

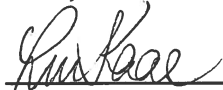
HEARTLAND A/S
Inge Lehmanns Gade 2
8000 Aarhus C
CVR NR. 28 50 23 70

ANNUAL REPORT

2017/18

The annual report was presented and approved
at the company's ordinary general meeting.

Aarhus, 21 November 2018



Lise Kaae

HEARTLAND

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Statement by the Executive Board and Board of Directors on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of HEARTLAND A/S for the financial year 1 August 2017 – 31 July 2018.

The annual report is presented in accordance with the Danish Financial Statements Act.


In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent company's financial position at 31 July 2018 and of the results of its operations and cash flows for the financial year 1 August 2017 – 31 July 2018.

We believe that the Management's review contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Aarhus, 21 November 2018

Executive Board

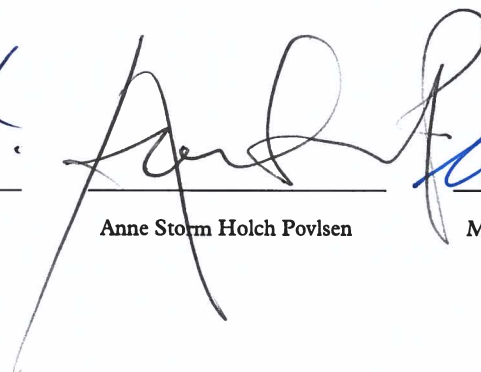


Lise Kaae

Board of Directors



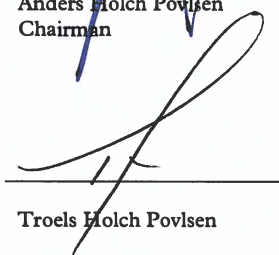
Anders Holch Povlsen
Chairman



Anne Storm Holch Povlsen



Merete Bech Povlsen



Troels Holch Povlsen

Independent auditor's report

To the shareholder of HEARTLAND A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of HEARTLAND A/S for the financial year 1 August 2017 – 31 July 2018, which comprise accounting policies, income statement, balance sheet, statement of changes in equity and notes, for the Group and the Parent Company, and the consolidated cash flow statement. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

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 July 2018 and of the results of the Group's and the Parent Company's operations as well as the consolidated cash flows for the financial year 1 August 2017 – 31 July 2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

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 Parent 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 Parent 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 as to 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 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 the financial statements.

Independent auditor's report (cont.)

As part of an audit conducted in accordance with ISAs and 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 Group's and the Parent Company'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 Parent 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 Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note 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.

Independent auditor's report (cont.)**Statement on the Management's review**

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the 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 of the Management's review.

Aarhus, 21 November 2018

ERNST & YOUNG
Godkendt Revisionspartnerselskab
Reg. no. 30 70 02 28



Jens Weiersøe Jakobsen
State Authorised Public Accountant
MNE-no.: mne30152



Søren Jensen
State Authorised Public Accountant
MNE-no.: mne34132

Company details

Company	HEARTLAND A/S Inge Lehmanns Gade 2 8000 Aarhus C	
	Reg. no. 28 50 23 70 Residence Aarhus	
Financial year	1 August 2017 – 31 July 2018	
Ownership	The company is owned by: 50 % ownership (A-shares) Anders Holch Povlsen Storskovvej 20 B 8260 Viby J	50 % ownership (B-shares) Anpartsselskabet af 1.1.2017 Inge Lehmanns Gade 2 8000 Aarhus C Reg.no. 38 32 10 48 <i>Company owned by Anders Holch Povlsen</i>
Board of Directors	Anders Holch Povlsen, chairman Anne Storm Holch Povlsen Merete Bech Povlsen Troels Holch Povlsen	
Executive Board	Lise Kaae	
Auditor	ERNST & YOUNG Godkendt Revisionspartnerselskab Værkmestergade 25 8000 Aarhus C Reg. no. 30 70 02 28	

Group chart

<u>Company</u>	<u>Residence</u>	<u>Ownership</u>
HEARTLAND A/S	Brande, Denmark	
BESTSELLER United A/S	Brande, Denmark	100 %
- BESTSELLER A/S	Brande, Denmark	100 %
- 9292-1394 Québec Inc.	Montreal, Canada	50 %
- AHPK GmbH	Hamburg, Germany	51 %
- Aktieselskabet af 24.5.2011	Brande, Denmark	100 %
- 24.5.2011 US Corporation	Wilmington, Delaware, USA	100 %
- BESTSELLER Wholesale US LLC	Wilmington, Delaware, USA	100 %
- AM PIECES Retail A/S	Brande, Denmark	51 %
- BESTSELLER AS	Oslo, Norway	100 %
- BESTSELLER Australia PTY Ltd.	Mosman, Australia	100 %
- BESTSELLER Birlesik Tekstil Ltd.	Istanbul, Turkey	100 %
- BESTSELLER Commerce B.V.	Amsterdam, Netherlands	100 %
- BESTSELLER Handels B.V.	Amsterdam, Netherlands	100 %
- BESTSELLER Service B.V.	Amsterdam, Netherlands	100 %
- BESTSELLER Commerce Poland Sp. z.o.o.	Warszawa, Poland	100 %
- BESTSELLER Handels AG	Glattbrugg, Switzerland	100 %
- BESTSELLER Italy SpA	Castel San Pietro Terme, Italy	100 %
- BESTSELLER Stores Italy SpA	Castel San Pietro Terme, Italy	100 %
- BESTSELLER Retail A – Einzelhandels GmbH	Vienna, Austria	100 %
- BESTSELLER Handels GmbH	Vienna, Austria	100 %
- BESTSELLER Retail Europe A/S	Brande, Denmark	75 %
- BESTSELLER Retail Czech Republic s.r.o.	Prague, Czech Republic	100 %
- BESTSELLER Retail Luxembourg Sarl	Grand Rue, Luxembourg	100 %
- BESTSELLER Retail Benelux B.V.	Leusden, Netherlands	100 %
- BESTSELLER Retail Sp. z.o.o.	Warsaw, Poland	100 %
- BRE Ireland Retail Limited	Dublin, Ireland	100 %
- ONLY Stores Austria GmbH	Vienna, Austria	100 %
- Grønhaug Retail AS*	Bergen, Norway	50 %
- ONLY Stores A/S	Brande, Denmark	100 %
- ONLY Stores Belgium BVBA	Antwerp, Belgium	100 %
- ONLY Stores Denmark A/S	Brande, Denmark	100 %
- ONLY Stores Finland OY	Espoo, Finland	100 %
- ONLY Stores France SaS	Paris, France	100 %
- ONLY Stores Germany GmbH	Mönchengladbach, Germany	100 %
- ONLY Stores Ireland Ltd.	Dublin, Ireland	100 %
- ONLY Stores Luxembourg Sarl	Grand Rue, Luxembourg	100 %
- ONLY Stores Holland B.V.	Leusden, Netherlands	100 %
- ONLY Stores Norway AS	Bergen, Norway	100 %
- ONLY Stores Spain S.L.	Churriana, Spain	100 %
- ONLY Stores Sweden AB	Solna, Sweden	100 %
- ONLY Stores Switzerland AG	Glattbrugg, Switzerland	100 %
- Retail-Fabrikken A/S*	Haderslev, Denmark	50 %
- BESTSELLER Retail Ireland Limited	Dublin, Ireland	100 %
- BESTSELLER Retail UK Ltd.	Birmingham, England	80 %
- BESTSELLER Rus LLC	Moscow, Russia	100 %
- BESTSELLER (Schweiz) AG	Glattbrugg, Switzerland	100 %
- BESTSELLER Stores A/S	Brande, Denmark	100 %
- BESTSELLER Stores Belgium BVBA	Antwerp, Belgium	100 %

Group chart (cont.)

Company	Residence	Ownership
- BESTSELLER Stores Czech Republic s.r.o.	Prague, Czech Republic	100 %
- BESTSELLER Stores Denmark A/S	Brande, Denmark	100 %
- BESTSELLER Stores Finland OY	Helsinki, Finland	100 %
- BESTSELLER Stores Germany GmbH	Hamburg, Germany	100 %
- BESTSELLER Stores Luxembourg Sarl	Luxembourg, Luxembourg	100 %
- BESTSELLER Stores Norway AS	Bergen, Norway	100 %
- BESTSELLER Stores Poland Sp. z.o.o.	Warsaw, Poland	100 %
- BESTSELLER Stores Sverige AB	Solna, Sweden	100 %
- BESTSELLER Stores Switzerland AG	Glattbrugg, Switzerland	100 %
- BESTSELLER Sverige AB	Solna, Sweden	100 %
- Hagamagasinet AB	Solva, Sweden	100 %
- BESTSELLER Textilhandels GmbH	Hamburg, Germany	100 %
- BESTSELLER United China Ltd.	Kowloon, Hong Kong	100 %
- BESTSELLER United Italy Srl	Castel San Pietro Terme, Italy	100 %
- BESTSELLER United Singapore Pte. Ltd.	Singapore, Singapore	100 %
- BEST United India Comfords Pvt. Ltd.	Mumbai, India	99 %
- ONLY Retail Pvt. Ltd.	Mumbai, India	100 %
- VERO MODA Retail Pvt. Ltd.	Mumbai, India	100 %
- BESTSELLER Wholesale Belgium BVBA	Antwerp, Belgium	100 %
- BESTSELLER Wholesale Canada Inc.	Montréal, Canada	100 %
- BESTSELLER Retail Canada Inc.	Montréal, Canada	100 %
- BESTSELLER Wholesale Finland OY	Helsinki, Finland	100 %
- BESTSELLER Wholesale France SaS	Paris, France	100 %
- BESTSELLER Stores France SaS	Paris, France	100 %
- 9/9 – 49 France Sarl	Paris, France	100 %
- BESTSELLER Wholesale (Ireland) Ltd.	Dublin, Ireland	100 %
- BESTSELLER Wholesale Poland Sp. z.o.o.	Warsaw, Poland	100 %
- BESTSELLER Wholesale Spain S.L.U.	Torremolinos, Spain	100 %
- BESTSELLER Stores Spain S.L.U.	Torremolinos, Spain	100 %
- BESTSELLER Tekstil Ltd.	Istanbul, Turkey	90 %
- BS Company of 14.12.2014 Sociedad Ltd.	Torremolinos, Spain	100 %
- BESTSELLER Textil Whs Uruguay S.A.	Montevideo, Uruguay	100 %
- BESTSELLER Latam ZF S.A.	Montevideo, Uruguay	100 %
- BESTSELLER Wholesale Chile SpA	Santiago, Chile	100 %
- BESTSELLER Wholesale Mexico S.A. CV	Ciudad de México, Mexico	100 %
- BESTSELLER Textil Mexico S.A. CV	Ciudad de México, Mexico	100 %
- BESTSELLER Wholesale UK Ltd.	London, England	100 %
- Best Whs Clothing Greece LLC	Athen, Greece	100 %
- Bluetide Ltd.	Dubai, United Arab Emirates	100 %
- BS Wholesale FZE	Dubai, United Arab Emirates	100 %
- BRN Best Retail Norge AS	Namsos, Norway	51 %
- VM Retail B.V.	Amstelveen, Netherlands	100 %
- BESTSELLER Wholesale Benelux B.V.	Amstelveen, Netherlands	100 %
- BESTSELLER United NL B.V.	Amstelveen, Netherlands	100 %
- BESTSELLER Fashion India Pvt. Ltd.	Mumbai, India	100 %
- BESTSELLER Wholesale India Pvt. Ltd.	Mumbai, India	100 %
- VILA A/S	Skanderborg, Denmark	50 %
- VILA Belgium BVBA	Antwerp, Belgium	100 %
- VILA Benelux B.V.	Amstelveen, Netherlands	100 %
- VILA Stores B.V.	Amstelveen, Netherlands	100 %
- VILA Clothes AG	Glattbrug, Switzerland	100 %
- VILA Clothes Handels GmbH	Vienna, Austria	100 %
- VILA Clothes Ltd.	Dublin, Ireland	100 %
- VILA Clothes Ltd.	London, United Kingdom	100 %
- VILA Finland Oy	Espoo, Finland	100 %
- VILA France Sas	Paris, France	100 %

Group chart (cont.)

Company	Residence	Ownership
- VILA Italy S.R.L.	Castsel San Pietro Terme, Italy	100 %
- VILA Norge AS	Oslo, Norway	100 %
- VILA Spain S.L.U.	Torremolinos, Spain	100 %
- VILA Stores ApS	Skanderborg, Denmark	100 %
- VILA Stores GmbH	Hamburg, Germany	100 %
- VILA GmbH	Hamburg, Germany	100 %
- VILA Sweden AB	Solna, Sweden	100 %
- VILA Wholesale A/S	Skanderborg, Denmark	100 %
- BESTSELLER Wholesale A/S	Brande, Denmark	100 %
- Aktieselskabet af 21. November 2001	Brande, Denmark	100 %
- United Insurance 01.08.2011 A/S	Brande, Denmark	100 %
- United Capital 2009 A/S	Aarhus, Denmark	100 %
- BESTSELLER Lease Management A/S	Brande, Denmark	100 %
- Aktieselskabet af 5.6.2014	Brande, Denmark	100 %
- MandM Direct Limited	Leominster, United Kingdom	98 %
- MandM Direct Limited Eire Ltd.	Cork, Ireland	100 %
- Aktieselskabet af 5.5.2010	Aarhus, Denmark	100 %
- ASOS Plc*	London, United Kingdom	29 %
- Aktieselskabet af 5.8.2013	Aarhus, Denmark	100 %
- Foreseen Fashion A/S	Brande, Denmark	100 %
- Aktieselskabet af 14.10.2012	Aarhus, Denmark	100 %
- Stylepit A/S	Copenhagen, Denmark	100 %
- Stylepit.com A/S	Copenhagen, Denmark	100 %
- Stylepit AS	Oslo, Norway	100 %
- Stylepit Poland Sp. z.O.O.	Lozienia, Poland	100 %
- Aktieselskabet af 1.2.2017	Brande, Denmark	100 %
- Zalando SE*	Berlin, Germany	10 %
- Neocles B.V.*	Amsterdam, Netherlands	50 %
- Bianco Footwear A/S	Kolding, Denmark	75 %
- Bianco Denmark A/S	Kolding, Denmark	100 %
- Bianco Footwear Germany GmbH	Hamburg, Germany	100 %
- Bianco Vermietungs GmbH	Hamburg, Germany	100 %
- Bianco Footwear Retail GmbH	Hamburg, Germany	100 %
- Bianco Retail GmbH	Hamburg, Germany	100 %
- Bianco Norge AS	Oslo, Norway	100 %
- Bianco Footwear Sweden AB	Lund, Stockholm	100 %
- Miinto Holding ApS	Copenhagen, Denmark	60 %
- Miinto ApS	Copenhagen, Denmark	100 %
- Miinto Host ApS	Copenhagen, Denmark	100 %
- Meinto Benelux B.V.	Amsterdam, Netherlands	100 %
- Miinto.no AS	Oslo, Norway	100 %
- Miinto Tech PL.Sp.z.O.O.	Warsaw, Poland	100 %
- Miinto.pl Sp.z.O.O.	Warsaw, Poland	100 %
- Miinto AB	Malmö, Sweden	100 %
- Miinto Switzerland AG	Glattbrugg, Switzerland	100 %
- Miinto BE	Brasschaat, Belgium	100 %
- Fashiontrade.com B.V.*	Amsterdam, Netherlands	50 %
- Toast (Mail Order) Limited	London, United Kingdom	100 %
BESTSELLER Legal A/S	Aarhus, Denmark	100 %
BRIGHTFOLK A/S	Brande, Denmark	100 %
- Aktieselskabet af 9.1.2014	Brande, Denmark	100 %
- Intervare A/S	Copenhagen, Denmark	71 %
- Nemlig.com A/S	Copenhagen, Denmark	100 %
- MatHem i Sverige AB*	Stockholm, Sweden	18 %
- Aktieselskabet af 17.9.2014	Brande, Denmark	100 %
- Aktieselskabet af 1.12.2016	Brande, Denmark	68 %
- Normal A/S	Skanderborg, Denmark	100 %

Group chart (cont.)

<u>Company</u>	<u>Residence</u>	<u>Ownership</u>
- Ejendomsselskabet Godthåbsvej 41 A/S	Skanderborg, Denmark	100 %
- Normal Norge AS	Oslo, Norway	100 %
- Mjølkglaset Holding AB	Stockholm, Sweden	100 %
- Normal Sweden AB	Stockholm, Sweden	100 %
- Normal Central Sweden AB	Stockholm, Sweden	100 %
- Coport Holding B.V.	Amsterdam, Netherlands	100 %
- Normal Netherlands B.V.	Amsterdam, Netherlands	100 %
- Brightfolk Limited	London, United Kingdom	100 %
- African Leadership University Ltd.*	Ebene, Mauritius	19 %
- Founders A/S*	Copenhagen, Denmark	33 %
- &tradition A/S*	Copenhagen, Denmark	25 %
- WS Group A/S	Copenhagen, Denmark	65 %
- Anpartsselskabet af 2.6.2018	Aarhus, Denmark	100 %
- Aktieselskabet af 12.6.2018	Aarhus, Denmark	100 %
- Aktieselskabet af 2.7.2018	Aarhus, Denmark	100 %
- Aktieselskabet af 10.6.2014	Brande, Denmark	100 %
- WhiteAway Group A/S*	Aarhus, Denmark	52 %
- AmbienteDirect GmbH	Munich, Germany	87 %
- Waremakers ApS	Copenhagen, Denmark	68 %
- Waremakers S.L.	Valencia, Spain	100 %
- Aktieselskabet af 26. januar 2017	Aarhus, Denmark	50 %
- Aktieselskabet af 28. Juni 2016	Copenhagen, Denmark	50 %
- Julie Sandlau A/S	Copenhagen, Denmark	100 %
- Julie Sandlau China ApS	Copenhagen, Denmark	100 %
- Julie Sandlau Norge AS	Oslo, Norway	100 %
- Julie Sandlau Vietnam Co. Ltd.	Hanoi, Vietnam	100 %
- Aktieselskabet af 1.3.2017	Brande, Denmark	100 %
- Numis Corportation Plc*	London, United Kingdom	16 %
- Lix Technologies ApS*	Aarhus, Denmark	27 %
- Plandisc Group ApS*	Aarhus, Denmark	16 %
- Klarna Holding AB*	Stockholm, Sweden	13 %
- WineFamly ApS*	Holstebro, Denmark	26 %
- pondTextile A/S*	Aarhus, Denmark	48 %
- UBsend A/S	Aarhus, Denmark	85 %
- UB Tech B.V.	Amsterdam, Netherlands	100 %
- Coureon Logistics GmbH	Berlin, Germany	100 %
Donau Agro ApS*	Aabybro, Denmark	45 %
Aktieselskabet af 16.11.2005	Brande, Denmark	100 %
- Romfor Sustaibility Forestry S.R.L.	Brasov, Romania	100 %
- S.C. Wildland S.R.L.	Brasov, Romania	100 %
- Wildland Limited	Aviemore, United Kingdom	100 %
- Aldourie Castle Limited	Aviemore, United Kingdom	100 %
- Ben Loyal Limited	Aviemore, United Kingdom	100 %
- Braeroy Limited	Aviemore, United Kingdom	100 %
- Braesgil Ltd.	Aviemore, United Kingdom	100 %
- Glenfeshie Limited	Aviemore, United Kingdom	100 %
- Kinloch (Sutherland) Limited	Aviemore, United Kingdom	100 %
- Lynaberack Limited	Aviemore, United Kingdom	100 %
- Strathmore (Sutherland) Limited	Aviemore, United Kingdom	100 %
- Gaick Limited	Aviemore, United Kingdom	100 %
- Eighton Investments	Dublin, Ireland	100 %
- Eriboll (Sutherland) Limited	Aviemore, United Kingdom	100 %
- Wildland Ventures Limited	Aviemore, United Kingdom	100 %
- North Coast 500 Limited	Inverness, United Kingdom	52 %
- Wildland International Limited	Aviemore, United Kingdom	100 %
- Grumeti Community and Conservation LLC*	Wilmington, USA	25 %
- Rwanda Holdings LLC*	Wilmington, USA	25 %

Group chart (cont.)

<u>Company</u>	<u>Residence</u>	<u>Ownership</u>
- Anpartsselskabet af 19.9.2006	Brande, Denmark	100 %
- Anpartsselskabet af 1.1.2012	Brande, Denmark	100 %
- BlackBird Air Charter A/S	Billund, Denmark	90 %
- BlackBird Air A/S	Billund, Denmark	100 %
- BlackBird Crew A/S	Billund, Denmark	100 %
Anpartsselskabet af 1. april 2010	Aarhus, Denmark	52 %
AAA United A/S	Aarhus, Denmark	100 %
- AAA United Denmark A/S	Aarhus, Denmark	100 %
- Byliv ApS	Aarhus, Denmark	100 %
- Ejendomsselskabet Søminedepotet A/S	Copenhagen, Denmark	100 %
- Masteskurene A/S	Aarhus, Denmark	100 %
- ISIB Ejendomsselskab A/S	Aarhus, Denmark	57 %
- Anpartsselskabet Bassin 7, Aarhus Ø	Aarhus, Denmark	51 %
- Bassin 7 Bolig ApS	Aarhus, Denmark	100 %
- Bassin 7 Erhverv ApS	Aarhus, Denmark	100 %
- Hayworth S.a.r.l.	Luxembourg	100 %
- Swan Walk S.a.r.l.	Luxembourg	100 %
- 15.08.2017 Limited	Edinburgh, United Kingdom	100 %
- AAA United Limited	London, United Kingdom	100 %
- Hanover & Oxford Property Limited	London, United Kingdom	100 %
- Hanover House Limited	London, United Kingdom	100 %
- 07.02.2018 Limited	London, United Kingdom	100 %
- 25-26 Dering Street Property Limited	London, United Kingdom	100 %
- AAA Verge Apartments Limited	London, United Kingdom	100 %
- 10.05.2018 Limited	London, United Kingdom	100 %
- CL Limited	London, United Kingdom	100 %
Aktieselskabet af 1.8.1996	Aarhus, Denmark	100 %
- BESTSELLER United (Schweiz) AG	Schafhausen, Switzerland	100 %
- BESTSELLER United Ltd.	Hong Kong	100 %
- 31 July 2012 Limited	Hong Kong	100 %
- AAA United B.V.	Amsterdam, Netherlands	100 %
- Ashwell Holding Company Ltd.	Mumbai, India	99 %
- Bombay Rayon Fashion Limited	Mumbai, India	24 %
- BESTSELLER Fashion Group China Ltd.*	Hong Kong	50 %
- Cheer Long Ltd.	Hong Kong	100 %
- JL Schweiz AG	Glattbrugg, Switzerland	50 %
- J. Lindeberg Holding (Singapore) Pte Ltd.	Singapore	50 %

* Associated company

Key figures and financial ratios

Consolidated	2017/18	2016/17	2015/16	2014/15	2013/14
Income statement (DKKm)					
Revenue	29.143	26.046	24.745	23.075	20.238
Gross margin	14.232	12.639	11.813	10.387	10.022
Gross profit	8.949	7.703	7.206	5.745	6.147
Operating profit	2.354	2.095	2.017	737	1.716
Financial income and expenses, net	921	521	-221	361	-61
Profit before tax	3.275	2.616	2.865	2.085	1.490
Profit for the year	2.536	1.877	2.103	1.570	736
Balance sheet (DKKm)					
Total assets	41.725	36.506	32.957	33.769	28.137
Investment in property, plant and equip.	2.998	1.262	2.892	1.551	1.569
Equity (incl non-controlling interests)	24.429	22.605	21.523	21.514	17.975
Financial ratios (%)					
Gross margin	48,8	48,5	47,7	45,0	49,5
Operating margin	8,1	8,0	8,2	3,2	8,5
Solvency ratio	58,5	61,9	65,3	63,7	63,9

The key figures and financial ratios are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Finance Society.

Gross margin is calculated as net revenue minus cost of sales.

$$\text{Gross margin in \%} = \frac{\text{Gross margin} \times 100}{\text{Revenue}}$$

$$\text{Operating margin in \%} = \frac{\text{Operating profit/loss} \times 100}{\text{Revenue}}$$

$$\text{Solvency ratio in \%} = \frac{\text{Equity (at year end)} \times 100}{\text{Total assets}}$$

Management's review

Primary activities

The HEARTLAND Group's primary activity is to develop and sell fashion wear. In addition, the Group invests in intangible, tangible and financial assets.

Development in activities and finances

The result of the year is satisfying and above the expectations.

The company has participated in a merger with an intra-group company during the financial year. The comparative figures have been adopted for both the parent company and for the consolidated financial statement.

Outlook

For 2018/19, the Company and the Group expects a minor improvement in the financial performance.

Research and development

The Company's and the Group's collections are being continually developed during the financial year. The Company and the Group does not engage in any actual development activities apart from the regular development and maintenance of its IT systems.

Particular risks

In Management's assessment, the Company and the Group are not exposed to particular risks apart from those generally occurring in this line of business.

External environment

HEARTLAND aims to actively minimise the Company's and the Group's environmental impact on both the neighbouring and more distant locations by means of effective supplier control. The Company and the Group focuses on optimum utilisation of raw materials and energy, minimum pollution and recycling and minimisation of waste, whenever possible.

Working environment

HEARTLAND'S core resource is our employees. The Company and the Group wants to promote and strengthen a physical, psychological and social healthy and well-functioning work environment for all employees.

Statutory report on corporate social responsibility, cf. section 99a of the Danish Financial Statements Actd

HEARTLAND A/S is a holding and investment company. HEARTLANDS A/S invests in areas such as fashion, retail and technology, sustainability and business innovation, renewables, nature conservation, education and properties.

HEARTLAND A/S' main business is the companies BESTSELLER A/S and VILA A/S that accounts for 83 % of the total group turnover. Therefore, our reporting on corporate social responsibility is focused on the social and environmental effects related to the business activities of BESTSELLER A/S and VILA A/S.

In HEARTLAND we have the greatest respect for the people we work with, the environment we live in and the society we are part of. Several of our subsidiaries work extensively with sustainability as an integral part of their business model and with policies and procedures in place. Other subsidiaries start initiatives and make progress in their sustainability work.

It's crucial to our subsidiaries VILA A/S and BESTSELLER A/S (hereinafter 'BESTSELLER') that our products are manufactured under decent working conditions and with respect for human rights and with minimal impact on the environment and climate. This is a process involving many challenges and to overcome them, we cooperate closely with our suppliers, work with standards, policies and set up compliance programmes. Furthermore, we participate in industry-wide partnerships and partner with relevant stakeholders to make a clear difference in our industry.

Management's review (cont.)

During the financial year, BESTSELLER started working on a new sustainability strategy. The strategy builds on the progress we have already made, and focuses on accelerating our work on climate, environment, circularity, working conditions and human rights. The new strategy will be launched towards the end of 2018 and will form the basis for our work, goals and expectations in BESTSELLER's ongoing focus on corporate social responsibility and sustainability. In addition to this statutory report on corporate social responsibility, more can be read about our work with CSR and sustainability in BESTSELLER's Sustainability Report for 2017:

<https://about.bestseller.com/sustainability/sustainability-report>

BUSINESS MODEL

BESTSELLER markets and sells fashion clothing and accessories for men, women, teens and children. BESTSELLER has offices and warehouses in 21 countries. The products are sold online, in approx. 2,700 chain stores and in 20,000 shop-in-shops and department stores across Europe, the Middle East, North and South America, Australia and India.

BESTSELLER works broadly in the value chain with a focus on sustainability and recognised international standards. We work closely with our suppliers to promote responsible production practices in the supply chain regarding environment protection, and the use of chemicals, healthy and safe working conditions, and workers' rights. We are also continually working to increase the use of sustainable materials in our products and to promote circular fashion, thereby contributing to reducing negative environmental impacts.

HUMAN RIGHTS

BESTSELLER's policies and work with human rights are based in part on the 'UN Universal Declaration of Human Rights', the 'International Labour Organisation's Declaration on Fundamental Principles and Rights at Work' and the 'UN Guiding Principles on Business and Human Rights'.

In our value chain, we focus on promoting human rights for our employees at BESTSELLER and for the workers in the supply chain, and we seek to identify and prevent negative impacts on human rights.

Our key focus areas are a safe and healthy working environment for our employees and in our supply chain, equality, diversity and the safety of our products.

SUPPLY CHAIN

BESTSELLER owns no factories, but as of 31 July 2018, we were working with 433 suppliers and 788 factories in 26 countries – primarily in Asia and Europe.

BESTSELLER works with suppliers who are willing to meet the commitments of BESTSELLER's Code of Conduct and Restricted Substances List (RSL). Our Code of Conduct and supporting policies describe the ethics and behaviour that we wish to promote throughout the supply chain and is directed at any supplier and his subcontractors who manufacture for BESTSELLER.

BESTSELLER operates partly in developing countries. We therefore maintain a constant focus on our supply chain to identify risks of negative impacts on human rights and to improve working conditions. In 2017/18, one of the greatest risks of negative impacts on human rights was seen at national level in Cambodia and Myanmar. Through BESTSELLER's membership of the Ethical Trading Initiative (ETI) in the UK, we have joined forces with major global competitors in the industry to influence the Cambodian Government to observe human rights and democracy in Cambodia.

The same is true of Myanmar, which has received international criticism over the past year for its attempts at ethnic cleansing of the Muslim Rohingya minority. Together with the ETI, BESTSELLER has exerted pressure on the government, and is involved in dialogue with the Danish Embassy and EU representatives regarding the observance of human rights in the country. We have carried out a due diligence review investigating possible business links to the military regime through suppliers and factories we work with in Myanmar. The results showed no connections.

Management's review (cont.)

Follow-up from our local sourcing offices and sustainability teams is a key part of our efforts to prevent negative impacts on human rights in our supply chain.

Through our Compliance Programme, we conduct thorough human rights and environmental due diligence processes before we start working with new suppliers and factories. We are also working preventively with challenges we have identified as potential risks through our Social Engagement Programme and Environmental and Chemical Management Programme.

Compliance Programme

In 2017/18, a revision of our Compliance Programme resulted in the introduction of stricter requirements, still based on BESTSELLER's Code of Conduct as our baseline requirements for suppliers. We have broadened our focus to include a more in-depth assessment of the factors surrounding the wet processes at the facilities where our brands are present. This is being implemented in cooperation with suppliers.

Moreover, BESTSELLER has shifted its focus to a dialogue-based approach to factory audits. We will seek to gradually phase out third-party audits and instead make greater use of factory visits by our own local colleagues, while increasing our requirements for self-audits by suppliers.

Through BESTSELLER's membership of the Sustainable Apparel Coalition (SAC), we remain committed to the Social and Labour Convergence Project (SLCP) as a way of contributing to a common global factory evaluation tool for the industry. Together with selected suppliers, we have participated in pilot tests in China, India, Myanmar, Bangladesh and Cambodia during the period.

As a signatory to the 'Bangladesh Accord for Fire and Building Safety', BESTSELLER remains actively involved in implementing improvements. Our suppliers' factories have achieved an average improvement rate of 94% through follow-up visits and support from BESTSELLER's local sustainability team. We are maintaining a focus on introducing works councils and safety representatives, and BESTSELLER changed over to the new Transition Accord on 1 June 2018.

Social Engagement Programme

BESTSELLER focuses on preventing potential negative impacts on human rights by implementing global programmes for improvement.

BESTSELLER remained engaged in 'Women's Empowerment' in 2017/18 through the implementation of HERproject at selected factories in Bangladesh. The aim is to improve women's health and knowledge of family planning, hygiene and disease prevention, nutrition etc.

BESTSELLER is also continuing to focus on productivity improvements and social dialogue through the implementation of the MYPOD project in Myanmar. BESTSELLER embarked on this three-year project together with the Joint Ethical Trading Initiatives (Denmark, Norway and UK), Danish Union 3F, and the University of Aalborg. Factories in Myanmar have been visited by LEAN trainers and union representatives to improve working conditions, productivity and reduce employee turnover. A key aim is to contribute to sustainable development in the garment industry in Myanmar, with a focus on a better informed workforce.

DIRECT EMPLOYEES

BESTSELLER has more than 17,000 employees working in 46 countries. At BESTSELLER, we strive to be a workplace that promotes diversity and equal opportunities for all, in a safe and healthy work environment. We focus on ensuring that BESTSELLER is an attractive workplace that maintains and supports our employees' professional and personal development through a broad range of training programmes, courses and other initiatives, while also attracting new talent.

Diversity

At BESTSELLER, we believe that diversity and a talented workforce are crucial to our ability to compete globally. To realise the full potential of our employees, we strive to have a workforce that reflects gender and cultural diversity.

In Denmark, 2,986 people work at our offices and warehouses, 2,014 of whom are women and 972 men. A total of 259 of our employees in Denmark come from other countries. We recruited 92 new international employees during the financial

Management's review (cont.)

year, including our International Business Trainees (IBT). We provide equal opportunities for everyone, irrespective of gender, age, nationality, sexual orientation or religious background. At BESTSELLER, we hire our employees on the basis of their personality, skills and experience.

Health and safety

At BESTSELLER, we strive to be a safe and healthy workplace for all our colleagues. Through our BESTSELLER CARES programme, we seek to improve employee well-being by offering various health benefits such as health insurance, physiotherapy, massage, healthy food in our canteens and much more.

The safety of our employees is a key focus area. We have a special focus on reducing the number of workplace accidents, particularly in our logistics centres. In the past year, we have focused especially on improving the reporting of incidents that could have caused an accident (near misses), and on using this data in our work to prevent workplace accidents. In 2017/18 financial year we registered 50 incidents that could have caused an accident compared to 2016/17 where we registered 25 incidents.

ETHICAL BEHAVIOUR

At BESTSELLER, we uphold high ethical standards for how we conduct our business, and we compete on fair terms. We have policies and guidelines in these areas, including BESTSELLER's Code of Ethics and Anti-Fraud and Anti-Corruption policies.

We are constantly working with our Code of Ethics, including our Anti-Corruption Programme, and training our employees. We released the latest version of the Code of Ethics and Anti-Corruption e-learning course to colleagues around the world in 2016. We are now working on an update to this e-learning programme, which will be released to our employees during the coming financial year.

In parallel with the Code of Ethics, we will also be rolling out other relevant e-learning programmes focusing on ethical and proper business conduct. The latest e-learning about personal data and the handling of sensitive personal data was released in spring 2018 to coincide with the EU General Data Protection Regulation entering into force.

ENVIRONMENT AND CLIMATE

Reduced electricity and heat consumption in our buildings

At BESTSELLER, we are continuously working to optimise our buildings and reduce heat and electricity consumption, particularly by optimising lighting and ventilation.

This year we focused on our warehouses in Denmark and our new warehouse in the Netherlands, where light sources have been replaced with LED lighting, among other initiatives.

Materials and circular fashion

We recognise that there is a need to rethink the way our products are produced, so our business and our industry become more circular. Through our membership of EllenMacArthur CE100, BESTSELLER has contributed to the 'New Textile Economy' initiative and report, and we are currently evaluating how we can take this initiative further in the form of the Make Fashion Circular initiative. There is a need for systemic change and hence joint action and collaboration across companies, organisations and other institutions.

As a strategic partner in the Global Fashion Agenda, BESTSELLER has also signed 'A Call to Action for a Circular Fashion System', which aims to accelerate action. Through the initiative, we have set targets for the collection of used garments, testing and using more circular fibres, and increasing awareness and knowledge at BESTSELLER about design and circularity.

We have been working to reduce our environmental footprint through greater use of more sustainable materials for several years. We are focusing on our biggest fibres, such as cotton, polyester and viscose. We have also tested selected circular fibres and started pilot projects using fibres designed for circularity.

Management's review (cont.)

During the past year, we have intensified our efforts to support more sustainable cotton farming globally through the Better Cotton Initiative (BCI). We have been a member of this initiative since 2012, which works with farmers in 23 countries to improve cotton farming, reducing the use of pesticides and chemical fertilisers and focusing on more responsible use of water. We have also increased the use of organic cotton in our products, and a number of brands such as SELECTED and NAME IT have worked strategically to convert their conventional cotton to organic cotton.

In the 2017/18 financial year, 59% of our total cotton consumption at BESTSELLER came from more sustainable sources. In the 2016/17 financial year this number was 37%.

During the past year, we have also increased our use of other sustainable fibres such as recycled polyester, lyocell and other recycled fibres, in order to address our biggest fibres and test several innovative new materials.

Environment

In 2017, BESTSELLER invested in the expansion of our global environmental teams and procedures with the aim of reducing our environmental impact, achieving more comprehensive standards for the handling of chemicals and improving health and safety for employees in these areas.

Local colleagues performed environmental assessments at all factories handling wet processes and producing for us in Bangladesh and India. These initial assessments highlighted the need for improvements, which we worked on in close cooperation with our suppliers. We conducted 79 initial assessments and 24 follow-up inspections in Bangladesh, and 40 initial assessments and 15 follow-up inspections in India.

Higg index

The Higg index was developed by the Sustainable Apparel Coalition (SAC). It encompasses a number of tools that allow brands and suppliers of all sizes – and in all phases of their journey towards sustainability – to accurately measure a company or product's sustainability performance. The Higg index provides a holistic overview which allows companies to make valuable social and environmental improvements.

From 2018, the Higg FEM (Facility Environmental Module) will be used as part of BESTSELLER's in-depth evaluations of chemical and environmental management at the factories. From August 2016 to December 2017, we worked with our key suppliers to prepare for this by using Higg FEM to perform an in-depth evaluation and assessment of the supply chain for our biggest brand, JACK & JONES (see below).

Chemical management

BESTSELLER's Restricted Substances List (RSL) is the list of substances restricted in our products and during the manufacture of our products. The RSL is updated annually – most recently in April 2018 – and takes account of all new and emerging legislation in Europe (the EU's REACH), USA and Canada. Our restrictions are fully aligned with best practice in the industry, and as a member of the AFIRM Group, we have introduced limit values and test methods. In a complex, global supply chain with new test methods, we seek – through our membership of the AFIRM Group – to work with other brands to create a core standard for our supply chain.

As part of BESTSELLER's ongoing due diligence to ensure that our products comply with the limit values, we make use of our chemical testing programme. Each month we select a large number of products for testing in cooperation with accredited international and independent laboratories. Products that do not comply with our RSL are not accepted.

Management's review (cont.)

Training suppliers in responsible chemical management

BESTSELLER's chemical specialists, based at our global sourcing offices, work closely with suppliers to help them comply with our RSL, and we have a strong focus on training and supporting our suppliers in reducing the risks associated with the handling of chemicals.

In 2017, BESTSELLER completed 186 training sessions for suppliers in our sourcing countries. These were attended by 3,700 participants. The training sessions are based on BESTSELLER's RSL and chemical management guidelines, and are carried out both on site at the factories and in group sessions at our offices. The training is either delivered by our qualified chemical specialists, or in cooperation with third-party suppliers.

Industry-wide challenges

To address some of the biggest challenges facing the garment industry, we devote extra focus to the substances associated with particularly high risks, and we work strategically to remove these from our supply chain.

In 2016, BESTSELLER introduced a complete ban on the use of water and oil-repellent finishing in the form of perfluorinated substances (PFCs) in our products. The ban has been implemented through supplier training, which included providing suggestions and recommendations for PFC-free chemicals, and testing end-products to ensure the ban is being observed.

BESTSELLER's NAME IT children's brand has had a very strong focus on finding solutions to this challenge, and has worked with suppliers to identify alternative treatment methods. One example of this is BIONIC-FINISH® ECO from Rudolf Group.

APEOs are common ingredients in many chemical formulations used to manufacture apparel and footwear materials. They are also widely used in detergents. At BESTSELLER, we carefully monitor the content of APEOs in our products, and work closely with our suppliers to use APEO-free chemicals in production. We have had a significant focus on APEOs over the last few years, and have reduced the incidence of APEOs in our products.

Statutory report on the underrepresented gender cf. Danish Financial Statements Act § 99b

HEARTLAND A/S is subject to the rules on target figures and policies for the gender composition of management. HEARTLAND A/S is, however, of the opinion that qualifications and experience should be the decisive factor behind any job position.

Despite the above comment and to comply with the legislation, we hereby inform that the present Board of Directors of HEARTLAND A/S consists of 4 members – two women and two men. There is thus an equal gender composition in the Board of Directors.

HEARTLAND A/S has less than 50 employees why no policy has been established to increase the proportion of the underrepresented gender in the other management levels of the company.

Accounting policies

The annual report of HEARTLAND A/S for the financial year 1 August 2017 – 31 July 2018 has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large).

The accounting policies applied for this consolidated financial statements and parent company financial statements are consistent with those applied last year.

The company has participated in a merger with an intra-group company during the financial year. The company has chosen to use the consolidation method for the merger. Therefore, the presented comparative figures have been adapted for both the parent company and for the consolidated financial statement. The changes apply for: the key figures and financial ratios, income statement, balance sheet, cash flow statement and notes to the income statement and the balance sheet.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is affected as described below for each financial statement item. Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables and debts in foreign currencies are translated into Danish kroner at the exchange rate on the balance sheet date. Exchange rate differences that arise between the rate at the transaction date and the rate at the payment date are recognised in the profit and loss account. Intangible assets, property, plant and equipment, inventories and other non-monetary assets purchased in foreign currency are translated at historical exchange rates. Realised and unrealized exchange rate adjustments are included in the profit and loss account.

The profit and loss accounts of foreign subsidiaries and associates are translated into Danish kroner at the average exchange rate of the individual months. The balance sheets of foreign subsidiaries and associates are translated at the exchange rate of the balance sheet date. Goodwill is considered belonging to the independent foreign entity and is translated applying the exchange rate at the balance sheet date. Exchange rate differences from translating the equity of independent foreign entities at the beginning of the year using the exchange rate at the balance sheet date and by translating income statements from average exchange rates to the exchange rates at the balance sheet date are recognised directly in equity.

Foreign exchange rate adjustments of balances which are considered part of the total investment in companies with a different functional currency than Danish kroner are recognised directly in the equity.

Consolidated financial statements

The consolidated financial statements comprise the parent company, HEARTLAND A/S, and the subsidiaries where the parent company directly or indirectly owns more than 50 % of the voting shares or in another way has a dominant participation. Companies in which the Group has significant influence are considered associated companies. Significant influence is the power to participate in the financial and operating policy, but is not control over those policies.

The consolidated annual accounts are prepared as a consolidation of the accounts of the parent company and the individual subsidiaries. Adjustments are made for intercompany turnover and expenditure, share-holdings, intra-group balances and dividends, as well as unrealized internal income and loss. The accounts used for the consolidation are prepared in accordance with the Group's accounting policies.

Accounting policies (cont.)

The annual accounts of the Group's subsidiaries are included 100 % in the consolidated figures. The non-controlling interests proportionate share of the profit and loss as well as the equity in subsidiaries not 100 % owned by the Group are included as a part of the Group's profit and loss but are disclosed separately.

Non-controlling interests

On initial recognition, non-controlling interest are measured at the fair value of the non-controlling interests' ownership share or at the non-controlling interests' proportionate share of the fair value of the acquired entity's identifiable assets, liabilities and contingent liabilities.

In the first case, goodwill concerning the non-controlling interest's share of the acquired entity is recognised, while in the last case goodwill concerning the non-controlling interest's share is not recognised. Measurement of non-controlling interests is chosen on a transaction-by-transaction basis.

Business combinations

Newly acquired or newly established subsidiaries are recognised in the consolidated financial statement from the date of acquisition or the date of establishment respectively. When subsidiaries are sold or liquidated, they cease to be recognised in the consolidated financial statement at the time of transfer or time of liquidation and earnings or losses at the time of sale or liquidation are recognised in the profit and loss account. The comparative figures are not adjusted for acquisitions or disposals.

Gains and losses on the disposal of subsidiaries and associates are calculated as the difference between the sales amount and the carrying amount of net assets at the date of disposal including any non-amortised goodwill and anticipated disposal costs.

Acquisitions of enterprises are accounted for using the purchase method, according to which the identifiable assets and liabilities acquired are measured at their fair value at the date of acquisition. Costs for restructuring recognised in the acquired entity before the date of acquisition and not an agreed part of the acquisition are part of the acquisition balance sheet and hence the calculation of goodwill. Costs relating to restructuring decided by the acquiring entity must be recognised in the income statement. The tax effect of the restatement of assets and liabilities is considered.

Any excess of the cost over the fair value of the identifiable assets and liabilities acquired (goodwill) is recognised as intangible assets and amortised on a systematic basis in the income statement based on an individual assessment of the useful life of the asset. Any excess of the fair values of the identifiable assets and liabilities acquired over the cost of the acquisition (badwill), representing an anticipated adverse development in the acquired enterprises is recognised in the income statement at the date of acquisition when the general revenue recognition criteria are met.

Goodwill and negative goodwill (badwill) from acquired enterprises can be adjusted until 12 months after the acquisition.

Intra-group business combinations

The consolidation method is applied to business combinations such as acquisition and disposal of investments, mergers, demergers, additions of assets and share conversions, etc. in which entities controlled by the parent company are involved, provided the combination is considered final at the time of acquisition with restatement of comparative figures. Differences between the agreed consideration and the carrying amount of the acquired entity are recognised in equity.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are classified as 'Other receivables' and 'Other payables', respectively.

Changes in the market value of derivative financial instruments that secure the market value of recognised assets or liabilities (fair value hedges) are recognised in the profit and loss account in the same item as changes in the value of the hedged asset or the hedged liability.

Changes in the market value of derivative financial instruments that secure future assets or liabilities (cash flow hedges) are recognised directly in equity. Income and costs regarding such hedging transactions are transferred from equity at the realization of the hedged items and are recognised in the same item as the hedged item.

Accounting policies (cont.)

Changes in other derivative financial instruments, which are not hedging instruments, are continuously recognised in the profit and loss account at market value.

Income statement

Revenue

Revenue from the sale of goods and other activities is recognized in the income statement when delivery is made, and risk has passed to the buyer and that the income can be reliably measured and is expected to be received. Revenue is recognized net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Cost of sales

Cost of sales comprises costs incurred in generating the revenue for the year. Cost of sales includes provisions for loss on returned goods.

Other operating income

Other operating income comprises items secondary to the principal activities of the Group.

Other external costs

Other external costs comprise costs for distribution, including marketing and advertising, etc. and administration, including office costs, etc.

Development costs

Development costs are expensed in the income statement as cost of sales, other external costs and staff costs unless the criteria for recognition in the balance sheet are met for the individual development project.

Staff costs

Staff costs comprise costs for wages and salaries, pensions, social security costs and other staff related costs.

Depreciation and amortisation of intangible assets and property, plant and equipment

Depreciation and amortisation of intangible assets and property, plant and equipment comprise depreciation and amortisation for the year on intangible assets and property, plant and equipment based on the determined residual values and useful life as well as any impairment losses.

Profit/loss from investments in subsidiaries

The proportionate share of the results after tax of the individual subsidiaries is recognized in the income statement of the Parent company less amortization of goodwill and after full elimination of intra-group profits/losses.

Profit/loss from investments in associates

The proportionate share of the results after tax of the associates is recognised in both the consolidated and the Parent company income statements less amortisation of goodwill and after elimination of the proportionate share of intra-group profits/losses.

Financial income and expenses

Financial income and expenses comprises interest income and expenses, realized and unrealized gains and losses on securities, payables and transactions denominated in foreign currencies, dividends received on other investments, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme.

Tax on profit/loss for the year

The Company is subject to the Danish legislation on compulsory joint taxation with all Danish consolidated subsidiaries.

HEARTLAND A/S is the administrative company and incurs all Danish tax payables on the Danish subsidiaries taxable income.

The current Danish corporation tax is allocated between the jointly taxed subsidiaries in proportion to their taxable income. Subsidiaries with tax losses receive joint taxation contributions from those subsidiaries that have been able to use the tax losses to reduce their own taxable income.

Accounting policies (cont.)

Tax for the year comprises current tax, joint taxation contributions and changes in deferred tax such as changes due to changes in the tax rate. The tax attributable to the profit/loss for the year is recognized in the income statement while the tax attributable to direct postings on the equity account is recognized in equity.

Balance sheet

Intangible assets

Intangible assets are measured at cost less accumulated depreciation and impairment losses. Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. Interests are not included in the cost.

Where individual components of an item of intangible assets have different useful lives, they are accounted for as separate items, which are depreciated separately.

Non-current assets are depreciated on a straight-line basis, based on cost and on the following continually estimated useful lives:

	Useful life
Software	3 years
Goodwill	5 – 20 years
Leasehold rights and trademark rights	5 – 7 years

Leasehold rights are amortized according to the straight-line method of the non-terminable leaseterm or 5 to 7 years in case such a term does not exist.

Goodwill is amortised over the estimated useful life. The estimated useful life is determined by management based on their experience within each area of business. The amortisation period is determined based on to what extent the purchase concerns a strategically acquired company with a strong market position and a long-term profitability and to what extent the goodwill includes temporary intangible resources which has not been able to spin off and recognize as individual assets.

Gains and losses on the disposal of intangible assets are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal and recognised in the income statement as respectively 'Other operating income' and 'Other external costs'.

Intangible assets are written down to its recoverable amount if this is lower than the carrying amount.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. Interests are not included in the cost.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

Non-current assets are depreciated on a straight-line basis, based on cost and on the following continually estimated useful lives:

	Useful life
Buildings	10 – 50 years
Operating equipment	3 - 5 years
Leasehold improvements	5 - 10 years

Land is not depreciated.

The basis of depreciation is based on the residual value of the asset at the end of its useful life. The depreciation period and the residual value are determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

Accounting policies (cont.)

In case of changes in the depreciation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal and recognised in the income statement as respectively 'Other operating income' and 'Other external costs'.

Property, plant and equipment are written down to its recoverable amount if this is lower than the carrying amount.

Investments

Investments in subsidiaries and associates

Investments in subsidiaries and associates are measured according to the equity method.

Investments in subsidiaries and associates are measured at the proportionate share of the enterprises' net asset values calculated in accordance with the Group's accounting policies minus or plus unrealized intra-group profits and losses and minus or plus any residual value of positive or negative goodwill determined in accordance with the purchase method.

Investments in subsidiaries and associates with negative net asset values are measured at DKK 0, and any amounts owed by such enterprises are written down if the amount owed is irrecoverable. If the Parent company has a legal or constructive obligation to cover a deficit that exceeds the amount owed, the remaining amount is recognized as a provision.

Net revaluation of investments in subsidiaries and associates are recognized in the reserve for net revaluation under equity according to the equity method in equity to the extent the carrying amount exceeds cost. The reserve for net revaluation can be neutralized by deficits, sale of investments or changes in accounting estimates. The reserve for net revaluation cannot be recognized with a negative balance.

The purchase method is applied on acquisition of enterprises cf. above-section "Business combinations".

Investments in subsidiaries and associates are written down to its recoverable amount if this is lower than the carrying amount.

Other non-current assets

Other non-current assets consist of deposits in leaseholds and securities, which the entity plans on holding until expiry.

Impairment of non-current assets

The carrying amount of intangible assets and property, plant and equipment is reviewed in general to determine whether there is any indication of impairment in addition to that expressed by amortisation or depreciation. The impairment test is performed for each individual asset or group of assets. The recoverable amount of the asset is calculated as the value in use or the fair value less disposal costs, whichever is higher.

If it is not possible to determine the recoverable amount for individual assets, the assets are reviewed jointly in the smallest identifiable group of assets to determine a reliable recoverable amount.

Domicile properties and other assets, for which it is not possible to calculate an individual capital value as the asset, in itself, does not generate future cash flows, are subject to a test for indication of impairment together with the group of assets, to which they may be attributed.

Previously recognised impairment losses are reversed when the reason for recognition no longer exist. Impairment losses on goodwill are not reversed.

Inventories

Inventories are measured at the lower of cost in accordance with the FIFO method and the net realisable value. The net realizable value of inventories is calculated as the expected selling price less selling costs. The net realizable value is calculated taking marketability, obsolescence and development in the expected selling price into account.

Costs comprise purchase price plus delivery costs.

Accounting policies (cont.)

Receivables

Receivables are recognised in the balance sheet at the lower of amortised cost and net realization value, which corresponds to the nominal value less write-down for bad debt losses. Write-downs for bad debt losses are computed based on an individual assessment of each receivable.

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years. Prepayments are measured at cost.

Securities recognised as current assets

Securities recognised as current assets comprise listed shares and bonds which are measured at the market value at the balance sheet date.

Cash at hand and in bank

Cash at hand and in bank comprise cash at hand and in bank.

Equity - dividend

Dividend proposed for the year is recognised as a liability at the date when it is adopted at the annual general meeting (declaration date). Dividend expected to be distributed for the year is disclosed as a separate item under equity. Extraordinary dividend approved in the financial year is recognised directly in equity and disclosed as a separate item in the distribution of profits.

Provisions

Provisions are measured at net realizable value or fair value. If the obligation is expected to be settled far into the future the obligation is measured at fair value. Provisions comprise anticipated costs for losses on returned goods, obligations concerning leases and other contractual liabilities. Provisions are recognized when the Group has a legal or constructive obligation at the balance sheet date and there is a probability of an outflow of resources required to settle the obligation.

In connection with corporate acquisitions, provisions for restructuring of the acquired entity are included in the calculation of the cost of acquisition and accordingly in goodwill or in goodwill on consolidation, provided that they have been adopted and published no later than at the date of acquisition

Deferred tax

Deferred tax and adjustment of deferred tax for the year are measured using the balance sheet liability method as the tax value of all temporary differences between the carrying amount and the tax value of certain assets and liabilities. However, deferred tax is not recognized on temporary differences relating to non-amortisable goodwill.

Deferred tax assets, including the tax value of a tax loss carried forwards are recognised at the expected value of their utilization, either as a set-off against tax on future income or as a set-off against deferred tax liabilities in enterprises in the same joint taxation and jurisdiction.

Deferred tax is measured according to the tax legislation and at the tax rates applicable at the balance sheet date when the deferred tax is expected to be converted to current tax.

Adjustments are made to deferred tax resulting from elimination of unrealized intra-group profits and losses.

Liabilities other than provisions

Financial liabilities are recognised at the date of borrowing as the net proceeds received less any transaction costs paid. Subsequent measurement of financial liabilities is at amortised cost.

Other liabilities are measured at net realizable value.

Current tax payable and receivable

Current tax payable and receivable are recognized in the balance sheet as the calculated tax based on the taxable income for the year adjusted for tax on prior years taxable income and for taxes paid on account

Current tax payable and receivable are set-off to the extent a legal right to do so exist and the entries are expected to be set-off net or simultaneous.

Accounting policies (cont.)

Deferred income (liability)

Deferred income comprises payments received concerning the following financial year.

Contingent assets and liabilities

Contingent assets and liabilities are not recognised in the annual report but are disclosed in the notes.

Cash flow statement

The cash flow statement shows the Group's cash flows for the year from operating, investing and financing activities for the year, changes in cash and cash equivalents for the year as well as the Group's cash and cash equivalents at the beginning and at the end of the year.

Cash flows from operating activities comprise cash flows presented according to the indirect method and are calculated as the Group's share of the profit/loss for the year adjusted for changes in the working capital, paid corporate taxes and non-cash income statement items such as depreciation, amortisation and impairment losses and provisions made. The working capital comprises current assets less current liabilities – exclusive of the financial statement items included in cash and cash equivalents.

Cash flows from investing activities comprise cash flows from payments associated with the purchase or sale of companies, activities and financial non-current assets as well as purchase, development, improvement and sale etc. of intangible assets and property, plant and equipment including the acquisition of financially leased assets.

Cash flows from financing activities comprise cash flows from changes in the size or composition of the Group's share capital and any associated costs as well as taking out loans and financial lease agreements, payments on interest-bearing debts and payment of dividends to the shareholders.

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less, which are freely negotiable into cash and which are subject to an insignificant risk of changes in value.

Income Statement 1 August - 31 July

Parent company			Consolidated	
2017/18 (DKK'000)	2016/17 (DKK'000)	Note	2017/18 (DKK'000)	2016/17 (DKK'000)
0	0	1 Revenue	29.143.466	26.045.858
0	0	Cost of sales	-14.911.934	-13.406.920
3.727	0	Other operating income	263.988	264.977
-12.743	-452	Other external costs	-5.546.124	-5.200.884
-9.016	-452	Gross profit	8.949.396	7.703.031
-22.324	0	2 Staff costs	-5.246.919	-4.468.064
-266	0	Depreciation and amortization of property, plant and equipment and intangible assets	-1.348.874	-1.139.927
-31.606	-452	Operating result	2.353.603	2.095.040
2.405.253	1.895.690	8 Profit/loss from investments in subsidiaries	0	0
-30.999	0	8 Profit/loss from investments in associates	750.666	435.040
14.176	6.513	3 Financial income	484.968	432.917
-6.488	-105.509	4 Financial expenses	-314.578	-346.969
2.350.336	1.796.242	Result before tax	3.274.659	2.616.028
4.151	21.878	5 Tax on profit for the year	-739.135	-738.610
2.354.487	1.818.120	Result for the year	2.535.524	1.877.418
		Attributable to		
		Shareholders in HEARTLAND A/S	2.354.487	1.818.120
		Non-controlling interests' share of profit/loss	181.037	59.298
			2.535.524	1.877.418

Balance sheet at 31 July

Parent company			Consolidated	
2018 (DKK'000)	2017 (DKK'000)	Note	2018 (DKK'000)	2017 (DKK'000)
ASSETS				
6 Intangible assets				
0	0	Software	197.314	125.882
0	0	Goodwill	1.788.240	1.872.050
0	0	Key money/leasehold rights/trademark rights	102.110	94.922
0	0		2.087.664	2.092.854
7 Property, plant and equipment				
0	0	Land and buildings	11.019.445	9.511.377
1.105	0	Operating equipment	965.616	1.162.707
0	0	Leasehold improvements	724.875	617.103
0	0	Property, plant and equipment under construction	487.462	171.288
1.105	0		13.197.398	11.462.476
Investments				
24.675.041	22.277.287	8 Investments in subsidiaries	0	0
235.432	0	8 Investments in associates	14.615.383	11.030.321
0	0	Deposits	121.294	124.383
0	0	Securities	317.763	176.986
24.910.473	22.277.287		15.054.440	11.331.690
24.911.578	22.277.287	Total non-current assets	30.339.502	24.887.020
0	0	Inventories	4.159.089	3.455.495
Receivables				
0	0	Trade receivables	2.649.828	2.543.865
222.482	141.543	Amounts owed by group enterprises	0	0
0	0	9 Deferred tax	156.921	201.480
3.906	21.622	Corporation tax	185.145	257.876
89.365	0	Other receivables	653.953	626.328
331	0	10 Prepayments	344.778	296.885
316.084	163.165		3.990.625	3.926.434
0	0	Securities	812.348	685.765
39.557	609.629	Cash at hand and in bank	2.423.480	3.551.053
355.641	772.794	Total current assets	11.385.542	11.618.747
25.267.219	23.050.081	Total assets	41.725.044	36.505.766

Balance sheet at 31 July

Parent company			Consolidated	
2018 (DKK'000)	2017 (DKK'000)	Note	2018 (DKK'000)	2017 (DKK'000)
EQUITY AND LIABILITIES				
Equity				
80.000	80.000	11	80.000	80.000
8.927.401	8.052.784		0	0
14.678.631	13.869.798		23.606.032	21.922.582
23.686.032	22.002.582		23.686.032	22.002.582
0	0		743.035	602.686
23.686.032	22.002.582		24.429.067	22.605.268
Provisions				
0	0	12	1.429.377	1.536.343
17	0	9	186.144	175.733
17	0		1.615.521	1.712.076
Non-current liabilities other than provisions				
0	0	13	924.021	656.742
0	0		924.021	656.742
Current liabilities other than provisions				
0	0	13	87.344	527.634
0	0		9.233.419	5.779.941
2.488	0		2.724.080	2.161.320
1.553.533	1.042.021		0	0
0	0		578.091	508.270
25.149	5.478		2.039.006	2.442.970
0	0	14	94.495	111.546
1.581.170	1.047.499		14.756.435	11.531.680
1.581.170	1.047.499		15.680.456	12.188.422
25.267.219	23.050.081		41.725.044	36.505.766

15 Fees to the auditors appointed at the annual general meeting

16 Contingent liabilities and other obligations

17 Financial instruments

18 Events after the balance sheet date

19 Related parties

Statement of changes in equity at 31 July

	Note	Share capital (DKK'000)	Reserve for net revaluation according to the equity method (DKK'000)	Retained earnings (DKK'000)	Total (DKK'000)
Parent company					
Equity at 1 August 2017		80.000	8.052.784	13.869.798	22.002.582
Profit for the year	20	0	2.374.254	-19.767	2.354.487
Dividends distributed		0	-1.260.000	1.260.000	0
Foreign exchange adjustments on investments		0	-329.900	0	-329.900
Transfer			-87.933	87.933	0
Other movements on equity		0	178.196	0	178.196
Paid extraordinary dividend		0	0	-519.333	-519.333
		80.000	8.927.401	14.678.631	23.686.032
Equity at 31 July 2018					
		80.000	8.927.401	14.678.631	23.686.032
		80.000	23.606.032	23.686.032	743.035
Consolidated					
Equity at 1 August 2017		80.000	21.922.582	22.002.582	602.686
Profit for the year	20	0	2.354.487	2.354.487	181.037
Foreign exchange adjustments on investments		0	-329.900	-329.900	-4.450
Adjustment of financial instruments		0	38.873	38.873	0
Other movements on equity		0	139.323	139.323	29.796
Paid extraordinary dividend		0	-519.333	-519.333	0
Paid dividend		0	0	0	-66.034
		80.000	23.606.032	23.686.032	743.035
Equity at 31 July 2018					
		80.000	23.606.032	23.686.032	743.035
		80.000	23.606.032	23.686.032	24.429.067

Statement of cash flows

		Consolidated	
	Note	2017/18 (DKK'000)	2016/17 (DKK'000)
Profit for the year		2.354.487	1.818.120
Non controlling interests' share of the result		181.037	59.298
Adjustments	21	1.227.810	1.716.792
Change in working capital	22	-730.008	-81.544
Cash generated from operations		3.033.326	3.512.666
Corporation tax paid		-559.603	-646.912
Cash flows from operating activities (I)		2.473.723	2.865.754
Acquisition of intangible assets		-376.572	-300.763
Disposal of intangible assets		10.652	16.661
Acquisition of property, plant and equipment		-2.997.584	-1.876.751
Disposal of property, plant and equipment		274.704	404.355
Acquisition of investments		-3.145.928	-2.034.956
Disposal of investments		258.889	0
Deposits		3.089	0
Investment in securities		-145.712	0
Cash flows from investing activities (II)		-6.118.463	-3.791.454
Repayment/proceeds of credit institutions		-173.011	-51.256
Repayment/proceeds of bank loans		3.453.478	1.174.917
Dividends from associates		16.303	0
Dividends paid		-585.367	0
Cash flows from financing activities (III)		2.711.403	1.123.661
Changes in cash and cash equivalents (I+II+III)		-933.337	197.961
Cash and cash equivalents at 1 August		4.236.818	3.754.727
Currency translation adjustment of cash		-67.653	284.130
Cash and cash equivalents at 31 July		3.235.828	4.236.818
Cash and cash equivalents are specified as follows:			
Liquid funds		2.423.480	3.551.053
Securities		812.348	685.765
		3.235.828	4.236.818

The cash flow statement cannot be directly derived from the other components of the consolidated financial statements and the parent company financial statements.

Notes to the income statement and the balance sheet

	2017/18 (DKK'000)	2016/17 (DKK'000)
Note 1: Revenue		
Consolidated		
Denmark	4.068.285	2.469.889
Rest of Europe	22.772.011	21.301.135
Rest of the world	2.303.170	2.274.834
	29.143.466	26.045.858
Segment information		
Revenue related to sale of clothes	25.822.566	25.095.107
Revenue related to other activities	3.320.900	950.751
	29.143.466	26.045.858
Note 2: Staff costs		
Parent company		
Salaries and wages	20.627	0
Pensions	1.019	0
Other social security costs	166	0
Other staff costs	512	0
	22.324	0
Average number of employees	15	0
Consolidated		
Salaries and wages	4.349.038	3.647.132
Pensions	255.102	218.927
Other social security costs	432.162	384.406
Other staff costs	210.617	217.599
	5.246.919	4.468.064
Average number of employees	21.125	17.694

The Executive Board and the Board of Directors received remuneration of DKK 15.4 million (2016/17: DKK 13.6 million). The remuneration is dependent on the Group's profit/loss.

Notes to the income statement and the balance sheet

	2017/18 (DKK'000)	2016/17 (DKK'000)
Note 3: Financial income		
Parent company		
Intercompany financial income	5.412	1.010
Other financial income	8.764	5.503
	<u>14.176</u>	<u>6.513</u>
Consolidated		
Other financial income	484.968	432.917
	<u>484.968</u>	<u>432.917</u>
Note 4: Financial expenses		
Parent company		
Intercompany financial expenses	6.483	2.546
Other financial expenses	5	102.963
	<u>6.488</u>	<u>105.509</u>
Consolidated		
Other financial expenses	314.578	346.969
	<u>314.578</u>	<u>346.969</u>
Note 5: Tax on profit for the year		
Specified as follows:		
Parent company		
Current tax for the year	-4.168	-21.878
Change in deferred tax	17	0
	<u>-4.151</u>	<u>-21.878</u>
Consolidated		
Current tax for the year	693.840	715.065
Change in deferred tax	79.372	-5.337
Tax concerning previous years	-34.077	28.882
	<u>739.135</u>	<u>738.610</u>

Notes to the income statement and the balance sheet

Note 6: Intangible assets

	Software (DKK'000)	Goodwill (DKK'000)	Key money/ leasehold rights/ trademark rights (DKK'000)
Consolidated			
Cost at 1 August 2017	295.811	2.765.605	324.378
Exchange adjustment, closing rate	-358	-4.775	-4.514
Reclassification	16.393	7.684	-7.684
Additions for the year	108.309	228.264	39.999
Disposals for the year	-2.823	-26.418	-86.875
	417.332	2.970.360	265.304
Amortisation and impairment losses at 1 August 2017	-169.929	-893.555	-229.456
Exchange adjustment, closing rate	217	3.134	4.397
Reclassification	-903	-5.512	5.510
Write-downs for the year	-123	-129.750	-10.633
Amortisation for the year	-51.204	-181.287	-11.702
Amortisation, disposals	1.924	24.850	78.690
	-220.018	-1.182.120	-163.194
Carrying amount at 31 July 2018	197.314	1.788.240	102.110

Notes to the income statement and the balance sheet

Note 7: Property, plant and equipment

	Operating equipment (DKK'000)			
Parent company				
Cost at 1 August 2017				0
Additions for the year				1.371
Cost at 31 July 2018				1.371
Depreciation and impair. losses at 1 August 2017				0
Depreciation for the year				-266
Depriciation and impairment losses at 31 July 2018				-266
Carrying amount at 31 July 2018				1.105
	Land and buildings (DKK'000)	Operating equipment (DKK'000)	Leasehold improvements (DKK'000)	Property, plant and equipment under construction (DKK'000)
Consolidated				
Cost at 1 August 2017	10.161.222	3.206.890	2.288.716	171.288
Exchange adjustment, closing rate	4.946	-31.859	-22.561	-481
Reclassification	3.548	3.010	7.562	-30.512
Additions for the year	1.735.090	368.942	505.989	387.564
Disposals for the year	-11.770	-793.497	-347.044	-40.397
Cost at 31 July 2018	11.893.036	2.753.486	2.432.662	487.462
Depreciation and impair. losses at 1 August 2017	-649.845	-2.044.183	-1.671.613	0
Exchange adjustment, closing rate	-598	25.986	16.237	0
Reclassification	3	849	53	0
Write-downs for the year	-3.000	-72.850	-154.566	0
Depreciation for the year	-223.950	-296.600	-213.174	0
Depreciation on assets disposed	3.799	598.928	315.276	0
Depriciation and impairment losses at 31 July 2018	-873.591	-1.787.870	-1.707.787	0
Carrying amount at 31 July 2018	11.019.445	965.616	724.875	487.462

Notes to the income statement and the balance sheet

Note 8: Investments in subsidiaries and associates

	Subsidiaries (DKK'000)	Associates (DKK'000)
Parent company		
Cost at 1 August 2017	14.224.502	0
Additions for the year	2.044.370	266.431
Disposals for the year	-576.967	0
Cost at 31 July 2018	15.691.905	266.431
Value adjustment at 1 August 2017	8.052.784	0
Foreign exchange adjustment	-329.900	0
Disposals	-87.933	0
Profit for the year	2.405.253	-30.999
Other movements on equity	178.196	0
Dividends	-1.260.000	0
Value adjustment at 31 July 2018	8.958.400	-30.999
Carrying amount at 31 July 2018	24.650.305	235.432
Negative balances recognised in receivables	24.736	0
Carrying amount at 31 August 2018	24.675.041	235.432
		Associates (DKK'000)
Consolidated		
Cost at 1 August 2017		9.442.965
Reclassification		-25
Foreign exchange adjustment		-1.065
Additions for the year		3.145.928
Disposals for the year		-59.325
Cost at 31 July 2018		12.528.478
Value adjustment at 1 August 2017		1.587.356
Reclassification		2
Foreign exchange adjustment		-107.874
Disposals		-199.564
Profit for the year		750.666
Other movements on equity		72.622
Dividends		-16.303
Value adjustment at 31 July 2018		2.086.905
Carrying amount at 31 July 2018		14.615.383
Hereof goodwill		6.192.189

Ownership in subsidiaries and associates, see group chart pages 6 - 10.

Notes to the income statement and the balance sheet

	2018 (DKK'000)	2017 (DKK'000)
Note 9: Deferred tax		
Parent company		
Deferred tax at 1 August 2017	0	0
Adjustment of deferred tax for the year	-17	0
Deferred tax at 31 July 2018	<u>-17</u>	<u>0</u>
Recognised as follows		
Deferred tax assets	0	0
Deferred tax liabilities	-17	0
	<u>-17</u>	<u>0</u>
Consolidated		
Deferred tax at 1 August 2017	25.747	58.693
Adjustment of deferred tax for the year	-79.372	5.336
Deferred tax concerning previous years	13.392	-37.953
Other changes in deferred tax	12.608	-1.705
Exchange rate adjustment recognized in equity	-1.598	1.376
Deferred tax at 31 July 2018	<u>-29.223</u>	<u>25.747</u>
Recognised as follows:		
Deferred tax assets	156.921	201.480
Deferred tax liabilities	-186.144	-175.733
	<u>-29.223</u>	<u>25.747</u>
The company's and the group's deferred tax assets consists primarily of temporary differences between the financial value and the tax value of certain assets and liabilities.		
Note 10: Prepayments		
Parent company		
Prepayments	331	0
	<u>331</u>	<u>0</u>
Consolidated		
Rent	93.690	70.758
Insurance	4.834	7.156
Prepayments	246.254	218.972
	<u>344.778</u>	<u>296.885</u>

Note 11: Share capital

The shares are divided into A shares and B shares. The shares have equal voting rights. The nominal value of DKK 80,000,000 is distributed on 40,000 A shares of DKK 1,000 and 40,000 B shares of DKK 1,000.

Notes to the income statement and the balance sheet

Note 12: Other provisions

	<u>Others</u> (DKK'000)
Consolidated	
Provisions at 1 August 2017	1.536.343
Exchange adjustment, closing rate	12.652
Provisions for the year	363.862
Utilised during the year	<u>-483.480</u>
Provisions at 31 July 2018	<u>1.429.377</u>
Other provisions are expected to mature within:	
0 - 1 year	614.359
> 1 year	<u>815.018</u>
Provisions at 31 July 2018	<u>1.429.377</u>

Other provisions primarily comprise pending disputes, lease liabilities and other liabilities, etc.

	2018 (DKK'000)	2017 (DKK'000)
Note 13: Mortgage credit institutions		
Specified as follows:		
Consolidated		
Within 1 year	87.344	527.634
Between 1 and 5 years	355.488	131.849
After 5 years	568.533	524.893
	<u>1.011.365</u>	<u>1.184.376</u>
Note 14: Deferred income		
Consolidated		
Deferred rent income	32.611	7.222
Tenant allowance / benefits from landlords	13.592	14.185
Other deferred income	48.292	90.138
	<u>94.495</u>	<u>111.546</u>

Notes to the income statement and the balance sheet

	2017/18 (DKK'000)	2016/17 (DKK'000)
Note 15: Fees to the auditors appointed at the annual general meeting		
Consolidated		
Fees to the auditors appointed at the annual general meeting, total:		
Fees regarding statutory audit	8.944	8.178
Assurance engagements	758	590
Tax assistance	1.157	797
Other assistance	1.075	740
	<u>11.934</u>	<u>10.305</u>
Fees to other auditors total:		
Fees regarding statutory audit	3.517	3.972
Assurance engagements	4	81
Tax assistance	5.596	2.539
Other assistance	1.317	3.428
	<u>10.434</u>	<u>10.020</u>

Note 16: Contingent liabilities and other obligations

The Parent company and the Group are parties to a number of pending disputes that are not deemed to have any material effect on coming financial years.

HEARTLAND A/S is jointly taxed with its Danish subsidiaries. As management company, the Company has joint and several unlimited liability, together with the subsidiary, for all Danish income taxes and withholding taxes on dividend, interest and royalties within the group of jointly taxed entities. The jointly taxed entities' total known net liability in respect of income taxes and withholding taxes payable on dividend, interest and royalties amounted to DKK 359,815 thousand at 31 July 2018. Any subsequent corrections of income subject to joint taxation and withholding taxes, etc. could entail an increase in the entities' tax liability. The Group as a whole is not liable vis-à-vis any third parties.

HEARTLAND A/S has issued a letter of intent to the bank for Aktieselskabet af 5.5.2010's obligations, which amounts to DKK 4,934 million at 31 July 2018.

Notes to the income statement and the balance sheet

	2018 (DKK'000)	2017 (DKK'000)
Note 16: Contingent liabilities and other obligations (continued)		
Consolidated		
Obligations for rent and lease commitments	8.033.082	6.789.504
Guarantees	848.692	823.305
Other obligations	929.182	17.699
	9.810.956	7.630.508
Future minimum payments according to rent commitments:		
Within 1 year	1.886.929	1.075.226
Between 1 and 5 years	4.657.294	4.452.577
After 5 years	1.488.860	1.261.701
	8.033.082	6.789.504

The Group has provided collateral for mortgage debt and bank debt totaling DKK 3,884 million (2016/17: DKK 3,195 million) which is secured by land and buildings, with a carrying amount of DKK 5,741 million (2016/17: DKK 5,594 million).

As collateral for bank debt of DKK 4,934 million, the Group has provided security in shares in associated companies with a book value of DKK 6,209 million and in securities with a book value of DKK 493 million

The group has entered into purchase agreements totaling DKK 746,605 thousand. In 2018/19 DKK 269,468 thousand will be paid and DKK 495,135 thousand the following years.

Note 17: Financial instruments

Parent company

At 31 July 2018 HEARTLAND A/S has entered into currency swaps regarding purchase of NOK 1,500 million versus sales of DKK, purchase of USD 27 million versus sales of GBP and purchase of USD 46 million versus sales of DKK. The difference measured at fair value is recognized in the income statement.

Consolidated

Recognised transactions

At 31 July 2018 the group has entered into currency swaps regarding purchase of NOK 1,500 million versus sales of DKK, purchase of USD 20 million versus sales of GBP, purchase of USD 46 million versus sales of DKK, and purchase of USD 50 – 100 against payment of EUR. The difference measured at fair value is recognized in the income statement.

Forecast transactions

The group seeks to reduce foreign currency risks by hedging some of the currency exposures on purchase of goods and certain operating equ

At 31 July 2018, the group has entered into foreign exchange forward contracts relating to future transactions in foreign currency of USD 132 million, CNY 285 million and GBP 7 million.

At 31 July 2018, the value of the contracts recognized in equity is DKK 6 million before tax.

Note 18: Events after the balance sheet date

No events materially affecting the financial position have occurred after the balance sheet date.

Notes to the income statement and the balance sheet

Note 19: Related parties

The company is owned 50% personally by Anders Holch Povlsen and 50% by Anpartsselskabet af 1.1.2017, Inge Lehmanns Gade, 8000 Aarhus C.

Anpartsselskabet af 1.1.2017 is 100% owned personally by Anders Holch Povlsen.

Related parties with dominant influence:

Anders Holch Povlsen

Basis for influence:

Majority owner

Transactions with related parties:

Parent company

Sale of services to subsidiaries	3.727
Purchase of services from subsidiaries	6.968
Interest income from subsidiaries	5.412
Interest expense to subsidiaries	6.483
Capital contribution	1.645.901
Receivables from group companies	222.482
Payables to group enterprises	1.553.533

Consolidated

Besides distribution of dividend, no other transactions were carried through with shareholders in the year.

Remuneration/fees to members of the Executive Board and Board of Directors are reflected in note 2.

Notes to the income statement and the balance sheet

	2017/18 (DKK'000)	2016/17 (DKK'000)
Note 20: Recommended appropriation of profit/loss		
Reserve for net revaluation according to the equity method	2.374.254	1.820.295
Retained earnings	-19.767	-2.175
	<u>2.354.487</u>	<u>1.818.120</u>
Note 21: Statement of cash flows - Adjustments		
Consolidated		
Depreciation, amorti. and impairment losses	1.348.874	1.139.927
Income from investments in associates	-750.666	-435.040
Change in other provisions	-106.966	227.785
Tax on profit/loss for the year	739.135	738.610
Other adjustments	-2.568	45.510
	<u>1.227.810</u>	<u>1.716.792</u>
Note 22: Statement of cash flows - Change in working capital		
Consolidated		
Change in inventories	-703.593	-506.054
Change in receivables	-181.481	-214.793
Change in trade creditors and other payables	141.745	709.530
Other adjustments (in working capital)	13.322	-70.227
	<u>-730.008</u>	<u>-81.544</u>