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Søstrene Grenes Holding ApS

Mariane Thomsens Gade 1C,
5. sal
8000 Aarhus C
Central Business Registration
No 35140328

Annual report 2016/17

The Annual General Meeting adopted the annual report on 07.09.2017

Chairman of the General Meeting

Name: Lasse Søndergaard Christensen

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Entity details

Entity
Søstrene Grenes Holding ApS
Mariane Thomsens Gade 1C, 5. sal
8000 Aarhus C

Central Business Registration No: 35140328
Founded: 01.03.2013
Registered in: Aarhus
Financial year: 01.05.2016 - 30.04.2017

Website: www.sostrenegrene.com

Board of Directors
Lasse Søndergaard Christensen, formand
Cresten Vaupell Grene
Mikkel Vaupell Grene
Inger Grene

Executive Board
Mikkel Vaupell Grene
Cresten Vaupell Grene

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
City Tower, Værkmestergade 2
8000 Aarhus C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Søstrene Grenes Holding ApS for the financial year 01.05.2016 - 30.04.2017.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 30.04.2017 and of the results of its operations and cash flows for the financial year 01.05.2016 - 30.04.2017.

We believe that the management commentary 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, 07.09.2017

Executive Board

Mikkel Vaupell Grene

Cresten Vaupell Grene

Board of Directors

Lasse Søndergaard Christensen
formand

Cresten Vaupell Grene

Mikkel Vaupell Grene

Inger Grene

Independent auditor's report

To the shareholders of Søstrene Grenes Holding ApS

Opinion

We have audited the consolidated financial statements and the parent financial statements of Søstrene Grenes Holding ApS for the financial year 01.05.2016 - 30.04.2017, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 30.04.2017, and of the results of their operations and the consolidated cash flows for the financial year 01.05.2016 - 30.04.2017 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 consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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

Independent auditor's report

can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and parent 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 consolidated financial statements and the parent 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 Entity’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 consolidated financial statements and the parent 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 Entity’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 consolidated financial statements and the parent 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 Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent 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

Statement on the management commentary
Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent 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 commentary.

Aarhus, 07.09.2017

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Thomas Rosquist Andersen
State Authorised Public Accountant

Mads Fauerskov
State Authorised Public Accountant

Management commentary

	2016/17 DKK'000	2015/16 DKK'000	2014/15 DKK'000	2013/14 DKK'000	2013 DKK'000
Financial highlights					
Key figures					
Revenue	613.748	438.936	331.187	307.000	70.950
Gross profit/loss	178.793	127.519	81.414	63.829	8.892
Operating profit/loss	46.109	49.477	35.251	24.766	3.299
Net financials	(3.756)	(2.311)	(812)	(2.237)	(459)
Profit/loss for the year	32.264	35.332	26.277	18.622	8.503
Total assets	465.461	315.484	206.832	178.878	160.911
Investments in property, plant and equipment	133.030	17.384	3.151	14.884	381
Equity incl minority interests	171.646	147.637	99.402	75.125	56.503
Cash flows from (used in) operating activities	54.795	54.361	17.714	28.115	(552)
Cash flows from (used in) investing activities	(140.241)	(21.007)	(10.582)	(16.583)	(642)
Cash flows from (used in) financing activities	(25.473)	15.811	(4.454)	(999)	(487)
Ratios					
Gross margin (%)	29,1	29,1	24,6	20,8	12,5
Net margin (%)	5,3	8,0	7,9	6,1	12,0
Return on equity (%)	20,2	28,8	30,1	28,3	15,0
Equity ratio (%)	36,9	46,8	48,1	42,0	35,1

The financial year 2013 is not directly comparable with 2013/14, 2014/15, 2015/16 and 2016/17 as the financial year 2013 only covers the period 01.03.2013 – 30.04.2013.

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

Ratios	**Calculation formula**	**Ratios**
Gross margin (%)	$\frac{\text{Gross profit/loss x 100}}{\text{Revenue}}$	The entity's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Revenue}}$	The entity's operating profitability.
Return on equity (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Average equity incl minority interests}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity incl minority interests x 100}}{\text{Total assest}}$	The financial strength of the Entity

Management commentary

THE WONDERFUL WORLD OF ANNA & CLARA

The wonderful tale of Søstrene Grene began in the late summer of 1973, in Aarhus, Denmark. It is the story of the two elderly sisters, Anna and Clara Grene, who diligently work to create slight, bright differences to everyday life.

Søstrene Grene is a chain of retail stores where a truly special atmosphere exists. Walking into one of these stores is meant to feel like entering an oasis where, at least for a while, shoppers can take a break from the hectic pace of everyday life. By doing this, Søstrene Grene seeks out to set the stage for wonderful experiences and joyful moments. Experiences that encourage people to explore and to let their imagination run free.

With great passion, Søstrene Grene develops new designs within their product categories. The stores receive a wealth of new products every week, and many of these items are only sold for a short period of time. Common to all products is an elegant and feminine expression that brings beauty to everyday life, and the prices are always kept at a reasonable level.

In every respect, Søstrene Grene is based on strong values, as a family owned and operated company with a unique culture called "the Sistrer Spirit". Today Søstrene Grene is still managed from the head offices in Aarhus, Denmark, where it all began with the first store opening.

Welcome to Anna and Clara´s wonderful world.

www.sostrenegrene.com

Aarhus, September 2017,

Mikkel Vaupell Grene
CEO

Management commentary

Primary activities

Søstrene Grene is a family owned and operated group of companies with strong, positive values and a unique culture. The family ownership makes it possible to think and operate Søstrene Grene with a sound and long term perspective, constantly innovating the concept and products, respecting the history and values of Søstrene Grene dating back to the very beginning in 1973.

Søstrene Grenes Holding ApS is the holding company that gathers the companies related to the Søstrene Grene business owned by Cresten Grene and Mikkel Grene.

The business consists of wholesale business related to the import and export of goods to the Søstrene Grene stores and retail activities in own stores and stores partly owned through joint venture companies. Apart from fully owned and partial owned stores, a large number of stores are owned and operated by franchise partners.

All right related to the Søstrene Grene brand is owned by the wholesale company Søstrene Grenes Import A/S which is a fully owned subsidiary of Søstrene Grenes Holding ApS.

Today, Søstrene Grene stores are found in Denmark, Norway, Sweden, Iceland, the Netherlands, France, Spain, the UK, Ireland, Germany and Japan.

Søstrene Grene is a very strong brand with more than 2 million followers on different social media platform, which plays a vital part in the business strategy. In Denmark Søstrene Grene has the most followed company Facebook page.

Development in activities and finances

Søstrene Grene is experiencing a very positive trend with a highly positive response from customers and partners on all markets. In the financial year, a growth in the turnover of almost 40% was generated boosted by the opening of new stores and by entering new markets – but also by the annual Like for Like growth which has been more than 5% every year for the past 5 years. This has been achieved by strengthening the whole value chain from production to the customers in the stores, by increasing the standard of quality in operations in all departments and by adding a large number of new staff members in the head office, almost doubling the staff over 2 - 3 years to strengthen the Søstrene Grene brand and business model to ensure a positive development in the years to come.

The income statement for the financial year ending 30 April 2017 shows a gross profit growing from 128m DKK to 179m. The result declined marginally from 35 to 32m DKK due to an increasing numbers of staff members in the head office, last stage of implementing the new ERP system and heavy investment in the new joint venture based companies to create the foundation for future growth and development in new markets.

Management commentary

Currently joint venture companies are established in The Netherlands, Ireland, UK, Germany and Japan.

The balance sheet shows equity of DKK 172m (30 April 2016: 148m) and cash flow from operating activities amounts to DKK 55m.

Unusual circumstances affecting recognition and measurement

A fully owned 31.000 m2 logistics center is currently being built in Aarslev (western part of Aarhus) with an estimated investment of DKK 185m. The new logistic centre is going to replace the current logistics centers by the end of 2017. The unfinished logistics center is valuated at DKK 94m in the balance sheet. In the financial year 2017/18 the logistics cost are estimated at a high level until all logistics activities are taking solely place in the new logistics center in spring 2018.

When fully operational the new logistics center is estimated to cover 300 - 400 stores and to decrease the logistic cost per store significantly.

Outlook

Søstrene Grene has established a strong position in several attractive retail markets with a very large potential and the ambition is to continue the expansion of new stores in these areas with our partners at an increased pace.

A large number of stores are expected to be opened in the coming months and years, bringing the number of stores close to 200 by the end of 2017. Several new countries are also in the pipeline and expected to open within the fiscal year 2017/18.

The new head office with an increased number of staff members is expected to strengthen the efforts to make an even larger number of own designs, strong products, effective campaigns, strong retail operation as well as other efforts to even strengthen the position of the Søstrene Grene brand is expected to fuel a continuously strong growth in the future.

A positive trend in both turnover and result is expected in the financial year 2017/18. The Management expects the revenue to grow within 30 to 40% and expects similar increase in earnings including gains on property sales.

Material assumptions and uncertainties

The exact number of new stores cannot be predicted precisely since it depends on timing of opening and availability of suitable locations.

Particular risks

Risk involves generally usual risks related to wholesale and retail business including fluctuations of currencies, debtors ability to pay, freight rates, consumers behavior, new legislation related to the business in different countries, EU directives and BREXIT.

Management commentary

Statutory report on corporate social responsibility
Statutory statement on corporate social responsibility (CSR), see section 99a of the Danish Financial Statement Act.

Søstrene Grene is a family-owned company with strong human values. For that reason, corporate social responsibility and respect for human rights have always been highly prioritized and a natural part of the way Søstrene Grene runs its business.

The direction of Søstrene Grene's CSR engagement is defined in a "Responsible Sourcing Strategy", a "Climate and Environmental Strategy" and a "Community Involvement Strategy" with policies defined for each of the areas.

Responsible Sourcing Strategy
The majority of Søstrene Grene's product range is produced in Asian countries. From a risk perspective, Søstrene Grene's Responsible Sourcing Strategy is therefore considered the most essential area in Søstrene Grene's CSR work.

Søstrene Grene's Supplier Code of Conduct defines the requirements that Søstrene Grene sets for all suppliers. The requirements refer to human rights, labor rights, working environment, environmental protection etc. All suppliers have signed the Supplier Code of Conduct. Søstrene Grene's internal team monitors compliance with the Code of Conduct and guides the supplier in case improvements are required. In total Søstrene Grene has close to 400 different suppliers. The suppliers are selected for internal review, according to various criteria based on risk and relevance, including parameters such as product category, production process and country, number and size of orders etc.

The company prioritizes to collaborate with the suppliers on improvements, since this has the most significant effect on working conditions and environmental protection. During the fiscal year 2016/17 the company has developed a supplier training program which will be started up in 2017. In case the supplier is not genuinely committed to rectify non-compliances, or if zero tolerance principles as defined in the Supplier Code of Conduct are violated, the cooperation with the supplier will be terminated. In the fiscal year 2016/2017 one supplier has been put on stand-by because of this principle.

Climate and Environmental Strategy
Søstrene Grenes Climate and Environmental Strategy focuses on minimizing CO_2 emissions, energy consumption, recycling, hazardous substances in products and organic products.

On January 23th, 2017 Søstrene Grene received its chain of custody certification under Forest Stewardship Council (FSC), which promotes social and environmentally responsible forestry. During this financial year, the share of FSC certified goods have been increased to 100% in some key areas: paper products, wooden furniture and Artist Materials.

Management commentary

For the next financial year, focus will be on further implementation of the new Climate and Environmental Strategy. During the past year energy consumption data have been collected to establish a baseline for the implementation of the Climate and Environmental Strategy.

Community Involvement Strategy

With an increased size and role in society, Søstrene Grene holds a great possibility of creating positive changes to vulnerable people.

Danish Red Cross and Søstrene Grene have had a close cooperation for several years. A donation of DKK 1 is given each time a bottle of water is sold in the stores in Denmark and Norway. This year, Søstrene Grene has donated DKK 521,758. Søstrene Grene has continued the cooperation with a supplier in Nepal which runs a number social projects in Katmandu. The total order amount from this supplier in the fiscal year 2016/2017 was EUR 85,000.

For more detailed information on CSR in Søstrene Grene, please go to www.sostrenegrene.com/csr.

Statutory report on the underrepresented gender

Statutory statement on the underrepresented gender in Management, see section 99b of the Danish Financial Statement Act.

The supreme governing body of Søstrene Grenes Holding ApS is composed of three male board members and one woman board members. By the end of 2020, Søstrene Grenes Holding ApS will seek to retain a ratio of at least 25:75% of the underrepresented gender. This is to be effected through internal as well as external recruitment if there are relevant candidates. This process has already been initiated, which is reflected in the other management bodies in the group.

In the overall management of the company and its subsidiaries, there is an overrepresentation of women, both in the wholesale and the retail business respectively. There is a tendency towards a stronger overrepresentation of women in the retail business as stores managers.

At the HQ in Aarhus the management is conducted by 19 women and 14 men. In the logistics center the management consists of 1 woman and 5 men. The top-management consists of 5 women and 9 men (excluding the 2 owners) in the HQ. The 7 European joint venture companies are mainly management by a married couple (except for The Netherlands and England).

The group targets a minimum of ratio of 40:60% by the end of 2020. The process has already been initiated through internal as well as external recruitment.

Management commentary

Even though competences do always come first in the selection of resources to management positions, Søstrene Grene strives to offer equal possibilities for men and women on the management level. With more male owners within the group, it is a challenge to change the ratios from day to day in the top managment, but the overall goal is to give equal possibilities and access to management positions to both genders.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Consolidated income statement for 2016/17

	Notes	2016/17 DKK	2015/16 DKK
Revenue	1	613.747.910	438.936.097
Other operating income		12.756.053	18.615.950
Cost of sales		(346.373.609)	(275.370.824)
Other external expenses	2	(101.337.734)	(54.661.767)
Gross profit/loss		**178.792.620**	**127.519.456**
Staff costs	3	(109.371.918)	(63.048.292)
Depreciation, amortisation and impairment losses	4	(10.208.678)	(4.345.882)
Other operating expenses		(13.103.381)	(10.648.091)
Operating profit/loss		**46.108.643**	**49.477.191**
Other financial income	5	1.756.216	345.538
Other financial expenses		(5.511.881)	(2.656.181)
Profit/loss before tax		**42.352.978**	**47.166.548**
Tax on profit/loss for the year	6	(10.088.916)	(11.834.860)
Profit/loss for the year	7	**32.264.062**	**35.331.688**

Consolidated balance sheet at 30.04.2017

	Notes	2016/17 DKK	2015/16 DKK
Acquired intangible assets		11.537.005	6.064.413
Intangible assets	8	**11.537.005**	**6.064.413**
Land and buildings		115.857.346	130.152.449
Other fixtures and fittings, tools and equipment		22.129.116	6.627.032
Leasehold improvements		27.115.010	10.799.146
Property, plant and equipment in progress		93.600.756	0
Property, plant and equipment	9	**258.702.228**	**147.578.627**
Investments in associates		488.720	0
Receivables from associates		11.781.173	0
Deposits		13.520.549	6.008.941
Other receivables		6.200.078	10.032.143
Fixed asset investments	10	**31.990.520**	**16.041.084**
Fixed assets		**302.229.753**	**169.684.124**
Manufactured goods and goods for resale		78.245.241	53.153.593
Prepayments for goods		4.997.555	2.619.580
Inventories		**83.242.796**	**55.773.173**
Assets held for sale	9	**12.983.841**	**0**
Trade receivables		23.628.177	29.841.949
Receivables from associates		255.693	0
Other receivables		11.682.987	3.901.344
Income tax receivable		103.970	0
Prepayments	12	1.917.734	2.526.056
Receivables		**37.588.561**	**36.269.349**
Cash		**29.415.700**	**53.757.693**
Current assets		**163.230.898**	**145.800.215**
Assets		**465.460.651**	**315.484.339**

Consolidated balance sheet at 30.04.2017

	Notes	2016/17 DKK	2015/16 DKK
Contributed capital		80.000	80.000
Revaluation reserve		37.218.420	37.750.573
Retained earnings		123.010.502	104.333.390
Proposed dividend		2.000.000	0
Equity attributable to the Parent's owners		**162.308.922**	**142.163.963**
Share of equity attributable to minority interests		**9.337.060**	**5.473.498**
Equity		**171.645.982**	**147.637.461**
Deferred tax	13	15.180.649	14.509.215
Provisions		**15.180.649**	**14.509.215**
Mortgage debts		61.057.607	68.560.127
Convertible and dividend-yielding debt instruments		1.632.328	1.568.542
Deposits		27.474	27.474
Income tax payable		7.818.465	9.603.926
Other payables		0	2.451.324
Non-current liabilities other than provisions	14	**70.535.874**	**82.211.393**
Current portion of long-term liabilities other than provisions	14	4.555.230	4.514.012
Mortgage debts		2.900.487	0
Bank loans		86.598.998	21.915
Convertible and dividend-yielding debt instruments		4.947.764	4.777.831
Trade payables		88.925.667	36.826.503
Income tax payable		570.805	7.865.181
Other payables	15	19.599.195	17.120.828
Current liabilities other than provisions		**208.098.146**	**71.126.270**
Liabilities other than provisions		**278.634.020**	**153.337.663**
Equity and liabilities		**465.460.651**	**315.484.339**
Associates	11		
Unrecognised rental and lease commitments	17		
Contingent liabilities	18		
Mortgages and securities	19		
Transactions with related parties	20		
Subsidiaries	21		

Consolidated statement of changes in equity for 2016/17

	Contributed capital DKK	Revaluation reserve DKK	Retained earnings DKK	Proposed extraordinary dividend DKK
Equity beginning of year	80.000	39.702.000	102.381.963	0
Changes in accounting policies	0	(1.951.427)	1.951.427	0
Adjusted equity, beginning of year	**80.000**	**37.750.573**	**104.333.390**	**0**
Extraordinary dividend paid	0	0	0	(12.000.000)
Exchange rate adjustments	0	0	(87.488)	0
Fair value adjustments of hedging instruments	0	0	508.075	0
Group contributions etc	0	0	0	0
Other equity postings	0	0	0	0
Tax of equity postings	0	0	(111.777)	0
Transfer to reserves	0	(532.153)	532.153	0
Profit/loss for the year	0	0	17.836.149	12.000.000
Equity end of year	**80.000**	**37.218.420**	**123.010.502**	**0**

Consolidated statement of changes in equity for 2016/17

	Proposed dividend DKK	Share of equity attributable to minority interests DKK	Total DKK
Equity beginning of year	0	5.473.498	147.637.461
Changes in accounting policies	0	0	0
Adjusted equity, beginning of year	**0**	**5.473.498**	**147.637.461**
Extraordinary dividend paid	0	0	(12.000.000)
Exchange rate adjustments	0	(87.490)	(174.978)
Fair value adjustments of hedging instruments	0	0	508.075
Group contributions etc	0	3.124.634	3.124.634
Other equity postings	0	398.505	398.505
Tax of equity postings	0	0	(111.777)
Transfer to reserves	0	0	0
Profit/loss for the year	2.000.000	427.913	32.264.062
Equity end of year	**2.000.000**	**9.337.060**	**171.645.982**

Consolidated cash flow statement for 2016/17

	Notes	2016/17 DKK	2015/16 DKK
Operating profit/loss		46.108.643	49.477.191
Amortisation, depreciation and impairment losses		10.208.678	4.345.882
Working capital changes	16	19.424.969	3.476.904
Cash flow from ordinary operating activities		**75.742.290**	**57.299.977**
Financial income received		1.756.216	345.538
Financial income paid		(5.511.881)	(2.656.181)
Income taxes refunded/(paid)		(17.191.621)	(628.000)
Cash flows from operating activities		**54.795.004**	**54.361.334**
Acquisition etc of intangible assets		(7.559.264)	(2.316.675)
Acquisition etc of property, plant and equipment		(133.030.205)	(17.384.248)
Sale of property, plant and equipment		830.436	248.471
Acquisition of enterprises		(482.000)	0
Other cash flows from investing activities		0	(1.554.960)
Cash flows from investing activities		**(140.241.033)**	**(21.007.412)**
Loans raised		0	19.329.089
Instalments on loans etc		(4.560.815)	(3.490.599)
Dividend paid		(12.000.000)	(5.250.000)
Cash capital increase, contribution minority		3.124.634	0
Loans to associates		(12.036.866)	0
Other cash flows from financing activities		0	5.222.394
Cash flows from financing activities		**(25.473.047)**	**15.810.884**
Increase/decrease in cash and cash equivalents		**(110.919.076)**	**49.164.806**
Cash and cash equivalents beginning of year		53.735.778	4.570.972
Cash and cash equivalents end of year		**(57.183.298)**	**53.735.778**
Cash and cash equivalents at year-end are composed of:			
Cash		29.415.700	53.757.693
Short-term debt to banks		(86.598.998)	(21.915)
Cash and cash equivalents end of year		**(57.183.298)**	**53.735.778**

Notes to consolidated financial statements

	2016/17 DKK	2015/16 DKK
1. Revenue		
Denmark	312.045.843	251.087.146
Other Scandinavia	136.580.535	133.546.099
Outside Scandinavia	165.121.532	54.302.852
	613.747.910	**438.936.097**

The Group's segments comprise business areas and geographical markets.

The Group's primary activities are to buy, design and sell goods to the Søstrene Grene shops and to develop the Søstrene Grene concept. Referring to § 96 of the Danish Financial Statements Act. Management does not want to further disclose the geographical distribution of revenue as a detailed distribution and the Group's revenue by geographical area will be of considerable damage to the competitive situation.

	2016/17 DKK	2015/16 DKK
2. Fees to the auditor appointed by the Annual General Meeting		
Statutory audit services	393.200	275.000
Other assurance engagements	55.000	0
Tax services	568.175	731.566
Other services	1.188.966	1.331.927
	2.205.341	**2.338.493**

	2016/17 DKK	2015/16 DKK
3. Staff costs		
Wages and salaries	97.397.914	57.276.782
Pension costs	5.381.577	4.115.873
Other social security costs	3.621.769	884.876
Other staff costs	4.108.658	1.662.761
Staff costs classified as assets	(1.138.000)	(892.000)
	109.371.918	**63.048.292**
Average number of employees	**282**	**157**

Notes to consolidated financial statements

	Remuneration of management 2016/17 DKK	Pension liabilities 2016/17 DKK	Remuneration of management 2015/16 DKK	Pension liabilities 2015/16 DKK
Total amount for management categories	3.625.000	89.000	3.341.000	93.000
	3.625.000	**89.000**	**3.341.000**	**93.000**

	2016/17 DKK	2015/16 DKK
4. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	2.086.672	783.647
Depreciation of property, plant and equipment	8.068.584	3.514.510
Profit/loss from sale of intangible assets and property, plant and equipment	53.422	47.725
	10.208.678	**4.345.882**

	2016/17 DKK	2015/16 DKK
5. Other financial income		
Financial income from associates	54.302	0
Interest income	1.701.914	345.538
	1.756.216	**345.538**

	2016/17 DKK	2015/16 DKK
6. Tax on profit/loss for the year		
Tax on current year taxable income	8.786.033	10.330.639
Change in deferred tax for the year	1.489.520	282.285
Adjustment concerning previous years	(186.637)	82.583
Effect of changed tax rates	0	1.139.353
	10.088.916	**11.834.860**

	2016/17 DKK	2015/16 DKK
7. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	2.000.000	0
Extraordinary dividend distributed in the financial year	12.000.000	250.000
Retained earnings	17.836.149	34.575.025
Minority interests' share of profit/loss	427.913	506.663
	32.264.062	**35.331.688**

Notes to consolidated financial statements

	Acquired intangible assets DKK
8. Intangible assets	
Cost beginning of year	7.411.335
Additions	7.559.264
Cost end of year	**14.970.599**
Amortisation and impairment losses beginning of year	(1.346.922)
Amortisation for the year	(2.086.672)
Amortisation and impairment losses end of year	**(3.433.594)**
Carrying amount end of year	**11.537.005**

	Land and buildings DKK	Other fixtures and fittings, tools and equipment DKK	Leasehold improve-ments DKK	Property, plant and equipment in progress DKK
9. Property, plant and equipment				
Cost beginning of year	90.838.801	9.978.615	14.965.287	0
Exchange rate adjustments	0	(81.528)	(16.158)	0
Transfers	(13.882.083)	3.423.492	(3.423.492)	0
Additions	241.804	17.238.044	21.949.536	93.600.756
Disposals	0	(962.961)	(39.941)	0
Cost end of year	**77.198.522**	**29.595.662**	**33.435.232**	**93.600.756**
Revaluations beginning of year	50.900.000	0	0	0
Revaluations end of year	**50.900.000**	**0**	**0**	**0**
Depreciation and impairment losses beginning of the year	(11.586.352)	(3.351.583)	(4.166.141)	0
Exchange rate adjustments	0	67.105	6.903	0
Transfers	898.242	(597.273)	597.273	0
Depreciation for the year	(1.553.066)	(3.757.261)	(2.758.257)	0
Reversal regarding disposals	0	172.466	0	0
Depreciation and impairment losses end of the year	**(12.241.176)**	**(7.466.546)**	**(6.320.222)**	**0**
Carrying amount end of year	**115.857.346**	**22.129.116**	**27.115.010**	**93.600.756**

Notes to consolidated financial statements

The Company has divided its properties into two categories: domicile and inventory properties and shop properties.

At 30.04.2017 domicile and inventory properties amount to DKK 51,766k (DKK 65,203k last year), whereas shop properties amount to DKK 64,092k (DKK 64,949k last year).

Please refer to accounting policies stating that the group's shop properties are recognized at fair value.

Transfer for the year on land and buildings relates to property sold after 30.04.2017 for which reason the property has been transferred to assets held for sale. Property, plant and equipment in progress relate to construction of a new logistics building, which was not put into use at 30.04.2017.

	Investments in associates DKK	Receivables from associates DKK	Deposits DKK	Other receivables DKK
10. Fixed asset investments				
Cost beginning of year	0	0	6.008.941	10.032.143
Transfers	0	0	1.613.283	(1.613.283)
Additions	488.720	11.781.173	5.898.325	448.837
Disposals	0	0	0	(2.667.619)
Cost end of year	**488.720**	**11.781.173**	**13.520.549**	**6.200.078**
Carrying amount end of year	**488.720**	**11.781.173**	**13.520.549**	**6.200.078**

	Registered in	Equity interest %
11. Associates		
Hilmer Japan Co. Ltd.	Japan	40,0

Associates not measured at equity value

Hilmer Japan Co. Ltd.

Investments in associates are measured at cost, as management recognizes cost at the most fair value.

12. Prepayments

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

Notes to consolidated financial statements

13. Deferred tax

The deferred tax debt has been adjusted from DKK 14,509k at the beginning of the year to DKK 15,181k at the end of 2016/17. The adjustment matches the adjustment booked through operations and equity adjustments.

14. Liabilities other than provisions	Instalments within 12 months 2016/17 DKK	Instalments within 12 months 2015/16 DKK	Instalments beyond 12 months 2016/17 DKK	Outstanding after 5 years DKK
Mortgage debts	4.555.230	4.514.012	61.057.607	46.646.238
Convertible and dividend-yielding debt instruments	0	0	1.632.328	0
Deposits	0	0	27.474	0
Income tax payable	0	0	7.818.465	0
	4.555.230	**4.514.012**	**70.535.874**	**46.646.238**

15. Other short-term payables

Disclosure on forward exchange contracts acquired to hedge liabilities

Other payables include a negative fair value of the forward exchange contracts of DKK 282k. The forward exchange contracts have been acquired to hedge the foreign currency risk of trade payables in USD. The exchange loss has been set off against the value adjustments of the hedged payables in the income statement. The forward exchange contracts have a term of 0-2 months. The forward exchange contracts have been entered into with the Company's usual bank.

16. Change in working capital	2016/17 DKK	2015/16 DKK
Increase/decrease in inventories	(27.472.623)	(17.458.368)
Increase/decrease in receivables	(4.626.935)	(10.582.192)
Increase/decrease in trade payables etc	51.524.527	31.517.464
	19.424.969	**3.476.904**

17. Unrecognised rental and lease commitments	2016/17 DKK	2015/16 DKK
Hereof liabilities under rental or lease agreements until maturity in total	**144.028.195**	**154.995.095**

Notes to consolidated financial statements

Of total rental and lease commitments, the total unrecognized rental commitments amount to DKK 139,856k. The Company re-leases the leaseholds and has a corresponding contingent asset at the balance sheet date of DKK 22,660k.

18. Contingent liabilities

The Group's bank has issued a bank guarantee of DKK 19,622k for leaseholds at the balance sheet date as well as a guarantee for non-recognised import letters of credit with an open balance at the balance sheet date totalling DKK 31,504k.

In relation to leaseholds used by the franchisees the Group has issued a guarantee to the lessor totaling DKK 14,254k.

19. Mortgages and securities

Mortgage debt is secured by way of mortgage on properties. The mortgage also comprises the plant and machinery deemed part of the property.

The carrying amount of mortgaged properties amounts to DKK 128,841k and are mortgaged as security for mortgage debts amounting to DKK 65,613k.

The Group has issued an all-monies mortgage of DKK 10,000k as security for the subsidiary Søstrene Grenes Handelskompagnie A/S' debt to Sydbank.

20. Transactions with related parties

Only transactions with related parties that are not carried out at market terms are disclosed in the annual report. No such transactions have been performed in the financial year.

Notes to consolidated financial statements

21. Subsidiaries	Registered in	Corpo-rate form	Equity inte-rest %
Søstrene Grenes Import A/S	Denmark	A/S	100,0
- Søstrene Grene Europe B.V.	Netherlands	B.V.	100,0
Søstrene Grene Deutschland GmbH	Germany	GmbH	100,0
- Hilmer Holding GmbH	Germany	GmbH	75,0
- Hilmer 1 GmbH	Germany	GmbH	100,0
- Hilmer 2 GmbH	Germany	GmbH	100,0
- Hilmer 3 GmbH	Germany	GmbH	100,0
- Hilmer 4 GmbH	Germany	GmbH	100,0
- Hilmer 5 GmbH	Germany	GmbH	100,0
- Hilmer West Holding GmbH	Germany	GmbH	75,0
- Hilmer West 1 GmbH	Germany	GmbH	100,0
- Hilmer West 2 GmbH	Germany	GmbH	100,0
- Hilmer West 3 GmbH	Germany	GmbH	100,0
- Hilmer Süd Holding GmbH	Germany	GmbH	75,0
- Hilmer Süd 1 GmbH	Germany	GmbH	100,0
Aarhus Retail B.V.	Netherlands	B.V.	50,0
- SG Retail Groningen B.V.	Netherlands	B.V.	100,0
- SG Retail Den Haag B.V.	Netherlands	B.V.	100,0
- SG Retail Nieuwendijk B.V.	Netherlands	B.V.	100,0
- SG Retail Zwolle B.V.	Netherlands	B.V.	100,0
- SG Retail Rotterdam B.V.	Netherlands	B.V.	100,0
- SG Retail Den Bosch B.V.	Netherlands	B.V.	100,0
- SG Retail Nijmegen B.V.	Netherlands	B.V.	100,0
- SG Retail Enschede B.V.	Netherlands	B.V.	100,0
- SG Retail Amersfoort B.V.	Netherlands	B.V.	100,0
- SG Retail Eindhoven B.V.	Netherlands	B.V.	100,0
SG Northern England Ltd.	England	Ltd.	50,0
- SG Victoria Nottingham Ltd.	England	Ltd.	100,0
- SG Derby Ltd.	England	Ltd.	100,0
S. Grene Operations Ireland Ltd.	Ireland	Ltd.	50,0
- S. Green Dún Laoghaire Ltd.	Ireland	Ltd.	100,0
- S. Grene Dublin 1 Ltd.	Ireland	Ltd.	100,0
- S. Grene Cork 1 Ltd.	Ireland	Ltd.	100,0
- S. Grene Carlow 1 Ltd.	Ireland	Ltd.	100,0

Notes to consolidated financial statements

	Registered in	Corporate form	Equity interest %
21. Subsidiaries (continued)			
- Hilmer R.T.I. 1 Ltd.	Ireland	Ltd.	100,0
- Hilmer R.T.I. 2 Ltd.	Ireland	Ltd.	100,0
- Hilmer R.T.I. 3 Ltd.	Ireland	Ltd.	100,0
- Hilmer R.T.I. 4 Ltd.	Ireland	Ltd.	100,0
- Hilmer R.T.I. 5 Ltd.	Ireland	Ltd.	100,0
Hilmer Northern Ireland Holding Ltd.	Northern Ireland	Ltd.	50,0
- Hilmer Northern Ireland Ltd.	Northern Ireland	Ltd.	100,0
- Hilmer Newry Ltd.	Northern Ireland	Ltd.	100,0
Søstrene Grenes Handelskompagnie A/S	Denmark	A/S	100,0

Parent income statement for 2016/17

	Notes	2016/17 DKK	2015/16 DKK
Other external expenses		(552.500)	(295.463)
Operating profit/loss		**(552.500)**	**(295.463)**
Income from investments in group enterprises		33.577.763	35.440.601
Other financial income	1	450.065	48.615
Other financial expenses	2	(2.328.531)	(436.476)
Profit/loss before tax		**31.146.797**	**34.757.277**
Tax on profit/loss for the year	3	689.352	67.748
Profit/loss for the year	4	**31.836.149**	**34.825.025**

Parent balance sheet at 30.04.2017

	Notes	2016/17 DKK	2015/16 DKK
Investments in group enterprises		185.655.696	148.644.439
Receivables from group enterprises		23.203.933	4.540.891
Investments in associates		488.720	0
Receivables from associates		11.781.173	0
Fixed asset investments	5	**221.129.522**	**153.185.330**
Fixed assets		**221.129.522**	**153.185.330**
Receivables from group enterprises		3.901.107	0
Other receivables		0	1.979.956
Joint taxation contribution receivable		10.068.808	17.648.521
Receivables		**13.969.915**	**19.628.477**
Cash		**18.052**	**0**
Current assets		**13.987.967**	**19.628.477**
Assets		**235.117.489**	**172.813.807**

Parent balance sheet at 30.04.2017

	Notes	2016/17 DKK	2015/16 DKK
Contributed capital		80.000	80.000
Reserve for net revaluation according to the equity method		127.319.139	93.235.283
Retained earnings		32.909.783	48.848.680
Proposed dividend		2.000.000	0
Equity		**162.308.922**	**142.163.963**
Income tax payable		7.818.465	9.490.327
Non-current liabilities other than provisions		**7.818.465**	**9.490.327**
Bank loans		0	21.915
Trade payables		159.564	83.799
Payables to group enterprises		64.830.538	13.242.241
Income tax payable		0	7.324.858
Other payables		0	486.704
Current liabilities other than provisions		**64.990.102**	**21.159.517**
Liabilities other than provisions		**72.808.567**	**30.649.844**
Equity and liabilities		**235.117.489**	**172.813.807**
Contingent liabilities	6		
Mortgages and securities	7		
Transactions with related parties	8		

Parent statement of changes in equity for 2016/17

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Retained earnings DKK	Proposed extraordinary dividend DKK
Equity beginning of year	80.000	93.235.283	48.848.680	0
Extraordinary dividend paid	0	0	0	(12.000.000)
Exchange rate adjustments	0	(87.489)	0	0
Other equity postings	0	396.299	0	0
Profit/loss for the year	0	33.775.046	(15.938.897)	12.000.000
Equity end of year	**80.000**	**127.319.139**	**32.909.783**	**0**

	Proposed dividend DKK	Total DKK
Equity beginning of year	0	142.163.963
Extraordinary dividend paid	0	(12.000.000)
Exchange rate adjustments	0	(87.489)
Other equity postings	0	396.299
Profit/loss for the year	2.000.000	31.836.149
Equity end of year	**2.000.000**	**162.308.922**

Notes to parent financial statements

	2016/17 DKK	2015/16 DKK
1. Other financial income		
Financial income arising from group enterprises	395.763	48.615
Financial income from associates	54.302	0
	450.065	**48.615**

	2016/17 DKK	2015/16 DKK
2. Other financial expenses		
Financial expenses from group enterprises	1.603.468	436.476
Other financial expenses	725.063	0
	2.328.531	**436.476**

	2016/17 DKK	2015/16 DKK
3. Tax on profit/loss for the year		
Tax on current year taxable income	(476.742)	(150.331)
Adjustment concerning previous years	(212.610)	82.583
	(689.352)	**(67.748)**

	2016/17 DKK	2015/16 DKK
4. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	2.000.000	0
Extraordinary dividend distributed in the financial year	12.000.000	250.000
Transferred to reserve for net revaluation according to the equity method	33.775.046	30.440.601
Retained earnings	(15.938.897)	4.134.424
	31.836.149	**34.825.025**

Notes to parent financial statements

	Investments in group enterprises DKK	Receivables from group enterprises DKK	Investments in associates DKK	Receivables from associates DKK
5. Fixed asset investments				
Cost beginning of year	55.409.156	4.540.891	0	0
Exchange rate adjustments	(197.233)	0	0	0
Additions	3.124.634	18.663.042	488.720	11.781.173
Cost end of year	**58.336.557**	**23.203.933**	**488.720**	**11.781.173**
Revaluations beginning of year	93.235.283	0	0	0
Exchange rate adjustments	109.751	0	0	0
Adjustments on equity	396.299	0	0	0
Share of profit/loss for the year	37.003.490	0	0	0
Adjustment of intra-group profits	(3.152.418)	0	0	0
Other adjustments	(273.266)	0	0	0
Revaluations end of year	**127.319.139**	**0**	**0**	**0**
Carrying amount end of year	**185.655.696**	**23.203.933**	**488.720**	**11.781.173**

	Registered in	Corpo-rate form	Equity inte-rest %	Equity DKK	Profit/loss DKK
Investments in associates comprise:					
Hilmer Japan Co. Ltd.	Japan	Ltd.	40,0	(6.445.053)	(7.262.923)

For an overview of investments in group enterprises, see note 20 for the consolidated financial statements, which shows an overview of group enterprises.

6. Contingent liabilities

The Company serves as an administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable from the financial year 2013 for income taxes etc. for the jointly taxed companies and from 1 July 2012 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these companies.

The Company is liable for mortgage liabilities in Søstrene Grenes Import A/S and Søstrene Grenes Handelskompagnie A/S, which total DKK 65,598k at the balance sheet date.

Notes to parent financial statements

7. Mortgages and securities

In relation to leaseholds used by the Group's franchisees the Company has issued a guarantee to the lessor totalling DKK 14,254k.

Collateral securities provided for subsidiaries and group enterprises. As security for the subsidiaries' bank debt the parent has issued a guarantee to the subsidiaries' bank. The subsidiaries banks debt amounts to DKK 86,599K at balance sheet date.

8. Transactions with related parties

Only transactions with related parties that are not carried out at market terms are disclosed in the annual report. No such transactions have been performed in the financial year.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C (big) enterprises.

The accounting policies applied to these consolidated financial statements and parent financial statements are consistent with those applied last year.

Changes in accounting policies

As a result of the implementation of the new Danish Financial Statements Act, the Company has made the following change in accounting policies:

Depreciation of revaluation reserve under equity

As a result of the change in Section 41(3) (v) of the Danish Financial Statements Act, the Company has deducted depreciation of the revaluation reserve under equity and made a transfer from this to 'retained earnings'. The effect of the change in accounting policies amounts to DKK 0k on profit/loss for the year, DKK 0k on the balance sheet total and DKK 0k on equity. The effect is only a distribution between the reserves on equity of a total DKK 2,484k. The correction of equity at the beginning of the year has resulted in an effect of DKK 1,951k on the distribution between revaluation reserve and retained earnings according to the statement of changes in equity.

Moreover, the accounting policies applied to these financial statements are consistent with those applied last year, however with a few reclassifications.

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 effected 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.

Accounting policies

Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence. Enterprises in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant, but not controlling influence are regarded as associates.

Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements. Minority interests' proportionate share of profit or loss is presented as a separate item in Management's proposal for distribution of profit or loss, and their share of subsidiaries' net assets is presented as a separate item in group equity.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the acquisition date, with net assets having been calculated at fair value.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses.

Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognised under other receivables or other payables.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are recognised directly in equity. When the hedged transactions are realised, the accumulated changes are recognised as part of cost of the relevant financial statement items.

Income statement

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Accounting policies

Revenue is measured after elimination of intra-group trade.

Other operating income
Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities, including rental income and gains from the sale of intangible assets and property, plant and equipment.

Cost of sales
Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Other external expenses
Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs
Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff. Received compensation from public authorities is deducted in the staff cost.

Depreciation, amortisation and impairment losses
Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Other operating expenses
Other operating expenses comprise expenses of a secondary nature as viewed in relation to the Entity's primary activities.

Income from investments in group enterprises
Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of internal profits or losses.

Other financial income
Other financial income comprises interest income, including interest income on receivables from group enterprises, net capital gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses
Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Accounting policies

Tax on profit/loss for the year
Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Entity is jointly taxed with all Danish subsidiaries. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet
Intellectual property rights etc
Intellectual property rights etc comprise acquired intangible assets.

The cost of acquired intellectual rights comprises costs, including external fees and internal salaries that are directly and indirectly attributable to the intellectual property rights.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Straight-line amortisation is made on the basis of the estimated useful lives of the assets witch are 3-5 years.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment
Land and buildings, other fixtures and fittings, tools, equipment and leasehold improvements are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Buildings	5-50 years
Other fixtures and fittings, tools and equipment	3-8 years
Leasehold improvements	5 years

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Property, plant and equipment in progress relate to the building of a new logistics centre. Property, plant and equipment in progress are measured at cost and written down to the lower of recoverable amount and carrying amount. Property, plant and in progress are not depreciated.

Accounting policies

Shop properties
The Company has divided its properties into two categories: 1) domicile and inventory properties and 2) shop properties.

Domicile and inventory properties are recognized at cost with deduction of accumulated depreciation, whereas shop properties are recognized at fair value minus accumulated depreciation. The valuation is reviewed continuously by an independent valuer.

Shop properties are revalued to fair value on a continuous basis, equal to the fair value of the property in accordance with S. 41 of the Danish Financial Statements Act. Revaluation of fair value is recognized directly in equity under ”Reserve for net revaluation according to the equity method in parent statement and under “Revaluation reserve” in the consolidated statement.

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Properties for sale are presented under current assets at the time properties are decided to be sold and relocated. Depreciation is also stopped at this time.

Investments in group enterprises
Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises’ equity.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Investments in associates
Investments in associates are measured at cost and are written down to the lower of recoverable amount and carrying amount.

Receivables
Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Inventories
Inventories are measured at the lower of cost using the FIFO method and net realisable value. Cost consists of purchase price plus delivery costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Accounting policies

Assets held for sale
Assets held for sale are assets related to buildings where the purchase agreement is concluded, but risk transition, have not happened.

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

Cash
Cash comprises cash in hand and bank deposits.

Dividend
Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

Minority interests
Minority interests consist of non-controlling interests' share of equity in subsidiaries not 100% owned by the Parent.

Deferred tax
Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Deferred tax relating to retaxation of previously deducted losses in foreign subsidiaries is recognised on the basis of an actual assessment of the purpose of each subsidiary.

Mortgage debt
At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

Operating leases
Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Accounting policies

Other financial liabilities
Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Income tax receivable or payable
Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Cash flow statement
The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and short-term bank loans.

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