

## **Søstrene Grenes Holding ApS**

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

## **Annual report 01.05.2017 - 30.04.2018**

The Annual General Meeting adopted the annual report on 14.09.2018

### **Chairman of the General Meeting**

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**Name:** Lasse Søndergaard Christensen

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## Entity details

### Entity

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

Central Business Registration No (CVR): 35140328

Founded: 01.03.2013

Registered in: Aarhus

Financial year: 01.05.2017 - 30.04.2018

Website: [www.sostrenegrene.com](http://www.sostrenegrene.com)

### Board of Directors

Lasse Søndergaard Christensen, chairman  
Cresten Vaupell Grene  
Mikkel Vaupell Grene  
Inger Grene  
Kurt Hedegaard Carstensen

### 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 01.05.2017 - 30.04.2018.

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 30.04.2018 and of the results of its operations and cash flows for the financial year 01.05.2017 - 30.04.2018.

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, 14.09.2018

### Executive Board

Mikkel Vaupell Grene

Cresten Vaupell Grene

### Board of Directors

Lasse Søndergaard  
Christensen  
chairman

Cresten Vaupell Grene

Mikkel Vaupell Grene

Inger Grene

Kurt Hedegaard Carstensen

## 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 01.05.2017 - 30.04.2018, 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 30.04.2018, and of the results of their operations and the consolidated cash flows for the financial year 01.05.2017 - 30.04.2018 in accordance with the Danish Financial Statements Act.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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.

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 can arise from fraud or error and are considered material if, individually or in the aggregate, they could

## Independent auditor's report

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, 14.09.2018

### Deloitte

Statsautoriseret Revisionspartnerselskab  
Central Business Registration No (CVR) 33963556

Thomas Rosquist Andersen  
State Authorised Public Accountant  
Identification No (MNE) mne31482

Mads Fauerskov  
State Authorised Public Accountant  
Identification No (MNE) mne35428

## Management commentary

	<b>2017/18</b> <b>DKK'000</b>	<b>2016/17</b> <b>DKK'000</b>	<b>2015/16</b> <b>DKK'000</b>	<b>2014/15</b> <b>DKK'000</b>	<b>2013/14</b> <b>DKK'000</b>
<b>Financial highlights</b>					
<b>Key figures</b>					
Revenue	893,653	613,748	438,936	331,187	307,000
Gross profit/loss	311,480	178,793	127,519	81,414	63,829
Operating profit/loss	110,944	46,109	49,477	35,251	24,766
Net financials	(8,144)	(3,756)	(2,311)	(812)	(2,237)
Profit/loss for the year	77,540	32,264	35,332	26,277	18,622
Profit/loss for the year excl minority interests	77,815	31,836	34,825	0	0
Total assets	583,250	465,461	315,484	206,832	178,878
Investments in property, plant and equipment	116,773	133,030	17,384	3,151	14,884
Equity	248,888	171,646	147,637	99,402	75,125
Equity excl minority interests	238,368	162,309	142,164	99,402	75,125
Cash flows from (used in) operating activities	29,420	54,795	54,361	17,714	28,115
Cash flows from (used in) investing activities	(67,156)	(140,241)	(21,007)	(10,582)	(16,583)
Cash flows from (used in) financing activities	85,860	(25,473)	15,811	(4,454)	(999)
<b>Ratios</b>					
Gross margin (%)	35	29	29	25	21
Net margin (%)	9	5	8	8	6
Return on equity (%)	39	21	29	30	28
Equity ratio (%)	43	37	47	48	42

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

<b>Ratios</b>	<b>Calculation formula</b>	<b>Calculation formula reflects</b>
Gross margin (%)	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$	The entity's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Revenue}}$	The entity's operating profitability.
Return on equity (%)	$\frac{\text{Profit/loss for the year excl minority interests} \times 100}{\text{Average equity excl minority interests}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity incl minority interests} \times 100}{\text{Total asset}}$	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 Sister 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](http://www.sostrenegrene.com)*

*Aarhus, September 2018,*

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

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

Søstrene Grene is a very strong brand with more than 2.5 million followers on different social media platforms, which plays a vital part in the business strategy.

### 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 revenue of almost 46% was generated boosted by the opening of new stores and by a generally positive trend. 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, 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 2018 shows a gross profit growing from DKK 179m to DKK 311m. The profit before tax shows an increase from DKK 42m to DKK 103m. The increase is a result of increased sales and the ability to increase the profitability, offsetting the investment in more staff members in the head office and investment in new joint venture based companies to create the foundation for future growth and development.

Currently subsidiaries are established as joint venture entities in Germany, Ireland, The Netherlands, UK, France and Japan (associated).

## Management commentary

The margin is strengthened due to the decrease in the US dollar during the financial year.

Operating income shows a profit of DKK 111m. Included in the Operating income is the profit DKK 26m from sale of two of the company's properties. Excluding the one time effect of the sale of properties the normalised Operating Income is DKK 85m (2016/2017: DKK 46m)

The balance sheet shows equity of DKK 249m (30 April 2017: DKK 172m) and cash flow from operating activities amounts to DKK 29m.

### Unusual circumstances affecting recognition and measurement

The building of a fully owned 31,000 m<sup>2</sup> logistics center in Aarslev (western part of Aarhus) has been completed with an investment of DKK 173m in the balance sheet. The investment was initiated last financial year. The new logistics center has replaced the previously used logistics centers by the end of 2017. There is still work in progress on finalising the setup of workflows in the logistics center.

When fully operational the new logistics center is estimated to cover 350 - 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.

The expectations for the financial year were growth in revenue and result before tax with 30 - 40%. Financial year 2017/18 has realised a growth above expected. Revenue in 2017/18 is grown by DKK 279m, or 46 % compared to 2016/17, and earnings before tax for the year without profit from sales of properties is grown by 80% compared to last year. This is better than expected

A large number of stores are expected to be opened in the coming months and years, bringing the number of stores close to 250 by the end of 2018. It is expected that the new openings will consolidate the existing markets within the financial year 2018/19.

The strategy to develop a 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. Especially establishing a strong brand in the new established countries is a focus.

## Management commentary

A positive trend in both revenue and profit is expected in the financial year 2018/19. The Management expects revenue to grow within 25 to 40% to approximately DKK 1,100m to DKK 1,250m and expects the earnings for the year to be DKK 100m to DKK 120m.

### Material assumptions and uncertainties

The exact number of new stores cannot be predicted 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, debtor's ability to pay, freight rates, consumers behavior, new legislation related to the business in different countries, EU directives and BREXIT.

The main currency risk relates to the purchase of products in US dollar. To offset the risk of currencies going forward a hedging policy has been implemented as per May 2018. Product purchase is hedged by 25%, 50% and 75% of expected usage in the periods 7-12, 4-6 and 1-3 months respectively in advance.

Interest rate risk is primarily related to the short-term debt to banks. The long-term debt is split between fixed interest rate and variable interest rate with ratio 65%/35%. The aim is to limit the interest risk and ensure not to be exposed to increased interest rates.

### 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. As a natural consequence, corporate social responsibility and respect for human rights have always been highly prioritised and a natural part of the way Søstrene Grene runs its business.

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 has a CSR-audit team that monitors compliance with the Code of Conduct and guides the supplier in case improvements are required. In total Søstrene Grene has approximately 400 different suppliers. The suppliers are selected for audits,

## Management commentary

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 prioritises to collaborate with the suppliers on improvements, since this has the most significant effect on working conditions and environmental protection. 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 financial year 2017/2018 three suppliers have been put on temporary stand-by. At the moment we are still pending receipt of requested documentation to be able to place orders with them again. During the financial year 2017/18 the company started up a supplier training programme with a comprehensive self-assessment element. The programme has shown promising results in terms of monitoring and improving conditions at the suppliers. The programme will be developed and expanded the coming years.

### Climate and Environmental Strategy

Søstrene Grene's Climate and Environmental Strategy focuses on minimising CO2 emissions, energy consumption, recycling, hazardous substances in products and organic products.

Søstrene Grene has a chain of custody certification under Forest Stewardship Council (FSC). FSC is a world-wide NGO which ensures that forests around the world are managed in a responsible and sustainable way. In some key areas: Paper Products, Wooden Furniture and Artist Materials 100% of the products Søstrene Grene sells are produced from FSC certified materials. The company plans to increase the share of FSC certified products - in the coming year we will look into the possibilities in new areas, beginning with kitchen products.

During the financial year, the first steps have been taken in the implementation of our Climate and Environmental Strategy. Relocation to new energy efficient office space and the completion of the new Logistics Center will reduce energy consumption per employee in the coming years. Data to monitor the future development in energy consumption have been collected during this year.

### Community Involvement Strategy

With an increased size and role in society, Søstrene Grene can create 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 672k. The coming year the Company plans to expand the charity work, so it covers all markets.

For more detailed information on CSR in Søstrene Grene, please go to [www.sostrenergrene.com/csr](http://www.sostrenergrene.com/csr).

## Management commentary

### 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 four male and one female board members. During the year a new board member has been appointed, in the recruitment process the best qualified was a man. By the end of 2021, Søstrene Grenes Holding ApS will seek to obtain a ratio of at least 40:60% 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 even representation of women and men. The management is conducted by 16 women and 18 men including the two owners. There is a tendency towards a stronger overrepresentation of women in the retail business as store managers. The European subsidiaries established as joint venture entities are mainly managed by a married couple.

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 management, 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 2017/18

	<u>Notes</u>	<u>2017/18 DKK</u>	<u>2016/17 DKK</u>
Revenue	1	893,652,914	613,747,910
Other operating income	2	42,091,804	12,756,053
Cost of sales		(475,794,809)	(346,373,609)
Other external expenses	3	(148,469,831)	(101,337,734)
<b>Gross profit/loss</b>		<b>311,480,078</b>	<b>178,792,620</b>
Staff costs	4	(166,298,535)	(109,371,918)
Depreciation, amortisation and impairment losses	5	(18,680,298)	(10,208,678)
Other operating expenses		(15,556,833)	(13,103,381)
<b>Operating profit/loss</b>		<b>110,944,412</b>	<b>46,108,643</b>
Other financial income	6	3,214,594	1,756,216
Other financial expenses	7	(11,358,680)	(5,511,881)
<b>Profit/loss before tax</b>		<b>102,800,326</b>	<b>42,352,978</b>
Tax on profit/loss for the year	8	(25,260,552)	(10,088,916)
<b>Profit/loss for the year</b>	9	<b>77,539,774</b>	<b>32,264,062</b>

## Consolidated balance sheet at 30.04.2018

	<u>Notes</u>	<u>2017/18 DKK</u>	<u>2016/17 DKK</u>
Acquired intangible assets		11,227,920	11,537,005
<b>Intangible assets</b>	10	<b>11,227,920</b>	<b>11,537,005</b>
Land and buildings		272,727,367	115,857,346
Other fixtures and fittings, tools and equipment		30,635,178	22,129,116
Leasehold improvements		43,244,060	27,115,010
Property, plant and equipment in progress		0	93,600,756
<b>Property, plant and equipment</b>	11	<b>346,606,605</b>	<b>258,702,228</b>
Investments in associates		488,720	488,720
Receivables from associates		10,983,833	11,781,173
Deposits		13,124,676	13,520,549
Other receivables		6,417,490	6,200,078
<b>Fixed asset investments</b>	12	<b>31,014,719</b>	<b>31,990,520</b>
<b>Fixed assets</b>		<b>388,849,244</b>	<b>302,229,753</b>
Manufactured goods and goods for resale		121,582,110	78,245,241
Prepayments for goods		7,700,615	4,997,555
<b>Inventories</b>		<b>129,282,725</b>	<b>83,242,796</b>
<b>Assets held for sale</b>		<b>0</b>	<b>12,983,841</b>
Trade receivables		36,471,566	23,628,177
Receivables from associates		0	255,693
Other receivables		7,128,082	11,682,987
Income tax receivable		1,080,009	103,970
Prepayments	14	3,592,124	1,917,734
<b>Receivables</b>		<b>48,271,781</b>	<b>37,588,561</b>
<b>Cash</b>		<b>16,846,309</b>	<b>29,415,700</b>
<b>Current assets</b>		<b>194,400,815</b>	<b>163,230,898</b>
<b>Assets</b>		<b>583,250,059</b>	<b>465,460,651</b>



## Consolidated balance sheet at 30.04.2018

	<u>Notes</u>	<u>2017/18 DKK</u>	<u>2016/17 DKK</u>
Contributed capital		80,000	80,000
Revaluation reserve		36,686,267	37,218,420
Retained earnings		191,601,250	123,010,502
Proposed dividend		10,000,000	2,000,000
<b>Equity attributable to the Parent's owners</b>		<b>238,367,517</b>	<b>162,308,922</b>
<b>Share of equity attributable to minority interests</b>		<b>10,520,124</b>	<b>9,337,060</b>
<b>Equity</b>		<b>248,887,641</b>	<b>171,645,982</b>
Deferred tax	15	18,883,000	15,180,649
<b>Provisions</b>		<b>18,883,000</b>	<b>15,180,649</b>
Mortgage debt		145,867,620	61,057,607
Convertible and dividend-yielding debt instruments		1,698,831	1,632,328
Deposits		27,474	27,474
Income tax payable		0	7,818,465
<b>Non-current liabilities other than provisions</b>	16	<b>147,593,925</b>	<b>70,535,874</b>
Current portion of long-term liabilities other than provisions	16	8,234,272	4,555,230
Mortgage debt		0	2,900,487
Bank loans		25,905,808	86,598,998
Convertible and dividend-yielding debt instruments		5,108,598	4,947,764
Trade payables		74,083,039	88,925,667
Payables to shareholders and management		4,709,085	4,083,206
Income tax payable		19,999,985	570,805
Other payables		29,844,706	15,515,989
<b>Current liabilities other than provisions</b>		<b>167,885,493</b>	<b>208,098,146</b>
<b>Liabilities other than provisions</b>		<b>315,479,418</b>	<b>278,634,020</b>
<b>Equity and liabilities</b>		<b>583,250,059</b>	<b>465,460,651</b>
Associates	13		
Unrecognised rental and lease commitments	18		
Contingent liabilities	19		
Assets charged and collateral	20		
Transactions with related parties	21		
Subsidiaries	22		

## Consolidated statement of changes in equity for 2017/18

	Contributed capital DKK	Revaluation reserve DKK	Retained earnings DKK	Proposed dividend DKK
Equity beginning of year	80,000	37,218,420	123,010,502	2,000,000
Contributed upon formation	0	0	0	0
Ordinary dividend paid	0	0	0	(2,000,000)
Exchange rate adjustments	0	0	23,449	0
Fair value adjustments of hedging instruments	0	0	282,221	0
Other entries on equity	0	0	0	0
Tax of entries on equity	0	0	(62,090)	0
Transfer to reserves	0	(532,153)	532,153	0
Profit/loss for the year	0	0	67,815,015	10,000,000
<b>Equity end of year</b>	<b>80,000</b>	<b>36,686,267</b>	<b>191,601,250</b>	<b>10,000,000</b>

	Share of equity attributable to minority interests DKK	Total DKK
Equity beginning of year	9,337,060	171,645,982
Contributed upon formation	1,390,000	1,390,000
Ordinary dividend paid	0	(2,000,000)
Exchange rate adjustments	22,513	45,962
Fair value adjustments of hedging instruments	0	282,221
Other entries on equity	45,792	45,792
Tax of entries on equity	0	(62,090)
Transfer to reserves	0	0
Profit/loss for the year	(275,241)	77,539,774
<b>Equity end of year</b>	<b>10,520,124</b>	<b>248,887,641</b>

## Consolidated cash flow statement for 2017/18

	<u>Notes</u>	<u>2017/18 DKK</u>	<u>2016/17 DKK</u>
Operating profit/loss		110,944,412	46,108,643
Amortisation, depreciation and impairment losses		18,680,298	10,208,678
Working capital changes	17	(55,044,904)	19,424,969
Other operating income, gain from sale of property		(26,244,952)	0
<b>Cash flow from ordinary operating activities</b>		<b>48,334,854</b>	<b>75,742,290</b>
Financial income received		3,214,594	1,756,216
Financial expenses paid		(11,358,680)	(5,511,881)
Income taxes refunded/(paid)		(10,771,127)	(17,191,621)
<b>Cash flows from operating activities</b>		<b>29,419,641</b>	<b>54,795,004</b>
Acquisition etc of intangible assets		(3,774,288)	(7,559,264)
Sale of intangible assets		1,092	0
Acquisition etc of property, plant and equipment		(116,772,786)	(133,030,205)
Sale of property, plant and equipment		53,390,000	830,436
Acquisition of enterprises		0	(482,000)
<b>Cash flows from investing activities</b>		<b>(67,155,982)</b>	<b>(140,241,033)</b>
Loans raised		93,044,285	0
Repayments of loans etc		(7,455,717)	(4,560,815)
Dividend paid		(2,000,000)	(12,000,000)
Cash capital increase, contribution minority		1,390,000	3,124,634
Loans to associates		0	(12,036,866)
Loans from associates		881,572	0
<b>Cash flows from financing activities</b>		<b>85,860,140</b>	<b>(25,473,047)</b>
<b>Increase/decrease in cash and cash equivalents</b>		<b>48,123,799</b>	<b>(110,919,076)</b>
Cash and cash equivalents beginning of year		(57,183,298)	53,735,778
<b>Cash and cash equivalents end of year</b>		<b>(9,059,499)</b>	<b>(57,183,298)</b>
Cash and cash equivalents at year-end are composed of:			
Cash		16,846,309	29,415,700
Short-term debt to banks		(25,905,808)	(86,598,998)
<b>Cash and cash equivalents end of year</b>		<b>(9,059,499)</b>	<b>(57,183,298)</b>

## Notes to consolidated financial statements

	<b>2017/18</b> <b>DKK</b>	<b>2016/17</b> <b>DKK</b>
<b>1. Revenue</b>		
Denmark	283,842,145	257,291,146
Other Scandinavia	197,099,981	136,580,535
Outside Scandinavia	412,710,788	219,876,229
	<b>893,652,914</b>	<b>613,747,910</b>

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 S. 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.

### 2. Other operating income

This year other operating income includes a profit from sale of two of the Company's properties totalling DKK 26m.

	<b>2017/18</b> <b>DKK</b>	<b>2016/17</b> <b>DKK</b>
<b>3. Fees to the auditor appointed by the Annual General Meeting</b>		
Statutory audit services	554,250	393,200
Other assurance engagements	36,500	55,000
Tax services	99,539	568,175
Other services	1,228,343	1,188,966
	<b>1,918,632</b>	<b>2,205,341</b>

	<b>2017/18</b> <b>DKK</b>	<b>2016/17</b> <b>DKK</b>
<b>4. Staff costs</b>		
Wages and salaries	141,806,311	97,397,914
Pension costs	8,197,726	5,381,577
Other social security costs	8,907,949	3,621,769
Other staff costs	7,386,549	4,108,658
Staff costs classified as assets	0	(1,138,000)
	<b>166,298,535</b>	<b>109,371,918</b>

Average number of employees	<b>502</b>	<b>282</b>
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## Notes to consolidated financial statements

	Remunera- tion of manage- ment 2017/18 DKK	Pension liabilities 2017/18 DKK	Remunera- tion of manage- ment 2016/17 DKK	Pension liabilities 2016/17 DKK
Total amount for management categories	3,965,000	140,000	3,625,000	89,000
	<b>3,965,000</b>	<b>140,000</b>	<b>3,625,000</b>	<b>89,000</b>

According to S. 98b(3) of the Danish Financial Statements Act, Management´s and the Board of Directors´ remuneration is shown collectively.

	2017/18 DKK	2016/17 DKK
<b>5. Depreciation, amortisation and impairment losses</b>		
Amortisation of intangible assets	4,083,373	2,086,672
Depreciation of property, plant and equipment	14,274,629	8,068,584
Profit/loss from sale of intangible assets and property, plant and equipment	322,296	53,422
	<b>18,680,298</b>	<b>10,208,678</b>
<b>6. Other financial income</b>		
Financial income from associates	118,668	54,302
Other interest income	3,095,926	1,701,914
	<b>3,214,594</b>	<b>1,756,216</b>
<b>7. Other financial expenses</b>		
Financial expenses from associates	964,154	725,063
Other interest expenses	10,394,526	4,786,818
	<b>11,358,680</b>	<b>5,511,881</b>
<b>8. Tax on profit/loss for the year</b>		
Current tax	21,609,229	8,786,033
Change in deferred tax	3,702,351	1,489,520
Adjustment concerning previous years	(51,028)	(186,637)
	<b>25,260,552</b>	<b>10,088,916</b>

## Notes to consolidated financial statements

	<b>2017/18</b>	<b>2016/17</b>
	<b>DKK</b>	<b>DKK</b>
<b>9. Proposed distribution of profit/loss</b>		
Ordinary dividend for the financial year	10,000,000	2,000,000
Extraordinary dividend distributed in the financial year	0	12,000,000
Retained earnings	67,815,015	17,836,149
Minority interests' share of profit/loss	(275,241)	427,913
	<b>77,539,774</b>	<b>32,264,062</b>
		<b>Acquired intangible assets DKK</b>
<b>10. Intangible assets</b>		
Cost beginning of year		14,970,599
Additions		3,774,288
<b>Cost end of year</b>		<b>18,744,887</b>
Amortisation and impairment losses beginning of year		(3,433,594)
Amortisation for the year		(4,083,373)
<b>Amortisation and impairment losses end of year</b>		<b>(7,516,967)</b>
<b>Carrying amount end of year</b>		<b>11,227,920</b>

## Notes to consolidated financial statements

	<b>Land and buildings DKK</b>	<b>Other fixtures and fittings, tools and equipment DKK</b>	<b>Leasehold improve- ments DKK</b>	<b>Property, plant and equipment in progress DKK</b>
<b>11. Property, plant and equipment</b>				
Cost beginning of year	77,198,522	29,595,662	33,435,232	93,600,756
Exchange rate adjustments	0	(28,994)	(28,746)	0
Transfers	173,289,435	0	0	(173,289,435)
Additions	0	15,712,019	21,372,088	79,688,679
Disposals	(14,982,702)	(547,738)	(787,558)	0
<b>Cost end of year</b>	<b>235,505,255</b>	<b>44,730,949</b>	<b>53,991,016</b>	<b>0</b>
Revaluations beginning of year	50,900,000	0	0	0
<b>Revaluations end of year</b>	<b>50,900,000</b>	<b>0</b>	<b>0</b>	<b>0</b>
Depreciation and impairment losses beginning of year	(12,241,176)	(7,466,546)	(6,320,222)	0
Exchange rate adjustments	0	509	(11,550)	0
Depreciation for the year	(2,187,803)	(7,117,333)	(4,969,493)	0
Reversal regarding disposals	751,091	487,599	554,309	0
<b>Depreciation and impairment losses end of year</b>	<b>(13,677,888)</b>	<b>(14,095,771)</b>	<b>(10,746,956)</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>272,727,367</b>	<b>30,635,178</b>	<b>43,244,060</b>	<b>0</b>

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

At 30.04.2018 domicile and inventory properties amount to DKK 209m, whereas shop properties amount to DKK 63m.

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

Land and buildings are continuously revalued to fair value, equal to the open market value of the property according to S. 41 of the Danish Financial Statements Act. Revaluations to fair value are recognised directly in equity under "revaluation reserve" with deduction of depreciation. An assessor's valuation was obtained in 2015/16. No assessor's valuation was obtained in 2017/18.

The revaluation after depreciation equals DKK 47m at the balance sheet date.

## Notes to consolidated financial statements

	<b>Investments in associates DKK</b>	<b>Receivables from associates DKK</b>	<b>Deposits DKK</b>	<b>Other receivables DKK</b>
<b>12. Fixed asset investments</b>				
Cost beginning of year	488,720	11,781,173	13,520,549	6,200,078
Exchange rate adjustments	0	(916,008)	(13,827)	0
Additions	0	118,668	2,248,560	2,452,492
Disposals	0	0	(2,630,606)	(2,235,080)
<b>Cost end of year</b>	<b>488,720</b>	<b>10,983,833</b>	<b>13,124,676</b>	<b>6,417,490</b>
<b>Carrying amount end of year</b>	<b>488,720</b>	<b>10,983,833</b>	<b>13,124,676</b>	<b>6,417,490</b>

	<b>Registered in</b>	<b>Equity inte- rest %</b>
<b>13. Associates</b>		
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 recognises cost at the most fair value.

### 14. Prepayments

Prepayments recognised under assets include expenses incurred relating to subsequent financial years. Prepayments are measured at cost.



## Notes to consolidated financial statements

	<u>2017/18</u> DKK	<u>2016/17</u> DKK
<b>15. Deferred tax</b>		
Intangible assets	2,470,000	2,538,000
Property, plant and equipment	21,019,000	14,314,000
Inventories	(3,731,000)	(1,771,351)
Receivables	(845,000)	0
Liabilities other than provisions	(30,000)	100,000
	<u><b>18,883,000</b></u>	<u><b>15,180,649</b></u>

### Changes during the year

Beginning of year	15,180,649
Recognised in the income statement	3,702,351
<b>End of year</b>	<u><b>18,883,000</b></u>

	<u>Due within 12</u> <u>months</u> <u>2017/18</u> DKK	<u>Due within 12</u> <u>months</u> <u>2016/17</u> DKK	<u>Due after more</u> <u>than 12 months</u> <u>2017/18</u> DKK	<u>Outstanding</u> <u>after 5 years</u> DKK
<b>16. Liabilities other than provisions</b>				
Mortgage debt	8,234,272	4,555,230	145,867,620	114,209,912
Convertible and dividend-yielding debt instruments	0	0	1,698,831	0
Deposits	0	0	27,474	0
	<u><b>8,234,272</b></u>	<u><b>4,555,230</b></u>	<u><b>147,593,925</b></u>	<u><b>114,209,912</b></u>

	<u>2017/18</u> DKK	<u>2016/17</u> DKK
<b>17. Change in working capital</b>		
Increase/decrease in inventories	(46,039,929)	(27,472,623)
Increase/decrease in receivables	(9,633,655)	(4,626,935)
Increase/decrease in trade payables etc	628,680	51,524,527
	<u><b>(55,044,904)</b></u>	<u><b>19,424,969</b></u>

	<u>2017/18</u> DKK	<u>2016/17</u> DKK
<b>18. Unrecognised rental and lease commitments</b>		
Liabilities under rental or lease agreements until maturity in total	<u><b>498,212,246</b></u>	<u><b>381,635,950</b></u>

Of total rental and lease commitments, the total unrecognised rental commitments amount to DKK 471m. The Company re-leases the leaseholds and has a corresponding contingent asset at the balance sheet date of DKK 23m.

## Notes to consolidated financial statements

### 19. Contingent liabilities

The Group's bank has issued a bank guarantee of DKK 10m for leaseholds at the balance sheet date, payment guarantee to mortgage debt for DKK 35m as well as a guarantee for non-recognised import letters of credit with an open balance at the balance sheet date totalling DKK 14m. In addition, there is other guarantee for DKK 4m.

To part owner of the associated company Watts Co., Ltd. the company has contractually guaranteed 40% of loan lent to Hilmer Japan Co., Ltd. in case Hilmer Japan Co., Ltd. before the settlement of the debt does not have the ability to defray its liabilities to lender. The carrying amount of the loan amounts to DKK 4m.

### 20. Assets charged and collateral

Mortgage debt is secured by way of mortgage on properties, which amounts to DKK 154m at the balance sheet date. The carrying amount of mortgaged properties amounts to DKK 272m. The mortgage also comprises the plant and machinery deemed part of the property.

The Group has issued an allmonies mortgage of DKK 10m as security for the subsidiary Søstrene Grenes Handelskompagnie A/S' debt to Sydbank.

### 21. 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

	Registered in	Corpo- rate form	Equity inte- rest %
<b>22. Subsidiaries</b>			
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 6 GmbH	Germany	GmbH	100.0
- Hilmer Süd Holding GmbH	Germany	GmbH	75.0
- Hilmer Süd 1 GmbH	Germany	GmbH	100.0
- Hilmer Süd 2 GmbH	Germany	GmbH	100.0
- Hilmer Süd 3 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
SG Northern England Ltd.	England	Ltd.	50.0
- SG Victoria Nottingham Ltd.	England	Ltd.	100.0
- SG Chester Ltd.	England	Ltd.	100.0
- SG No. 3 Ltd.	England	Ltd.	100.0
S. Grene Operations Ireland Ltd.	Ireland	Ltd.	50.0
- S. Green Dún Laohaire 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
- 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

## Notes to consolidated financial statements

	Registered in	Corpo- rate form	Equity inte- rest %
<b>22. Subsidiaries (continued)</b>			
- Hilmer Newry Ltd.	Northern Ireland	Ltd.	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 Retail Breda B.V.	Netherlands	B.V.	100.0
- SG Retail Utrecht HC B.V.	Netherlands	B.V.	100.0
- SG Retail Maastricht B.V.	Netherlands	B.V.	100.0
- SG Retail Haarlem B.V.	Netherlands	B.V.	100.0
Søstrene Grene Holding France S.A.R.L.	France	S.A.R.L.	100.0
- Hilmer Holding France S.A.R.L.	France	S.A.R.L.	100.0
- Hilmer France 1 S.A.R.L.	France	S.A.R.L.	100.0
- Hilmer France 2 S.A.R.L.	France	S.A.R.L.	100.0
- Hilmer France 3 S.A.R.L.	France	S.A.R.L.	100.0
- Hilmer France 4 S.A.R.L.	France	S.A.R.L.	100.0
- Hilmer France 5 S.A.R.L.	France	S.A.R.L.	100.0
- Hilmer France 6 S.A.R.L.	France	S.A.R.L.	100.0
Søstrene Grenes Handelskompagnie A/S	Denmark	A/S	100.0

## Parent income statement for 2017/18

	<u>Notes</u>	<u>2017/18 DKK</u>	<u>2016/17 DKK</u>
Other external expenses		(504,389)	(552,500)
<b>Operating profit/loss</b>		<b>(504,389)</b>	<b>(552,500)</b>
Income from investments in group enterprises		77,605,869	33,577,763
Other financial income	1	1,378,413	450,065
Other financial expenses	2	(3,042,130)	(2,328,531)
<b>Profit/loss before tax</b>		<b>75,437,763</b>	<b>31,146,797</b>
Tax on profit/loss for the year	3	478,252	689,352
<b>Profit/loss for the year</b>	4	<b>75,916,015</b>	<b>31,836,149</b>

## Parent balance sheet at 30.04.2018

	<u>Notes</u>	<u>2017/18 DKK</u>	<u>2016/17 DKK</u>
Investments in group enterprises		253,132,893	185,655,696
Receivables from group enterprises		32,039,287	23,203,933
Investments in associates		488,720	488,720
Receivables from associates		10,983,833	11,781,173
<b>Fixed asset investments</b>	5	<b><u>296,644,733</u></b>	<b><u>221,129,522</u></b>
<b>Fixed assets</b>		<b><u>296,644,733</u></b>	<b><u>221,129,522</u></b>
Receivables from group enterprises		3,218,382	3,901,107
Joint taxation contribution receivable		17,049,006	10,068,808
<b>Receivables</b>		<b><u>20,267,388</u></b>	<b><u>13,969,915</u></b>
<b>Cash</b>		<b><u>77,135</u></b>	<b><u>18,052</u></b>
<b>Current assets</b>		<b><u>20,344,523</u></b>	<b><u>13,987,967</u></b>
<b>Assets</b>		<b><u>316,989,256</u></b>	<b><u>235,117,489</u></b>

## Parent balance sheet at 30.04.2018

	<u>Notes</u>	<u>2017/18 DKK</u>	<u>2016/17 DKK</u>
Contributed capital		80,000	80,000
Reserve for net revaluation according to the equity method		193,233,173	127,319,139
Retained earnings		33,155,344	32,909,783
Proposed dividend		10,000,000	2,000,000
<b>Equity</b>		<b><u>236,468,517</u></b>	<b><u>162,308,922</u></b>
Trade payables		27,489	159,564
Payables to group enterprises		63,921,227	64,830,538
Income tax payable		16,572,023	7,818,465
<b>Current liabilities other than provisions</b>		<b><u>80,520,739</u></b>	<b><u>72,808,567</u></b>
<b>Liabilities other than provisions</b>		<b><u>80,520,739</u></b>	<b><u>72,808,567</u></b>
<b>Equity and liabilities</b>		<b><u>316,989,256</u></b>	<b><u>235,117,489</u></b>
Contingent liabilities	6		
Assets charged and collateral	7		
Transactions with related parties	8		

## Parent statement of changes in equity for 2017/18

	<b>Contributed capital DKK</b>	<b>Reserve for net revaluation according to the equity method DKK</b>	<b>Retained earnings DKK</b>	<b>Proposed dividend DKK</b>
Equity beginning of year	80,000	127,319,139	32,909,783	2,000,000
Ordinary dividend paid	0	0	0	(2,000,000)
Exchange rate adjustments	0	23,445	0	0
Other entries on equity	0	220,135	0	0
Profit/loss for the year	0	65,670,454	245,561	10,000,000
<b>Equity end of year</b>	<b>80,000</b>	<b>193,233,173</b>	<b>33,155,344</b>	<b>10,000,000</b>
				<b>Total DKK</b>
Equity beginning of year				162,308,922
Ordinary dividend paid				(2,000,000)
Exchange rate adjustments				23,445
Other entries on equity				220,135
Profit/loss for the year				75,916,015
<b>Equity end of year</b>				<b>236,468,517</b>



## Notes to parent financial statements

	<b>2017/18</b> <b>DKK</b>	<b>2016/17</b> <b>DKK</b>
<b>1. Other financial income</b>		
Financial income arising from group enterprises	1,259,745	395,763
Financial income from associates	118,668	54,302
	<b>1,378,413</b>	<b>450,065</b>
	<b>2017/18</b> <b>DKK</b>	<b>2016/17</b> <b>DKK</b>
<b>2. Other financial expenses</b>		
Financial expenses from group enterprises	2,126,122	1,603,468
Financial expenses from associates	916,008	725,063
	<b>3,042,130</b>	<b>2,328,531</b>
	<b>2017/18</b> <b>DKK</b>	<b>2016/17</b> <b>DKK</b>
<b>3. Tax on profit/loss for the year</b>		
Current tax	(476,983)	(476,742)
Adjustment concerning previous years	(1,269)	(212,610)
	<b>(478,252)</b>	<b>(689,352)</b>
	<b>2017/18</b> <b>DKK</b>	<b>2016/17</b> <b>DKK</b>
<b>4. Proposed distribution of profit/loss</b>		
Ordinary dividend for the financial year	10,000,000	2,000,000
Extraordinary dividend distributed in the financial year	0	12,000,000
Transferred to reserve for net revaluation according to the equity method	65,670,454	33,775,046
Retained earnings	245,561	(15,938,897)
	<b>75,916,015</b>	<b>31,836,149</b>

## Notes to parent financial statements

	<b>Investments in group enterprises DKK</b>	<b>Receivables from group enterprises DKK</b>	<b>Investments in associates DKK</b>	<b>Receivables from associates DKK</b>
<b>5. Fixed asset investments</b>				
Cost beginning of year	58,336,557	23,203,933	488,720	11,781,173
Exchange rate adjustments	(65,046)	0	0	0
Additions	355,348	8,835,354	0	118,668
Disposals	0	0	0	(916,008)
<b>Cost end of year</b>	<b>58,626,859</b>	<b>32,039,287</b>	<b>488,720</b>	<b>10,983,833</b>
Revaluations beginning of year	127,319,139	0	0	0
Exchange rate adjustments	88,030	0	0	0
Adjustments on equity	220,135	0	0	0
Share of profit/loss for the year	85,789,049	0	0	0
Adjustment of intra-group profits	(8,183,180)	0	0	0
Dividend	(12,000,000)	0	0	0
Investments with negative equity value depreciated over receivables	1,272,861	0	0	0
<b>Revaluations end of year</b>	<b>194,506,034</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>253,132,893</b>	<b>32,039,287</b>	<b>488,720</b>	<b>10,983,833</b>

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

	<b>Registered in</b>	<b>Corporate form</b>	<b>Equity interest %</b>	<b>Equity DKK</b>	<b>Profit/loss DKK</b>
Investments in associates comprise:					
Hilmer Japan Co. Ltd.	Japan	Ltd.	40.0	(18,644,875)	(6,036,674)

### 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.

## Notes to parent financial statements

The Company is liable for mortgage liabilities in Søstrene Grenes Import A/S and Søstrene Grenes Handelskompagnie A/S, which total DKK 209m at the balance sheet date.

### **7. Assets charged and collateral**

In relation to leaseholds used by the Group's franchisees the Company has issued a guarantee to the lessor totalling DKK 17m.

### **Collateral provided for group enterprises**

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 26m 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 enterprises (large).

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

### 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.

### 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.

## Accounting policies

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.

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.

## Accounting policies

### 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.

### 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.

## Accounting policies

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 which 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.

### Properties

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

Domicile and inventory properties are recognised at cost with deduction of accumulated depreciation, whereas shop properties are recognised 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 recognised 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.

## Accounting policies

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.

### Assets held for sale

Assets held for sale are assets that are no longer in use and have been put up for sale. The assets are measured at the lower of carrying amount at the date of reclassification and net realisable value, and no amortisation or depreciation is made.

### 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.



## Accounting policies

### 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 the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset or the planned settlement of each liability.

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.

### Other financial liabilities

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

### Income tax receivable or payable

Current tax receivable or payable 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.

## Accounting policies

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.