

Normal A/S

Godthåbsvej 41, 8660 Skanderborg

CVR no. 34 88 37 93

Annual report 2018/19

Approved at the Company's annual general meeting on 28 November 2019

Chairman:



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Jan D. Lehrmann

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Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Normal A/S for the financial year 1 August 2018 - 31 July 2019.


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

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 July 2019 and of the results of the Company's operations for the financial year 1 August 2018 - 31 July 2019.

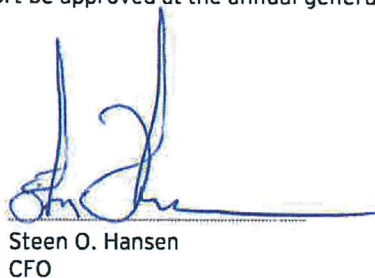
Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position.

We recommend that the annual report be approved at the annual general meeting.

Skanderborg, 30 October 2019
Executive Board:



Torben Ø. Mouritsen
CEO

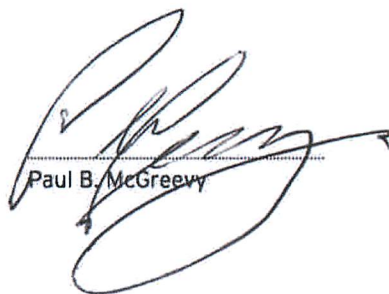


Steen O. Hansen
CFO

Board of Directors:



Jan D. Lehrmann
Chairman



Paul B. McGreevy



Lise Kaas



Torben Ø. Mouritsen

Independent auditor's report

To the shareholder of Normal A/S

Opinion

We have audited the financial statements of Normal A/S for the financial year 1 August 2018 - 31 July 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 July 2019 and of the results of the Company's operations for the financial year 1 August 2018 - 31 July 2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We 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 Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance 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 the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Independent auditor's report

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 Statement Act. We did not identify any material misstatement of the Management's review.

Aarhus, 30 October 2019

ERNST & YOUNG

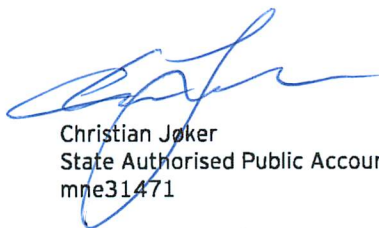
Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28



Morten Friis

State Authorised Public Accountant
mne32732



Christian Jøker

State Authorised Public Accountant
mne31471

Management's review

Company details

Name	Normal A/S
Address, Postal code, City	Godthåbsvej 41, 8660 Skanderborg
CVR no.	34 88 37 93
Established	12 December 2012
Registered office	Skanderborg
Financial year	1 August 2018 - 31 July 2019
Board of Directors	Jan D. Lehrmann, Chairman Paul B. McGreevy Lise Kaae Torben Ø. Mouritsen
Executive Board	Torben Ø. Mouritsen, CEO Steen O. Hansen, CFO
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Værkmestergade 25, P.O. Box 330, 8100 Aarhus C, Denmark

Management's review

Financial highlights

DKKm	2018/19 12 months	2017/18 12 months	2017 7 months	2016 12 months	2015 12 months
Key figures					
Revenue	1,889	1,257	483	665	323
Gross margin	353	247	102	149	72
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	112	78	26	39	21
Ordinary operating profit	77	49	10	18	14
Net financials	2	-7	-3	-3	-2
Profit before tax	69	33	9	15	12
Profit/loss for the year	51	23	7	12	9
Fixed assets	266	206	144	137	50
Non-fixed assets	608	418	256	234	114
Total assets	874	624	400	371	164
Investment in property, plant and equipment	26	27	9	80	22
Equity	192	142	102	96	84
Current liabilities other than provisions	500	360	283	270	79
Financial ratios					
Operating margin	4.1%	3.9%	2.1%	2.7%	4.3%
Current ratio	121.6%	116.1%	90.5%	86.7%	144.3%
Equity ratio	22.0%	22.8%	25.5%	25.9%	51.2%
Return on equity	30.6%	19.1%	12.2%	13.2%	15.1%
Average number of employees	627	488	436	349	150

Management's review

Business review

Normal Group's business activities comprise retail trade, primarily within personal care and cosmetics. Normal Group's activities are pursued through more than 200 stores across five markets, i.e. Denmark, Norway, Sweden, the Netherlands and France. To support the business, Normal Group also operates a central warehouse located in Horsens.

Our mission is to make it inexpensive and adventurous to shop branded everyday products and to give our customers a unique shopping experience at everyday low prices every time they visit and shop in our stores.

Financial review

The result for the year is satisfactory and exceeds expectations. The result includes investments in an expansion and related start-up costs for new stores and new markets, costs for setting up a new warehouse, and continuing investments in organizational growth and IT systems.

Special risks

The Company's activities are deemed not to be exposed to any special risks other than the usual risks in the industry.

The Company does not engage in speculative foreign currency transactions.

Statutory CSR report

As an international company with more than 3,500 employees across five markets, Normal Group's main area of corporate social responsibility is related to the safety and well-being of its customers and employees as well as the sourcing and distribution of products. All products are sourced from suppliers within the EU, ranging from large multinational companies to small niche producers.

Climate and environment

Policy

Within the areas of climate and environment, Normal Group operates with an external and an internal perspective:

The external perspective covers the product assortment where customers ultimately decide what to buy and consume. Normal Group's core principle is to offer customers a broad assortment which allows them to make sustainable choices. Normal Group follows market trends and customer demands and aspires to increase its range of sustainable products.

The internal perspective comprises the operation and maintenance of stores. Here, Normal Group continuously strives to reduce resource consumption and introduce sustainable approaches in its routines, if possible.

Risk, actions and results

The main climate and environmental risk is related to the use of materials and product ingredients. Normal Group works continuously to ensure correct handling of all materials as well as to provide environmentally-friendly alternatives. Sustainability within Normal Group's product assortment is organised under the following categories: fragrance-free, paraben-free, organic, plastic-free, vegan, fair trade and reusable package. These categories account for an increasingly large share of total sales. Normal Group continuously works on visible product presentations with one or more themes, for example, vegan, where the category in question gets a high share of exposure compared to the share of sales. Furthermore, all products are purchased with recycled or recyclable packaging, if possible. An example is the carrier bags sold in stores which are now made from 100% recycled plastic. Normal Group also sells plastic-free alternatives to carrier bags.

Another risk of negative climate impact stems from the operation and maintenance of Normal Group's stores as well as energy consumption. The operation and maintenance of stores is an ongoing task with store routines incorporating waste separation, the use of environmentally certified cleaning agents in all stores and the reuse of ingoing cardboard boxes for outgoing packaging at Normal Group's warehouse.

Management's review

To reduce energy consumption, more than 80% of the Danish stores now only have basic lighting during the period before the store opens for customers. This saves approx. 579,000 kilowatts per hour. In addition, lighting installations have been updated and replaced by energy-saving alternatives in several older stores.

With its increasing international presence, Normal Group aims to conclude service agreements with local suppliers on certain areas, such as floor polishing. More areas will follow in the coming year. This will lead to significant CO2 emission savings due to transport reductions.

Human rights, ethics and anti-corruption

Policy

Normal Group recognises and respects all internationally acknowledged human rights and labour market conventions. All suppliers and business partners are also expected to act accordingly.

Furthermore, trust and ethics are the cornerstones of Normal Group's relations with its employees, business partners, suppliers and customers. There is a zero-tolerance policy regarding corruption and bribery.

Risk, actions and results

The main risk associated to the violation of human rights relates to collaboration with external suppliers. To mitigate such risks, Normal Group enacted a Code of Conduct in 2018/19 which lays down the Group's human rights policies. This Code of Conduct must be signed and complied with by all suppliers. Normal Group's risk, however, is limited due to its range of suppliers within the EU and based on the multinational brand reputation of most suppliers.

The principal risk of corruption is associated with the interaction of our suppliers. During the autumn of 2019, Normal Group will be implementing a Code of Ethics setting out ethical guidelines and anti-corruption policies to be complied with by all employees of Normal Group.

Employee handbooks have been drawn up which are targeted at three main staff groups: store employees, warehouse workers and office employees. All handbooks are continuously updated.

Social and labour conditions

Policy

Normal Group strives to be a modern and attractive workplace with a high level of job satisfaction and skilled and enterprising employees. Most employees work in Normal Group's stores, and for many young people Normal Group is their first employer. High priority is given to the training of store managers, onboarding routines and ensuring a healthy and safe working environment for all employees.

Furthermore, Normal Group endeavours to reflect its surrounding environment as closely as possible, also in terms of workforce diversity. This relates to both gender, age, race as well as physical and/or mental disabilities.

Risk, actions and results

Due to its large number of employees, Normal Group has a strong social responsibility in terms of focusing continuously on the well-being and motivation of its employees and, consequently, ensuring that all persons with staff responsibility have sufficient managerial competencies. Because of Normal's strong focus on social and labour conditions as well as the national legislations in countries in which Normal operates, the risk of negatively affecting the health and well-being of employees is minimal. Over the past year, Normal Group has been working on a training program for new store managers to thoroughly introduce them to the role of store manager with regard to work procedures, corporate culture, etc. Moreover, all Danish store managers have completed a three-day management course during 2018/2019. The plan is to also provide the course to other managers within the organisation as well as in other countries.

Normal Group engages in ongoing collaborations with relevant parties to contribute to local communities, e.g. by helping challenged citizens enter the labour market. For instance, a cooperation agreement has been concluded at Normal Group's warehouse with an organisation that provides work for people with autism in a safe and sheltered environment. This initiative will start in 2019/20. National Danish statistics show that Normal Denmark employs more than twice as many challenged citizens compared to industry averages.

Management's review

Another example is the dedication of two full working days every year, where all employees at Normal Denmark HQ do charity work in cooperation with local organisations; for instance, a day cleaning up after the local Sølund Music Festival, the world's largest music festival for people with disabilities.

During the autumn of 2019, Normal Group will be introducing an employee app to all its employees. This will supplement internal courses with online training and quizzes to improve employee awareness of e.g. GDPR, health, safety and IT security, enhance the flow of information within the organisation and bring all employees closer together in a virtual corporate community.

Account of the gender composition of Management

In the opinion of Normal A/S, qualifications and experience and not the gender of a person are decisive for whether an individual is suitable for the job or not. Normal A/S believes that diversity among its employees, including an even distribution of the genders, contributes positively to the working environment and strengthens the Company's performance and competitiveness.

In order to comply with legislation, a target figure for the even representation of both genders on the Board of Directors in Normal A/S has been set. Consequently, a minimum of 25% of the members of the Board of Directors appointed by the general meeting must be female. Today, there are four members on the Board of Directors, one of whom is female. The target has thus been reached.

The gender composition in Normal A/S Group is not equal. At department and store management level, the Group currently has an over-representation of women, who make up 74% of the employees at department and store management level, which is solely attributable to the current recruitment situation within Danish retail.

Consequently, men are the underrepresented gender in executive positions other than the Executive Board. The management team of Normal A/S Group comprises 270 persons, including the Company's Executive Board and the department managers of various functions and store managers. Male managers at this management level made up 26% in 2018/19. Male employees made up 17% of all employees in the Normal Group.

Despite the overall skewed gender distribution in the industry, Normal continuously strives to achieve a more balanced representation by ensuring that vacancy posts appeal to both genders.

Outlook

In the beginning of the next financial year 2019/20, we have started business in another new market and opened our first 3 stores in Paris, France.

The ongoing growth is expected to continue in the coming financial year, especially outside Denmark. Therefore, revenue and results of operations are expected to increase.

Financial statements 1 August 2018 - 31 July 2019

Income statement

Note	DKK'000	2018/19	2017/18
2	Revenue	1,889,185	1,256,774
	Other operating income	21,944	8,313
	Cost of goods sold	-1,326,761	-810,178
	Other external expenses	-231,747	-207,892
	Gross profit	352,621	247,017
3	Staff costs	-241,051	-168,662
4	Amortisation/depreciation of intangible assets and property, plant and equipment	-34,352	-29,305
	Profit before net financials	77,218	49,050
	Net profit/loss from investments in subsidiaries	-10,166	-9,242
5	Financial income	9,325	473
6	Financial expenses	-7,804	-7,684
	Profit before tax	68,573	32,597
7	Tax for the year	-17,437	-9,243
	Profit for the year	51,136	23,354

Financial statements 1 August 2018 - 31 July 2019

Balance sheet

Note	DKK'000	2018/19	2017/18
	ASSETS		
	Fixed assets		
8	Intangible assets		
	Software and licences	29,658	24,477
	Goodwill	3,650	4,681
		<u>33,308</u>	<u>29,158</u>
9	Property, plant and equipment		
	Fixtures and fittings, tools and equipment	61,304	58,071
	Leasehold improvements	30,139	32,838
		<u>91,443</u>	<u>90,909</u>
10	Investments		
	Investments in subsidiaries	64,881	26,265
	Receivables from group entities	35,845	26,706
	Deposits	40,106	32,694
		<u>140,832</u>	<u>85,665</u>
	Total fixed assets	<u>265,583</u>	<u>205,732</u>
	Non-fixed assets		
	Inventories		
	Goods for resale	300,886	271,647
		<u>300,886</u>	<u>271,647</u>
	Receivables		
	Receivables from group entities	262,199	92,524
	Other receivables	13,348	15,055
11	Prepayments	18,599	18,501
		<u>294,146</u>	<u>126,080</u>
12	Investments	1,120	1,750
	Cash	<u>12,319</u>	<u>18,074</u>
	Total non-fixed assets	<u>608,471</u>	<u>417,551</u>
	TOTAL ASSETS	<u>874,054</u>	<u>623,283</u>

Financial statements 1 August 2018 - 31 July 2019

Balance sheet

Note	DKK'000	2018/19	2017/18
	EQUITY AND LIABILITIES		
	Equity		
13	Share capital	533	533
	Net revaluation reserve according to the equity method	0	0
	Reserve for treasury shares	1,120	1,750
	Retained earnings	190,432	140,132
	Total equity	192,085	142,415
	Provisions		
14	Deferred tax	20,561	19,256
	Total provisions	20,561	19,256
	Liabilities other than provisions		
15	Non-current liabilities other than provisions		
	Payables to group entities	139,656	100,000
	Payables to shareholders and management	18,344	0
	Other payables	3,683	2,073
		161,683	102,073
	Current liabilities other than provisions		
15	Current portion of long-term liabilities	590	0
	Bank debt	203,776	133,856
	Trade payables	241,049	193,628
	Payables to group entities	2,318	1,551
	Joint taxation contribution payable	16,132	4,976
	Other payables	33,596	22,372
16	Deferred income	2,264	3,156
		499,725	359,539
	Total liabilities other than provisions	661,408	461,612
	TOTAL EQUITY AND LIABILITIES	874,054	623,283

- 1 Accounting policies
- 17 Contractual obligations and contingencies, etc.
- 18 Collateral
- 19 Currency risks
- 20 Related parties

Financial statements 1 August 2018 - 31 July 2019

Statement of changes in equity

Note	DKK'000	Share capital	Net revaluation reserve according to the equity method	Reserve for treasury shares	Retained earnings	Total
	Equity at 1 August 2017	533	933	0	100,986	102,452
21	Transfer, see					
	"Appropriation of profit"	0	-783	0	24,137	23,354
	Equity transferred to reserves	0	0	1,750	-1,750	0
	Exchange rate adjustment	0	-150	0	0	-150
	Contribution from group	0	0	0	16,759	16,759
	Equity at 1 August 2018	533	0	1,750	140,132	142,415
21	Transfer, see					
	"Appropriation of profit"	0	0	0	51,136	51,136
	Exchange rate adjustment	0	0	0	-966	-966
	Transferred, sale of treasury shares	0	0	-630	630	0
	Extraordinary dividend distributed	0	0	0	-500	-500
	Equity at 31 July 2019	533	0	1,120	190,432	192,085

Financial statements 1 August 2018 - 31 July 2019

Notes to the financial statements

1 Accounting policies

The annual report of Normal A/S for 2018/19 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

In accordance with section 112(1) and section 86(4) of the Danish Financial Statements Act, the Company has not prepared consolidated financial statements or a cash flow statement. The Company's financial statements and cash flows are reflected in the consolidated cash flow statement for the higher-ranking parent company, Heartland A/S. Audit fees are not disclosed with reference to section 96(3) of the Danish Financial Statements Act.

The accounting policies applied by the Company are consistent with those of last year.

Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

Foreign group entities

Foreign subsidiaries and associates are considered separate entities. Items in such entities' income statements are translated at an average exchange rate for the month, and balance sheet items are translated at closing rates. Foreign exchange differences arising on translation of the opening equity of foreign subsidiaries to closing rates and on translation of the income statements from average exchange rates to closing rates are taken directly to equity.

Derivative financial instruments

On initial recognition, derivative financial instruments are recognised at cost in the balance sheet and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in "Other receivables" and "Other payables", respectively.

Fair value adjustments of derivative financial instruments designated as and qualifying for hedging of future assets or liabilities are recognised in other receivables or other payables, respectively, and in equity. If the hedged forecast transaction results in the recognition of assets or liabilities, amounts previously recognised in equity are transferred to the cost of the asset or liability, respectively. If the hedged forecast transaction results in income or expenses, amounts previously deferred in equity are transferred to the income statement in the period in which the hedged item affects the profit/loss for the year.

Fair value adjustments of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement on a current basis.

Financial statements 1 August 2018 - 31 July 2019

Notes to the financial statements

1 Accounting policies (continued)

Income statement

Revenue

The Company has chosen IAS 11/IAS 18 as interpretation for revenue recognition.

Income from the sale of goods for resale and finished goods, comprising sale of everyday necessities is recognised in revenue when the most significant rewards and risks have been transferred to the buyer and provided that the income can be reliably measured, and payment is expected to be received.

Revenue is measured net of all types of discounts/rebates granted. Also, revenue is measured net of VAT and other indirect taxes charged on behalf of third parties.

Other operating income

Other operating income comprise items of a secondary nature relative to the Company's core activities, including gains on the sale of fixed assets.

Cost of sales

Cost of sales includes the cost of goods used in generating the year's revenue.

Other external expenses

Other external expenses include the year's expenses relating to the entity's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. made to the entity's employees. The item is net of refunds made by public authorities.

Amortisation/depreciation

The item comprises amortisation/depreciation of intangible assets and property, plant and equipment.

The cost net of the expected residual value for completed development projects and acquired IP rights is amortised on a straight-line basis over the expected useful life. Acquired IP rights include patents, rights and licences.

Goodwill is amortised over the expected economic life of the asset, measured by reference to Management's assessment of i.a. the nature of the business acquired, earnings, market position and stability of the industry.

The basis of amortisation, which is calculated as cost less any residual value, is amortised on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Software and licences	5 years
Goodwill	5 years

The residual value is determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further amortisation charges are recognised. In case of changes in the residual value, the effect on the amortisation charges is recognised prospectively as a change in accounting estimates.

Financial statements 1 August 2018 - 31 July 2019

Notes to the financial statements

1 Accounting policies (continued)

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Fixtures and fittings, tools and equipment	3-7 years
Leasehold improvements	3-7 years

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

Profit/loss from investments in subsidiaries

A proportionate share of the underlying entities' profit/loss after tax is recognised in the income statement according to the equity method. Shares of profit/loss after tax in subsidiaries are presented as separate line items in the income statement. Full elimination of intra-group gains/losses is made for equity investments in subsidiaries.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The entity is jointly taxed with other group entities. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

Balance sheet

Intangible assets

Goodwill is amortised over the expected economic life of the asset, measured by reference to Management's experience in the individual business segments. Goodwill is amortised on a straight-line basis over the amortisation period, which is five years.

Other intangible assets include intellectual property rights acquired.

Other intangible assets are measured at cost less accumulated amortisation and impairment losses.

Gains and losses on the sale of intangible assets are recognised in the income statement under "Other operating income" or "Other operating expenses", respectively. Gains and losses are calculated as the difference between the selling price less selling expenses and the carrying amount at the time of sale.

Financial statements 1 August 2018 - 31 July 2019

Notes to the financial statements

1 Accounting policies (continued)

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Gains or losses are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses.

The basis of depreciation is based on the residual value of the asset and is reduced by any impairment losses. 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.

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.

Investments in subsidiaries

On initial recognition, investments in subsidiaries are measured at cost and subsequently at the proportionate share of the entities' net asset values calculated in accordance with the parent company's accounting policies plus or minus any residual value of positive or negative goodwill calculated in accordance with the purchase method of accounting. Net revaluations of investments in subsidiaries are transferred to the net revaluation reserve according to the equity method where the carrying amount exceeds the acquisition cost.

On initial recognition, equity investments in subsidiaries are measured at cost, i.e. plus transaction costs.

The cost is adjusted by shares of profit/loss after tax calculated in accordance with the Group's accounting policies less or plus unrealised intra-group gains/losses.

Identified increases in value and goodwill, if any, compared to the underlying entity's net asset value are amortised in accordance with the accounting policies for the assets and liabilities to which they can be attributed. Negative goodwill is recognised in the income statement.

Dividend received is deduced from the carrying amount.

Equity investments in subsidiaries measured at net asset value are subject to impairment test requirements if there is any indication of impairment.

Impairment of fixed assets

Intangible assets, property, plant and equipment, and investments in subsidiaries and associates are subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation. Impairment tests are conducted in respect of individual assets or groups of assets generating separate cash flows when there are indications of impairment. The assets are written down to the higher of the value in use and net realisable value (recoverable amount) of the asset or group of assets if this is lower than the carrying amount. As for groups of assets, impairment losses are first recognised in respect of goodwill and thereafter proportionately in respect of the other assets.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

Financial statements 1 August 2018 - 31 July 2019

Notes to the financial statements

1 Accounting policies (continued)

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

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

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and expenses required to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

Goods for resale are measured at cost, which comprises the cost of acquisition plus delivery costs as well as other expenses directly attributable to the acquisition.

Receivables

Receivables are measured at amortised cost.

The Company has chosen IAS 39 as interpretation for impairment of financial receivables.

An impairment loss is recognised if there is objective evidence that a receivable is impaired.

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Cash

Cash comprise cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in value.

Equity

Reserve for net revaluation according to the equity method

The net revaluation reserve according to the equity method includes net revaluations of investments in subsidiaries and associates relative to cost. The reserve can be eliminated in case of losses, realisation of investments or a change in accounting estimates. The reserve cannot be recognised at a negative amount.

Proposed dividends

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Financial statements 1 August 2018 - 31 July 2019

Notes to the financial statements

1 Accounting policies (continued)

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value.

Deferred income

Deferred income recognised as a liability comprises payments received concerning income in subsequent financial reporting years.

Segment information

The allocation of revenue to activities and geographical markets is disclosed where these activities and markets differ significantly in the organisation of sales of goods and services.

Financial statements 1 August 2018 - 31 July 2019

Notes to the financial statements

1 Accounting policies (continued)

Financial ratios

The financial ratios stated under "Financial highlights" have been calculated as follows:

Operating margin	$\frac{\text{Operating profit (EBIT)} \times 100}{\text{Revenue}}$
Current ratio	$\frac{\text{Current assets} \times 100}{\text{Current liabilities}}$
Equity ratio	$\frac{\text{Equity, year-end} \times 100}{\text{Total equity and liabilities, year-end}}$
Return on equity	$\frac{\text{Profit/loss for the year after tax} \times 100}{\text{Average equity}}$

Financial statements 1 August 2018 - 31 July 2019

Notes to the financial statements

DKK'000	2018/19	2017/18
2 Segment information		
Breakdown of revenue by geographical segment:		
Denmark	1,162,502	1,023,732
Other countries	726,683	233,042
	<u>1,889,185</u>	<u>1,256,774</u>
3 Staff costs		
Wages/salaries	217,961	154,123
Pensions	10,439	6,802
Other social security costs	3,183	1,863
Other staff costs	9,468	5,874
	<u>241,051</u>	<u>168,662</u>
Average number of full-time employees	<u>627</u>	<u>488</u>
Total remuneration to Management amounts to DKK 4,852 thousand (2017/18: DKK 3,733 thousand).		
4 Amortisation/depreciation of intangible assets and property, plant and equipment		
Amortisation of intangible assets	9,137	6,497
Depreciation of property, plant and equipment	25,215	22,808
	<u>34,352</u>	<u>29,305</u>
5 Financial income		
Interest receivable, group entities	7,273	473
Other financial income	2,052	0
	<u>9,325</u>	<u>473</u>
6 Financial expenses		
Interest expenses, group entities	6,659	5,071
Other financial expenses	1,145	2,613
	<u>7,804</u>	<u>7,684</u>
7 Tax for the year		
Estimated tax charge for the year	16,132	4,976
Deferred tax adjustments in the year	1,305	4,267
	<u>17,437</u>	<u>9,243</u>

Financial statements 1 August 2018 - 31 July 2019

Notes to the financial statements

8 Intangible assets

DKK'000	Software and licences	Goodwill	Total
Cost at 1 August 2018	32,123	7,994	40,117
Additions in the year	12,721	566	13,287
Disposals in the year	-113	-100	-213
Cost at 31 July 2019	44,731	8,460	53,191
Impairment losses and amortisation at 1 August 2018	7,646	3,313	10,959
Amortisation/depreciation in the year	7,540	1,597	9,137
Reversal of amortisation/depreciation and impairment of disposals	-113	-100	-213
Impairment losses and amortisation at 31 July 2019	15,073	4,810	19,883
Carrying amount at 31 July 2019	29,658	3,650	33,308

9 Property, plant and equipment

DKK'000	Fixtures and fittings, tools and equipment	Leasehold improvements	Total
Cost at 1 August 2018	93,575	53,797	147,372
Additions in the year	20,372	5,691	26,063
Disposals in the year	-5,095	-3,065	-8,160
Cost at 31 July 2019	108,852	56,423	165,275
Impairment losses and depreciation at 1 August 2018	35,504	20,959	56,463
Amortisation/depreciation in the year	17,124	8,091	25,215
Reversal of amortisation/depreciation and impairment of disposals	-5,080	-2,766	-7,846
Impairment losses and depreciation at 31 July 2019	47,548	26,284	73,832
Carrying amount at 31 July 2019	61,304	30,139	91,443

Financial statements 1 August 2018 - 31 July 2019

Notes to the financial statements

10 Investments

DKK'000	Investments in subsidiaries	Receivables from group entities	Deposits	Total
Cost at 1 August 2018	34,724	26,706	32,694	94,124
Additions in the year	50,237	9,139	8,859	68,235
Disposals in the year	-500	0	-1,447	-1,947
Cost at 31 July 2019	84,461	35,845	40,106	160,412
Value adjustments at 1 August 2018	-8,459	0	0	-8,459
Exchange adjustment	-966	0	0	-966
Share of the profit/loss for the year	-10,166	0	0	-10,166
Reversal of revaluation of sold investments	11	0	0	11
Value adjustments at 31 July 2019	-19,580	0	0	-19,580
Carrying amount at 31 July 2019	64,881	35,845	40,106	140,832

Name	Domicile	Interest
Subsidiaries		
Normal Norge AS	Kristiansand, Norway	75%
Mjölklaset Holding AB	Stockholm, Sweden	100%
Coport Holding B.V.	Amsterdam, Netherlands	100%
Normal France Holding S.A.S.	Paris, France	100%

11 Prepayments

Prepayments include accrual of expenses relating to subsequent financial years, including rent, insurance policies and lease of operating equipment.

12 Investments

Investments comprise shares of a nominal amount of DKK 2,133 in the parent company Aktieselskabet af 1.12.2016, which are recognised at cost.

13 Share capital

The share capital comprises 533,333 shares of DKK 1 nominal value each. All shares rank equally.

Analysis of changes in the share capital over the past 5 years:

DKK'000	2018/19	2017/18	2017	2016	2015
Opening balance	533	533	533	533	259
Capital increase	0	0	0	0	298
Capital reduction	0	0	0	0	-24
	533	533	533	533	533

Financial statements 1 August 2018 - 31 July 2019

Notes to the financial statements

DKK'000	2018/19	2017/18
14 Deferred tax		
Deferred tax at 1 August	19,256	14,988
Adjustments of deferred tax for the year	1,305	4,268
Deferred tax at 31 July	20,561	19,256

Deferred tax relates to intangible assets, property, plant and equipment, as well as deferred income and other liabilities.

15 Non-current liabilities other than provisions

DKK'000	Total debt at 31/7 2019	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Payables to group entities	139,656	0	139,656	0
Payables to shareholders and management	18,344	0	18,344	0
Other payables	4,273	590	3,683	0
	162,273	590	161,683	0

16 Deferred income

Deferred income consists of rent reductions accrued over the interminable lease period.

17 Contingent liabilities, etc.

Contingent liabilities

DKK'000	2018/19	2017/18
Guarantee commitments, leases	12,370	24,149
	12,370	24,149

Other contingent liabilities

The Company is jointly taxed with its ultimate parent, Heartland A/S, which acts as management company, and is jointly and severally liable with other jointly taxed group entities for payment of income taxes for the income year 2017 onwards as well as withholding taxes on interest, royalties and dividends falling due for payment.

Other financial obligations

Other rent and lease liabilities:

DKK'000	2018/19	2017/18
Rent and lease liabilities	291,591	391,874

Rent and lease liabilities include a rent obligation totalling DKK 286,422 thousand (2017/18: DKK 388,711 thousand) in interminable lease agreements with remaining contract terms of 1-10 years. Furthermore, the Company has liabilities under operating leases for fixtures and fittings, totalling DKK 5,169 thousand (2017/18: DKK 3,163 thousand) with remaining contract terms of 1-5 years.

Financial statements 1 August 2018 - 31 July 2019

Notes to the financial statements

18 Collateral

As security for the Company's debt to credit institutions, the Company has provided collateral to the bank in the form of a floating charge of DKK 22,250 thousand secured on trade receivables, inventories, fixtures and fittings, tools and equipment, as well as goodwill and acquired intangible assets.

As security for the subsidiary's rent liability, the parent company has provided a joint and several guarantee for a maximum amount of DKK 41,914 thousand.

19 Currency risks

At 31 July 2019, Normal A/S had concluded foreign exchange contracts regarding the Company's purchases of goods totalling GBP 4,500 thousand, of which GBP 1,648 thousand is recognised as trade payables in the balance sheet at 31 July 2019.

20 Related parties

Normal A/S' related parties comprise the following:

Parties exercising control

Related party	Domicile	Basis for control
Aktieselskabet af 1.12.2016 (parent company)	Inge Lehmanns Gade 2, 8000 Aarhus C, Denmark	Shareholder

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
Heartland A/S	Inge Lehmanns Gade 2, 8000 Aarhus C, Denmark	Consolidated financial statements can be requisitioned at www.cvr.dk

	2018/19	2017/18
DKK'000		
21 Appropriation of profit		
Recommended appropriation of profit		
Extraordinary dividend distributed in the year	500	0
Net revaluation reserve according to the equity method	0	-783
Retained earnings	50,636	24,137
	<u>51,136</u>	<u>23,354</u>