000
	0	**0**

Deferred tax asset

	2015	2014
Calculated tax asset	1.480.000	1.532.000
Carrying amount	**1.480.000**	**1.532.000**

9 Contingent assets, liabilities and other financial obligations

Rental agreements and leases

Lease obligations under operating leases. Total future lease payments:

	2015	2014
Within 1 year	672.000	571.250
	672.000	**571.250**

Security

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

	2015	2014
Intangible and tangible assets, stocks and trade receivables with a net book value amounting to DKK	7.764.327	7.444.651

Notes to the Financial Statements

9 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.

10 Related parties and ownership

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

Consolidated Financial Statements

Carrington Retail ApS is included in the Group Annual Report of Carrington ApS.

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

Carrington ApS
Nørrebrogade 106, bgh.
2200 Copenhagen N
Denmark

Accounting Policies

Basis of Preparation

The Annual Report of Carrington Retail ApS for 2015 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.

Financial Statements for 2015 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, herunder afskrivninger, nedskrivninger og hensatte forpligtelser samt tilbageførsler som følge af ændrede regnskabsmæssige skøn af beløb, der tidligere har været indregnet i resultatopgørelsen.

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. Gains and losses 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 transaction date rates are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

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

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 years.

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.

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.