

Søstrene Grenes Holding ApS

Mariane Thomsens Gade 1, 5.
8000 Aarhus C
CVR No. 35140328

Annual report 01.05.2021 - 30.04.2022

The Annual General Meeting adopted the
annual report on 07.09.2022

Lasse Skaarup Christensen
Chairman of the General Meeting

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Entity details

Entity

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

Business Registration No.: 35140328
Registered office: Aarhus
Financial year: 01.05.2021 - 30.04.2022

Board of Directors

Lasse Skaarup Christensen
Mikkel Vaupell Grene
Kurt Hedegaard Carstensen
Cresten Vaupell Grene
Karen Sofie Hansen-Hoeck

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 01.05.2021 - 30.04.2022.

The annual report is presented 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 30.04.2022 and of the results of their operations and the consolidated cash flows for the financial year 01.05.2021 - 30.04.2022.

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, 07.09.2022

Executive Board

Mikkel Vaupell Grene

Cresten Vaupell Grene

Board of Directors

Lasse Skaarup Christensen

Mikkel Vaupell Grene

Kurt Hedegaard Carstensen

Cresten Vaupell Grene

Karen Sofie Hansen-Hoeck

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 01.05.2021 - 30.04.2022, 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 30.04.2022 and of the results of their operations and the consolidated cash flows for the financial year 01.05.2021 - 30.04.2022 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

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, 07.09.2022

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Thomas Rosquist Andersen

State Authorised Public Accountant
Identification No (MNE) mne31482

Søren Marquart Alsen

State Authorised Public Accountant
Identification No (MNE) mne40040

Management commentary

Financial highlights

	2021/22	2020/21	2019/20	2018/19	2017/18
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Key figures					
Revenue	1,688,984	1,215,897	1,049,277	1,127,612	893,653
Gross profit/loss	649,342	439,182	263,018	352,074	311,480
Operating profit/loss	207,447	56,332	(52,847)	68,895	110,944
Net financials	1,063	(6,032)	(4,476)	(19,449)	(8,144)
Profit before tax	208,510	50,300	(57,323)	49,445	102,800
Profit/loss for the year	164,963	34,393	(59,377)	31,126	77,540
Profit for the year excl. minority interests	154,788	30,280	(43,640)	36,628	77,815
Balance sheet total	869,874	748,107	761,892	771,794	583,251
Investments in property, plant and equipment	26,786	37,924	29,369	107,552	116,773
Equity	391,707	211,286	209,792	273,452	248,888
Equity excl. minority interests	382,658	212,412	220,002	267,559	238,367
Cash flows from operating activities	247,579	164,541	30,088	(26,240)	29,420
Cash flows from investing activities	(39,003)	(8,853)	(43,276)	(111,184)	(67,156)
Cash flows from financing activities	(86,858)	11,581	(4,613)	35,194	85,869
Ratios					
Gross margin (%)	38.45	36.12	25.07	31.22	34.85
Net margin (%)	9.77	2.83	(5.66)	2.76	8.68
Return on equity (%)	52.02	14.01	(17.90)	14.48	38.84
Equity ratio (%)	44.20	30.00	28.40	34.50	42.70

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

Gross margin (%):

Gross profit/loss * 100

Revenue

Net margin (%):

Profit/loss for the year * 100

Revenue

Return on equity (%):

Profit/loss for the year excl. minority interests * 100

Average equity excl. minority interests

Equity ratio (%):

Equity * 100

Balance sheet total

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 very 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 office in Aarhus, Denmark, where it all began with the first store opening. Welcome to Anna and Clara´s wonderful world.

Aarhus, 7 September 2022

Cresten & Mikkel Vaupell Grene
Owners

Primary activities

Søstrene Grene is a family-owned and -operated group of companies. The family ownership makes it possible to think and operate Søstrene Grene with a sound and long-term perspective according to the good values that we believe in while constantly innovating the concept and products, respecting the history and culture 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 a wholesale business related to the import and export of goods to the Søstrene Grene stores and retail activities in webshops, own stores and stores partly owned through joint venture companies. Apart from fully owned and partially owned stores, a large number of the Søstrene Grene 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.

In the financial year, Søstrene Grene stores are found in Austria, Belgium, Denmark, Faroe Islands, Finland, France, Germany, Iceland, Ireland, Norway, the Netherlands, Sweden, Switzerland and the UK.

Søstrene Grene has more than 4.8 million followers on different social media platforms, which plays a vital part in the business strategy.

Development in activities and finances

Søstrene Grene has over the years development and refined the concept and assortment while expanding into new areas with a very positive response from customers in all markets. The Covid-19 pandemic impacted the financial year 2020/21 as it was a difficult and turbulent period – but it was also a period which accelerated the digitalisation of the business model in Søstrene Grene. The markets were partly shut down during the financial year 2020/21 and reopened as the new financial year 2021/22 began. The reopening of the stores marked a very impressive start of the financial year, and really proved that the customers had been missing the physical stores during lock-down although a new webshop option had been made available. Søstrene Grene experienced the highest revenue during the summer months ever and the trend continued during the year. The webshop experienced a slow-down as the physical stores reopened but still delivered a satisfying growth. All in all, it was the highest revenue and best financial results ever. The management considers the results very satisfying.

Profit/loss for the year in relation to expected developments

Revenue for the year has increased from DKK 1,216m to DKK 1,689m following the lock-downs due to Covid-19, and it is the highest revenue in a year in the history of Søstrene Grene Holding ApS. The income statement for the financial year ending 30 April 2022 shows a gross profit increasing from DKK 439m to DKK 649m. The profit before tax shows an increase from DKK 50m to DKK 208m. The increase is a result of a very strong performance during the year.

Currently subsidiaries are established in Denmark (fully owned and partly owned), Germany (partly owned), the Netherlands (fully owned), France (fully owned), Ireland (partly owned), UK (partly owned) and Sweden (partly owned).

Operating profit is DKK 207m compared to 2020/21 when operating profit was DKK 56m. This is the best financial performance in the history of Søstrene Grene and is considered to be very satisfactory.

The balance sheet shows an equity of DKK 392m (30 April 2021: DKK 211m) and a cash flow from operating activities amounting to DKK 273m compared to last year's DKK 178m.

Unusual circumstances affecting recognition and measurement

There was a general positive response to the reopening of physical stores after the lock-downs due to Covid-19 which has impacted the profit in a positive way.

Outlook

The strategy is to continue the major digital transformation with several large, important projects on the way. The goal is to digitalise the company even more, add more automation and to offer a "customer centric" digital Søstrene Grene with all the options and services that the future customers are going to need and more as well as increase the variety of products sold online.

Although Søstrene Grene is becoming an omnichannel business with more digital solutions and more web-shops on the way, the physical stores will still be in the centre of it all. Not only has a major upgrade of stores been initiated with the new Retail for the senses concept, but the expansion with brand new stores has also been restarted after the Covid-19 crisis. In the coming years, more than 100 different new stores are expected to be opened around Europe.

The expectations for the financial year were a growth in revenue of 40 - 50% to DKK 1,700m – DKK 1,800m. The financial year 2021/22 has realised an increase in revenue of DKK 473m, or 39%. This increase is in the lower end of the expectations but is still considered very satisfactory.

It is expected that the current difficult economic environment around the world and the negative consumer outlook in Europe will have a negative impact on the turnover. Management expects the revenue in 2022/23 to increase in the range of 5% to 15% to approximately DKK 1,750m to DKK 1,950m. This expectation is based on organic growth and opening of new stores.

For the turnover in all channels (including the franchisee operated) the goal is to reach a turnover of DKK 3bn including VAT in 2023 (not all of the turnover will be within Søstrene Grenes Holding ApS, since some of the stores are operated by franchisees).

Earnings before tax for the year 2022/23 are expected to be in the range of DKK 110m to DKK 130m, which will be the second best results in the history of Søstrene Grene even though it is less than 2021/22. Further investments in organisational resources, a new IT infrastructure for the expanding omnichannel business and further digitalisation of the business are planned. Investments that are expected to bring increased revenue and earnings in the years to come.

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.

The high inflation impacts the margin negatively and increases the costs in all areas of the business. The expected impact is included in the outlook.

There are uncertainties in the worldwide distribution system. Transport by both sea and land is challenged due to lack of resources.

There is an uncertainty related to a possible return of the Covid-19 pandemic in one or more countries

Particular risks

A pandemic leading to shutdown of stores in multiple countries is a risk.

Other risks involve generally usual risks related to wholesale and retail business including fluctuations of currencies, debtor's ability to pay, freight rates, consumers behaviour, 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. 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

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 are a natural part of the way Søstrene Grene runs its business. For further regarding the business model see the section on primary activities above.

Responsible Sourcing Strategy and Human Rights

Søstrene Grene's products are manufactured by suppliers all over the world – in Asia, Europe, Africa and North and South America. The main risk factors of working with suppliers all over the world are: Human rights and labour rights violations, unsafe working environment, and environmental issues. Søstrene Grene's Responsible Sourcing and Production Strategy is therefore considered one of the most essential parts of Søstrene Grene's CSR strategy.

For Søstrene Grene it is very important that our customers feel confident that our products are produced under proper conditions, and that the people working in the production are treated with respect and according to international legislation. We are committed to promoting human rights in our supply chain, where we recognise there is a risk of violations against workers. Søstrene Grene's Supplier Code of Conduct defines the requirements that Søstrene Grene sets for all suppliers, especially regarding human rights. We have approximately 250 active suppliers in 21/22. The requirements refer to human rights, labour rights, working environment, environmental protection etc. Søstrene Grene is an active member of the amfori Business Social Compliance Initiative (amfori BSCI), a leading international supplier management system.

Amfori BSCI has more than 2,000 members and provides a system to monitor the working conditions at 54,000 suppliers, based on 13 principles. The principles prohibit child labour, corruption and discrimination, while driving improvements in the occupational health and safety of workers and in the protection of the environment. All the principles are set out in the amfori BSCI Code of Conduct, to which all members adhere. This involves regular audits of the manufacturers, through which independent auditors ensure that the factories comply with all the requirements.

We believe that by being an active member of BSCI, we stand stronger together with the many members in making a significant and continuous difference throughout the supply chain.

In addition to amfori BSCI's auditing activities, we continue to collaborate directly with our suppliers on improvements, since this has a significant effect on working conditions and environmental protection. If a factory can't comply with the requirements in our Code of Conduct, we initiate a dialogue with the manufacturer to find out how we can move forward in the process.

Søstrene Grene has a regional office in China, from where our own employees work to create a close relationship with our Chinese suppliers. This involves audits of the factories including quality control of the production. Our goal is that by the end of 2022, 80% of our suppliers outside the EU must work actively to prepare for a BSCI audit. It is not possible to reach 100% as some of our suppliers in India are approved under other recognised supplier management systems (such as Sedex/Smeta).

This year, 70% of our suppliers outside the EU have successfully undergone a BSCI audit. This process is ensured by working systematically with our set-up for responsible supplier management. This setup includes all the requirements we place on our suppliers, both in relation to amfori BSCI and our own inspections, and it will be continuously developed and expanded.

Anti-Corruption and Bribery

Søstrene Grene has a zero-tolerance policy against corruption and bribery. By always acting fairly, professionally and with integrity, Søstrene Grene wishes to ensure good working relationships with all our stakeholders. It is a policy that employees are made aware of during introductory training and continuous awareness raising. This is also part of the amfori BSCI setup.

The risks are related to legal and financial consequences related to employees violating the policy. No violations have come to management's attention in the financial year.

Head office

We employ around 450 employees at our head office and two warehouse locations in Denmark. About half of these are employed at our warehouse while the rest work at the office in functions like Design, Buying, Marketing, IT, Finance etc.

Working environment

A healthy and safe work environment is very important for us. We strive to reduce the risks related to employee matters such as stress on the job, an unhealthy work environment, or lack of motivation. It goes both in our stores and at our head office in Denmark. We conduct yearly job satisfaction surveys, which focus on both the physical and mental working environment to ensure every employee gets the chance to give anonymous feedback and we get a solid overview of the work conditions. Our survey from spring 2022 (conducted for all our HQ locations) shows an overall performance score of 3.99 on a scale from 1 to 5. Specific questions in the survey "I am satisfied with my job" and "I can strongly recommend Søstrene Grene as a good place to work" scores respectively 4.35 and 4.43 on a scale from 1 to 5. We are really proud of the results, and we continuously emphasise the importance of our Sister Spirit and our values both to the employees and our managers to ensure a strong culture and cooperation where everybody feels welcome, involved and safe.

Management

We want a simple structure with focus on high-quality leadership and freedom with responsibility. Through a strong Sister Spirit, we focus on the individual employee and his/her need for flexible working hours as well as work structure. Our managers receive training on an ongoing basis and advice on potential challenges related to their employees.

Environment and Climate

Søstrene Grene has a climate and environmental footprint throughout the value chain. It is our goal to minimise the risk of a negative environmental impact and reduce the carbon footprint throughout our entire value chain. We therefore have a major responsibility to reduce our CO2 emissions, in view of the future environment and climate changes the world is facing.

In March 2022, we began collecting data for our environmental footprint. The objective is to calculate the total CO2 emission for our entire value chain over a period of 4 years starting from 2018/19 until 2021/22. The emission will be reported for both Scope 1 & 2 as well as for a large part of Scope 3. On the basis of this, we will identify the areas where we will be working actively to reduce our footprint.

The work is not entirely completed yet. However, we expect to be able to publish the result with our responsibility report for 2021/22 in October 2022.

During this financial year, we have initiated a number of initiatives to minimise the risks of negative impacts on the environment and the climate from the products we design and/or buy.

PRODUCTS MADE FROM PLASTIC

Plastic is a material used for many different things. Plastic has many good properties; it is for example a lightweight material when needed to be transported, which allows to save fuel. As food packaging, plastic protects and extends the shelf life of the food so that food waste is minimised. For toys, it is robust and easy to clean.

At Søstrene Grene, there is a great focus on plastic. Plastic should be used with care and only when no other alternatives are available. Preventing the emergence of plastic waste and reducing the plastic consumption are the most environmentally friendly things to do when it comes to waste hierarchy. Therefore, if we are to choose plastic for a product, it is important to choose plastic that can be reused again and again, or plastic that can be recycled. All single-use plastic is unnecessary plastic as it has negative effects on the climate and environment.

PHASE-OUT OF SINGLE-USE PLASTIC

Based on the principle that all single-use plastic is unnecessary plastic, we at Søstrene Grene have chosen to phase out virtually all single-use plastic. But there will be some exceptions where there is no other alternative, such as tape.

In 2021/22, we have removed the following single-use plastic products from our assortment:

- Single-use plastic ribbon (1/4-22)
- Transparent plastic film for wrapping (1/4-22)
- New Year's party horn with plastic mouthpiece (1/4-22)

The following products in 22/23:

- Rain Poncho in single-use plastic (out of store 1/7-22)
- Foil balloons (out of store 1/1-23)
- Transparent single-use food bags (out of store 1/1-23)

PHASE-OUT OF DISPOSABLE TABLEWARE

At Søstrene Grene, we focus on selling products that can remain in the cycle as long as possible so that as little waste as possible is generated - and so that the impact on the climate and environment remains as little as possible.

As part of the decision to phase out single-use plastic products, we have decided to start phasing out disposable tableware products made of paper/cardboard during the financial year of 22/23. These products just end up as waste as the materials cannot be recycled after use.

Disposable tableware paper products which will be phased out:

Paper straws
Paper muffin cups
Popcorn cups
Candy bags
Paper plates
Paper cups

All products will be phased out by 30 June 2023.

The above products will be phased out for the following reasons:

- Paper which has been used for food products cannot be recycled and can therefore not remain in the cycle
- The products are single-use products, which means that they end up as waste after use
- It is very difficult to find a coating which prevents chemical substances from the print to get in contact with the food (plastic wrapping cannot be used)

PRODUCT PACKAGING

It has always been one of Søstrene Grene's principles that customers should be able to see, feel and touch the products. This enhances our senses and gives a very different experience of the product. The goal has therefore always been to use as little product packaging as possible with Søstrene Grene's products.

However, product packaging cannot be completely avoided in all cases, due to hygiene, durability and product safety considerations. Just as we intend to reduce the amount of single-use plastic products, we also have a clear aim to reduce the plastic product packaging as much as possible. If plastics are used for packaging, our aim in the future is to indicate which type of plastic has been used, so it can be sorted correctly for recycling.

As we at Søstrene Grene generally consider all single-use plastic as unnecessary plastic, we have reduced our use of plastic for product packaging. We have developed various types of packaging in cardboard/paper for our non-food products, where the focus remains on minimising the packaging consumption of our products. When we apply a packaging, it must be uniform and easy to disassemble so that the consumer can sort it and properly recycle it. The product packaging thus remains circular and can be reused.

FOOD PACKAGING

It is crucial that the food packaging protects its contents and thereby ensures and extends the shelf life of the food. Consequently, large amounts of food waste can be avoided. As the food packaging must live up to very strict requirements regarding its content and release of chemical substances, the food packaging is often of high quality, which makes it very suitable for recycling. Therefore, the food packaging must be designed in such a way that makes it possible to sort the packaging correctly so that it can be recycled. At Søstrene Grene, we are in an

ongoing dialogue with our food packaging suppliers to ensure this.

TRANSPORT PACKAGING

Søstrene Grene transports many products, and the use of transport packaging is unavoidable. Therefore, we have set strict requirements and provided instructions to our suppliers regarding packaging of products. The products must be safe to transport, but no unnecessary packaging may be used.

MINIMISING FOOD WASTE

When we choose to offer our customers a selection of food products and beverages, we cannot entirely avoid waste in the supply chain due to expiry dates.

We will naturally do our utmost to minimise the waste to the extent possible. This is primarily done with effective planning. If we have a situation where we cannot sell a product due to expiry dates or a shift in season, we will try to find another solution.

We have a close collaboration with companies specialising in selling this type of products to the consumers. This goes for both larger quantities from our central warehouse as well as for small quantities from our local stores.

In Denmark, we have a collaboration with Motatos, which buys products from our central warehouse. Motatos is an online shop working to reduce food waste by selling products past the expiry date.

In the Netherlands, we collaborate with Too Good To Go in all stores, and we wish to expand the collaboration to more markets. In the autumn of 2022, we launch Too Good To Go in Germany after which we will continue with more markets.

ENERGY INITIATIVES

Søstrene Grene has launched some initiatives to help reduce our carbon footprint in relation to energy consumption:

The electricity at Søstrene Grene's warehouse locations in Aarslev and Viby near Aarhus is purchased as 100% wind energy.

- LED lights are used in the entire Søstrene Grene logistics centre at Aarslev and in many Søstrene Grene stores.
- All light sources at Søstrene Grene's web warehouse in Viby have been replaced in the spring of 2021 and now also run with LED lights.

RENEWABLE ENERGY IN STORES

The electricity used in all Søstrene Grene's 60 stores in Germany is purchased as 100% renewable energy. The same applies to Søstrene Grene's 11 stores in the Netherlands.

TRANSPORT BY SEA

At Søstrene Grene, we have a responsibility to help reduce carbon emissions. Through our close collaboration with Maersk, we have therefore chosen Maersk's ECO Delivery product. Maersk ECO Delivery uses biofuels produced from recyclable and sustainable biomass that have been certified as sustainable fuels. Maersk has the stated goal of achieving carbon-neutral shipping by 2050. Søstrene Grene's agreement with Maersk commenced on 1 October 2021. We expect this to make a significant contribution to reducing carbon emissions related to our transport by sea.

Statutory report on the underrepresented gender

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

The supreme governing body of Søstrene Grenes Holding ApS is composed of four male board members and one female. By the end of 2023, Søstrene Grenes Holding ApS will seek to obtain a ratio of at least 40:60% of the underrepresented gender. The future ratio will be effected through external recruitment if there are relevant candidates.

There is a tendency towards a stronger overrepresentation of women in the retail business as store managers. The split of the gender representation for management bodies in the group is currently women 75% and men 25% . Persons of both genders are being recruited to management positions internally or externally based on qualifications.

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.

Statutory report on data ethics policy

Søstrene Grene takes its responsibility as data controller seriously as we want to be perceived as a respected, competent and proper business partner who complies with current legislation and follows developments in good data ethics.

The 3 principles of the Søstrene Grene policy on data ethics and responsible handling of personal data.

1. Respect for the privacy of customers and employees is a fundamental value.
2. All Søstrene Grene employees who access personal data are trained in the proper handling of personal data.
We have procedures to ensure that access to personal data is on a need to know basis only.
3. Personal data is always kept to a minimum in order to fulfil the purpose, is stored securely, kept accurate, retained for no longer than necessary, and is only used for specific and legitimate business.

The Group has had increased focus on development and implementation of the Group Data Ethics policy since 2021 and strives towards optimising and improving the policy in the coming years.

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 2021/22

	Notes	2021/22 DKK'000	2020/21 DKK'000
Revenue	2	1,688,984	1,215,897
Other operating income	3	37,000	49,032
Cost of sales		(705,278)	(553,679)
Other external expenses	4	(371,364)	(272,068)
Gross profit/loss		649,342	439,182
Staff costs	5	(395,439)	(318,806)
Depreciation, amortisation and impairment losses	6	(46,456)	(64,044)
Operating profit/loss		207,447	56,332
Other financial income	7	11,479	3,406
Other financial expenses	8	(10,416)	(9,438)
Profit/loss before tax		208,510	50,300
Tax on profit/loss for the year	9	(43,547)	(15,907)
Profit/loss for the year	10	164,963	34,393

Consolidated balance sheet at 30.04.2022

Assets

	Notes	2021/22 DKK'000	2020/21 DKK'000
Acquired intangible assets		34,618	29,252
Goodwill		0	0
Intangible assets	11	34,618	29,252
Land and buildings		208,036	208,299
Other fixtures and fittings, tools and equipment		47,479	53,214
Leasehold improvements		66,608	71,256
Property, plant and equipment	12	322,123	332,769
Deposits		15,436	17,177
Other receivables		2,016	3,292
Financial assets	13	17,452	20,469
Fixed assets		374,193	382,490
Manufactured goods and goods for resale		262,387	238,014
Prepayments for goods		0	1,416
Inventories		262,387	239,430
Trade receivables		23,150	21,606
Deferred tax	14	776	2,926
Other receivables		41,483	37,578
Prepayments	15	7,988	6,391
Receivables		73,397	68,501
Cash		159,897	57,686
Current assets		495,681	365,617
Assets		869,874	748,107

Equity and liabilities

	Notes	2021/22 DKK'000	2020/21 DKK'000
Contributed capital		80	80
Retained earnings		352,578	212,032
Proposed dividend for the financial year		30,000	300
Equity belonging to Parent's shareholders		382,658	212,412
Equity belonging to minority interests		9,049	(1,126)
Equity		391,707	211,286
Deferred tax	14	0	651
Provisions		0	651
Mortgage debt		123,221	142,925
Bank loans		12,363	60,346
Lease liabilities		14,095	16,768
Other payables		8,199	8,113
Non-current liabilities other than provisions	16	157,878	228,152
Current portion of non-current liabilities other than provisions	16	27,432	38,020
Bank loans		0	19,507
Convertible and profit-sharing debt instruments	17	0	5,696
Trade payables		181,255	163,497
Tax payable		19,868	3,407
Other payables		91,734	77,891
Current liabilities other than provisions		320,289	308,018
Liabilities other than provisions		478,167	536,170
Equity and liabilities		869,874	748,107
Events after the balance sheet date	1		
Financial instruments	19		
Unrecognised rental and lease commitments	20		
Contingent liabilities	21		
Assets charged and collateral	22		
Transactions with related parties	23		
Subsidiaries	24		

Consolidated statement of changes in equity for 2021/22

	Contributed capital DKK'000	Retained earnings DKK'000	Proposed dividend for the financial year DKK'000	Equity belonging to Parent's shareholders DKK'000	Equity belonging to minority interests DKK'000
Equity beginning of year	80	212,032	300	212,412	(1,126)
Ordinary dividend paid	0	0	(300)	(300)	0
Exchange rate adjustments	0	204	0	204	0
Value adjustments	0	4,247	0	4,247	0
Other entries on equity	0	10,626	0	10,626	681
Profit/loss for the year	0	125,469	30,000	155,469	9,494
Equity end of year	80	352,578	30,000	382,658	9,049

	Total DKK'000
Equity beginning of year	211,286
Ordinary dividend paid	(300)
Exchange rate adjustments	204
Value adjustments	4,247
Other entries on equity	11,307
Profit/loss for the year	164,963
Equity end of year	391,707

Consolidated cash flow statement for 2021/22

	Notes	2021/22 DKK'000	2020/21 DKK'000
Operating profit/loss		207,447	56,332
Amortisation, depreciation and impairment losses		48,144	65,879
Working capital changes	18	17,475	55,608
Cash flow from ordinary operating activities		273,066	177,819
Financial income received		11,479	3,325
Financial expenses paid		(10,416)	(9,234)
Taxes refunded/(paid)		(26,550)	(7,369)
Cash flows from operating activities		247,579	164,541
Acquisition etc. of intangible assets		(16,000)	(11,561)
Acquisition etc. of property, plant and equipment		(26,786)	(6,544)
Sale of property, plant and equipment		766	0
Acquisition of fixed asset investments		(535)	(1,826)
Repayments received		3,552	11,078
Cash flows from investing activities		(39,003)	(8,853)
Free cash flows generated from operations and investments before financing		208,576	155,688
Loans raised		0	51,588
Repayments of loans etc.		(86,558)	(18,491)
Dividend paid		(300)	(25,300)
Financing from acquisitions		0	3,784
Cash flows from financing activities		(86,858)	11,581
Increase/decrease in cash and cash equivalents		121,718	167,269

Cash and cash equivalents beginning of year	38,179	(129,090)
Cash and cash equivalents end of year	159,897	38,179

Cash and cash equivalents at year-end are composed of:

Cash	159,897	57,686
Short-term bank loans	0	(19,507)
Cash and cash equivalents end of year	159,897	38,179

Notes to consolidated financial statements

1 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

2 Revenue

	2021/22 DKK'000	2020/21 DKK'000
DACH and Benelux	639,350	413,282
Nordic	674,712	510,124
Southern Europe	279,601	232,493
British Isles	95,321	59,998
Total revenue by geographical market	1,688,984	1,215,897

3 Other operating income

Other operating income consist of sale of software, consulting work in connection with design of shops, and accounting fees which amounts to DKK 17m.

The Group has received compensation from the wage and fixed costs support schemes established as a result of the outbreak and spread of Covid-19 in 2021/22 with a total of DKK 20m (DKK: 44m in 2020/21).

4 Fees to the auditor appointed by the Annual General Meeting

	2021/22 DKK'000	2020/21 DKK'000
Statutory audit services	1,304	1,204
Tax services	111	234
Other services	698	556
	2,113	1,994

5 Staff costs

	2021/22 DKK'000	2020/21 DKK'000
Wages and salaries	338,340	279,833
Pension costs	18,863	14,255
Other social security costs	28,074	20,876
Other staff costs	10,162	3,842
	395,439	318,806

Average number of full-time employees	1,196	1,007
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	Remuneration of manage- ment 2021/22 DKK'000	Pension liabilities 2021/22 DKK'000	Remuneration of manage- ment 2020/21 DKK'000	Pension liabilities 2020/21 DKK'000
Board of Directors	106	0	125	0
Total amount for management categories	5,672	451	5,417	269
	5,778	451	5,542	269

6 Depreciation, amortisation and impairment losses

	2021/22 DKK'000	2020/21 DKK'000
Amortisation of intangible assets	10,634	8,994
Impairment losses on intangible assets	0	19,837
Depreciation on property, plant and equipment	36,666	37,048
Profit/loss from sale of intangible assets and property, plant and equipment	(844)	(1,835)
	46,456	64,044

7 Other financial income

	2021/22 DKK'000	2020/21 DKK'000
Other interest income	0	3,325
Exchange rate adjustments	11,479	81
	11,479	3,406

8 Other financial expenses

	2021/22 DKK'000	2020/21 DKK'000
Financial expenses from associates	0	195
Other interest expenses	10,416	9,243
	10,416	9,438

9 Tax on profit/loss for the year

	2021/22 DKK'000	2020/21 DKK'000
Current tax	45,540	11,042
Change in deferred tax	(1,993)	4,865
	43,547	15,907

10 Proposed distribution of profit/loss

	2021/22	2020/21
	DKK'000	DKK'000
Ordinary dividend for the financial year	30,000	300
Retained earnings	124,788	29,980
Minority interests' share of profit/loss	10,175	4,113
	164,963	34,393

11 Intangible assets

	Acquired intangible assets	Goodwill
	DKK'000	DKK'000
Cost beginning of year	56,903	19,837
Additions	16,000	0
Disposals	(156)	0
Cost end of year	72,747	19,837
Amortisation and impairment losses beginning of year	(27,651)	(19,837)
Amortisation for the year	(10,634)	0
Reversal regarding disposals	156	0
Amortisation and impairment losses end of year	(38,129)	(19,837)
Carrying amount end of year	34,618	0

12 Property, plant and equipment

	Land and buildings	Other fixtures and fittings, tools and equipment	Leasehold improvements
	DKK'000	DKK'000	DKK'000
Cost beginning of year	218,921	134,648	119,197
Additions	1,852	13,657	11,277
Disposals	0	(3,802)	(3,098)
Cost end of year	220,773	144,503	127,376
Depreciation and impairment losses beginning of year	(10,622)	(81,434)	(47,941)
Exchange rate adjustments	0	89	(153)
Depreciation for the year	(2,115)	(19,058)	(15,493)
Depreciation and impairment losses on assets disposed of	0	3,379	2,819
Depreciation and impairment losses end of year	(12,737)	(97,024)	(60,768)
Carrying amount end of year	208,036	47,479	66,608
Recognised assets not owned by Entity	0	11,712	0

13 Financial assets

	Deposits DKK'000	Other receivables DKK'000
Cost beginning of year	17,177	3,826
Additions	535	0
Disposals	(2,276)	(1,276)
Cost end of year	15,436	2,550
Impairment losses beginning of year	0	(534)
Impairment losses end of year	0	(534)
Carrying amount end of year	15,436	2,016

14 Deferred tax

	2021/22 DKK'000	2020/21 DKK'000
Intangible assets	7,605	6,365
Property, plant and equipment	13,250	9,542
Inventories	(18,708)	(13,860)
Receivables	(2,591)	(2,244)
Liabilities other than provisions	(332)	(453)
Tax losses carried forward	0	(1,626)
Deferred tax	(776)	(2,276)

	2021/22 DKK'000	2020/21 DKK'000
Changes during the year		
Beginning of year	(2,276)	6,725
Recognised in the income statement	(1,993)	4,865
Recognised directly in equity	3,493	(13,866)
End of year	(776)	(2,276)

Deferred tax assets

The company has capitalised tax assets relating to tax losses carried forward. It is based on an expectation that the group will continue its positive operations in the coming year and thereby be able to utilize the tax losses.

15 Prepayments

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

16 Non-current liabilities other than provisions

	Due within 12 months 2021/22 DKK'000	Due within 12 months 2020/21 DKK'000	Due after more than 12 months 2021/22 DKK'000	Outstanding after 5 years 2021/22 DKK'000
Mortgage debt	18,902	20,989	123,221	77,483
Bank loans	2,150	11,317	12,363	15,079
Lease liabilities	6,380	5,714	14,095	3,755
Other payables	0	0	8,199	0
	27,432	38,020	157,878	96,317

17 Convertible and profit-sharing debt instruments

	Interest rate agreed %
Debt instrument payable on demand	3

18 Changes in working capital

	2021/22 DKK'000	2020/21 DKK'000
Increase/decrease in inventories	(22,957)	(43,114)
Increase/decrease in receivables	(7,046)	2,303
Increase/decrease in trade payables etc.	47,478	96,419
	17,475	55,608

19 Derivative financial instruments

Other receivables include a positive fair value of the forward exchange contracts of DKK 13,910k (2020/21: DKK 1,966k). The forward exchange contracts have been entered into to hedge the foreign currency risk of trade payables in USD total 32,000k. The exchange loss has been set off against the value adjustments of the hedged liabilities in the income statement. The forward exchange contracts have a term of 2-12 months. The forward exchange contracts have been entered into the Company's usual bank.

20 Unrecognised rental and lease commitments

	2021/22	2020/21
	DKK'000	DKK'000
Total liabilities under rental or lease agreements until maturity	396,070	430,750

Of total rental and lease commitments, the total unrecognised rental commitments amount to DKK 392m. The Company re-leases the leaseholds and has a corresponding contingent asset at the balance sheet date of DKK 27m.

21 Contingent liabilities

The Group's bank has issued a bank guarantee of DKK 84m for leaseholds at the balance sheet date, payment guarantee to mortgage debt for DKK 80m as well as a guarantee for non-recognised import letters of credit with an open balance at the balance sheet date totalling DKK 1m. In addition, there is other guarantee for DKK 5m.

22 Assets charged and collateral

Mortgage debt is secured by way of mortgage on properties, which amounts to DKK 104m at the balance sheet date. The carrying amount of mortgaged properties amounts to DKK 208m.

23 Non-arm's length related party transactions

Only non-arm's length related party transactions are disclosed in the annual report. No such transactions were conducted during the financial year.

24 Subsidiaries

	Registered in	Corporate form	Ownership %
Søstrene Grenes Import A/S	Denmark	A/S	100.00
Hilmer Denmark 1 Holding ApS	Denmark	ApS	90.00
R&R Handel ApS	Denmark	ApS	90.00
Sg - Field's Aps	Denmark	ApS	90.00
Søstrene Grene Europe B.V.	Netherlands	B.V.	100.00
Søstrene Grene Trading Shanghai Co, Ltd.	Shanghai	Ltd.	100.00
Søstrene Grene Deutschland GmbH	Germany	GmbH	100.00
Hilmer Holding GmbH	Germany	GmbH	86.00
Hilmer 1 GmbH	Germany	GmbH	86.00
Hilmer 2 GmbH	Germany	GmbH	86.00
Hilmer 3 GmbH	Germany	GmbH	86.00
Hilmer 4 GmbH	Germany	GmbH	86.00
Hilmer 5 GmbH	Germany	GmbH	86.00
Hilmer 6 GmbH	Germany	GmbH	86.00
Hilmer 7 GmbH	Germany	GmbH	86.00
Hilmer Süd Holding GmbH	Germany	GmbH	86.00
Hilmer Süd 1 GmbH	Germany	GmbH	86.00
Hilmer Süd 2 GmbH	Germany	GmbH	86.00
Hilmer Süd 3 GmbH	Germany	GmbH	86.00
Hilmer Süd 4 GmbH	Germany	GmbH	86.00
Hilmer Süd 5 GmbH	Germany	GmbH	86.00
Hilmer West Holding GmbH	Germany	GmbH	86.00
Hilmer West 1 GmbH	Germany	GmbH	86.00
Hilmer West 2 GmbH	Germany	GmbH	86.00
Hilmer West 3 GmbH	Germany	GmbH	86.00
Hilmer West 4 GmbH	Germany	GmbH	86.00
Hilmer West 5 GmbH	Germany	GmbH	86.00
SG Northern England Ltd.	England	Ltd.	50.00
SG Victoria Nottingham Ltd.	England	Ltd.	50.00
SG Metro Newcastle Ltd.	England	Ltd.	50.00
SG No. 3 Ltd.	England	Ltd.	50.00

	Registered in	Corporate form	Ownership %
SG No. 4 Ltd.	England	Ltd.	50.00
S. Grene Operations Ireland Ltd.	Ireland	Ltd.	50.00
S. Green Dún Laohaire Ltd.	Ireland	Ltd.	50.00
S. Grene Dublin 1 Ltd.	Ireland	Ltd.	50.00
S. Grene Cork 1 Ltd.	Ireland	Ltd.	50.00
Hilmer R.T.I. 1 Ltd.	Ireland	Ltd.	50.00
Hilmer R.T.I. 2 Ltd.	Ireland	Ltd.	50.00
Hilmer R.T.I. 3 Ltd.	Ireland	Ltd.	50.00
Hilmer Northern Ireland Holding Ltd.	Northern Ireland	Ltd.	90.00
Hilmer Northern Ireland Ltd.	Northern Ireland	Ltd.	90.00
Hilmer Newry Ltd.	Northern Ireland	Ltd.	90.00
Hilmer Bangor Ltd.	Northern Ireland	Ltd.	90.00
Aarhus Retail B.V.	Netherlands	B.V.	100.00
SG Retail Groningen B.V.	Netherlands	B.V.	100.00
SG Retail Den Haag B.V.	Netherlands	B.V.	100.00
SG Retail Nieuwendijk B.V.	Netherlands	B.V.	100.00
SG Retail Zwolle B.V.	Netherlands	B.V.	100.00
SG Retail Rotterdam B.V.	Netherlands	B.V.	100.00
SG Retail Den Bosch B.V.	Netherlands	B.V.	100.00
SG Retail Nijmegen B.V.	Netherlands	B.V.	100.00
SG Retail Enschede B.V.	Netherlands	B.V.	100.00
SG Retail Amersfoort B.V.	Netherlands	B.V.	100.00
SG Retail Breda B.V.	Netherlands	B.V.	100.00
SG Retail Utrecht HC B.V.	Netherlands	B.V.	100.00
SG Retail Maastricht B.V.	Netherlands	B.V.	100.00
SG Retail Utrecht B.V.	Netherlands	B.V.	100.00
Søstrene Grene Holding France S.A.R.L.	France	S.A.R.L.	100.00
Hilmer Retail 1 S.A.R.L.	France	S.A.R.L.	100.00
Hilmer Retail 2 S.A.R.L.	France	S.A.R.L.	100.00
Hilmer Retail 3 S.A.R.L.	France	S.A.R.L.	100.00
Hilmer Retail 4 S.A.R.L.	France	S.A.R.L.	100.00

	Registered in	Corporate form	Ownership %
Hilmer Retail 5 S.A.R.L.	France	S.A.R.L.	100.00
Hilmer Retail 6 S.A.R.L.	France	S.A.R.L.	100.00
Hilmer Retail 7 S.A.R.L.	France	S.A.R.L.	100.00
Hilmer Retail 8 S.A.R.L.	France	S.A.R.L.	100.00
SGTF S.A.R.L.	France	S.A.R.L.	100.00
SGBM S.A.R.L.	France	S.A.R.L.	100.00
SGBA S.A.R.L.	France	S.A.R.L.	100.00
SGPC S.A.R.L.	France	S.A.R.L.	100.00
SGLM S.A.R.L.	France	S.A.R.L.	100.00
SGPL S.A.R.L.	France	S.A.R.L.	100.00
SGTC S.A.R.L.	France	S.A.R.L.	100.00
SG Mulhouse Distribution S.A.R.L.	France	S.A.R.L.	100.00
SG Rive Etoile Distribution S.A.R.L.	France	S.A.R.L.	100.00
SG Saint Genies Laval Distribution S.A.R.L.	France	S.A.R.L.	100.00
SG Besancon Distribution S.A.R.L.	France	S.A.R.L.	100.00
SG Val Thoiry Distribution S.A.R.L.	France	S.A.R.L.	100.00
SG Annecy Distribution S.A.R.L.	France	S.A.R.L.	100.00
SG Sverige Holding AB	Sweden	AB	90.00
SG Malmö AB	Sweden	AB	90.00
SG Kristiansta AB	Sweden	AB	90.00
LP&CM Retail AB	Sweden	AB	90.00
CM Mölndal AB	Sweden	AB	90.00
CM Helsingborg AB	Sweden	AB	90.00
SG Göteborg AB	Sweden	AB	90.00
CF Kungälv AB	Sweden	AB	90.00
CF Allum AB	Sweden	AB	90.00

Companies with a 50% ownership interest are considered to be under considerable influence due to an ownership agreement with the minority shareholder.

Parent income statement for 2021/22

	Notes	2021/22 DKK'000	2020/21 DKK'000
Gross profit/loss		1,428	(996)
Staff costs	1	(2,985)	0
Operating profit/loss		(1,557)	(996)
Income from investments in group enterprises		168,024	32,301
Other financial income	2	3,620	3,089
Impairment losses on financial assets		(10,172)	(59)
Other financial expenses	3	(5,116)	(4,625)
Profit/loss before tax		154,799	29,710
Tax on profit/loss for the year	4	670	570
Profit/loss for the year	5	155,469	30,280

Parent balance sheet at 30.04.2022

Assets

	Notes	2021/22 DKK'000	2020/21 DKK'000
Investments in group enterprises		422,733	266,440
Receivables from group enterprises		114,932	36,313
Financial assets	6	537,665	302,753
Fixed assets		537,665	302,753
Receivables from group enterprises		0	21
Deferred tax	7	0	4,480
Tax receivable		0	7,371
Joint taxation contribution receivable		5,131	0
Receivables		5,131	11,872
Cash		3,466	258
Current assets		8,597	12,130
Assets		546,262	314,883

Equity and liabilities

	Notes	2021/22 DKK'000	2020/21 DKK'000
Contributed capital		80	80
Reserve for net revaluation according to equity method		180,036	196,945
Retained earnings		172,542	15,087
Proposed dividend for the financial year		30,000	300
Equity		382,658	212,412
Trade payables		420	186
Payables to group enterprises		161,627	102,285
Other payables		1,557	0
Current liabilities other than provisions		163,604	102,471
Liabilities other than provisions		163,604	102,471
Equity and liabilities		546,262	314,883
Contingent liabilities	8		
Assets charged and collateral	9		
Transactions with related parties	10		

Parent statement of changes in equity for 2021/22

	Contributed capital DKK'000	Reserve for net revaluation according to the equity method DKK'000	Retained earnings DKK'000	Proposed dividend for the year DKK'000	Total DKK'000
Equity beginning of year	80	196,945	15,087	300	212,412
Ordinary dividend paid	0	0	0	(300)	(300)
Exchange rate adjustments	0	204	0	0	204
Value adjustments	0	4,247	0	0	4,247
Other entries on equity	0	10,626	0	0	10,626
Profit/loss for the year	0	(31,986)	157,455	30,000	155,469
Equity end of year	80	180,036	172,542	30,000	382,658

Notes to parent financial statements

1 Staff costs

	2021/22 DKK'000	2020/21 DKK'000
Wages and salaries	2,703	0
Pension costs	257	0
Other social security costs	7	0
Other staff costs	18	0
	2,985	0
Average number of full-time employees	2	0

2 Other financial income

	2021/22 DKK'000	2020/21 DKK'000
Financial income from group enterprises	3,614	3,089
Other financial income	6	0
	3,620	3,089

3 Other financial expenses

	2021/22 DKK'000	2020/21 DKK'000
Financial expenses from group enterprises	5,104	4,605
Other interest expenses	5	13
Other financial expenses	7	7
	5,116	4,625

4 Tax on profit/loss for the year

	2021/22 DKK'000	2020/21 DKK'000
Change in deferred tax	(670)	(570)
	(670)	(570)

5 Proposed distribution of profit and loss

	2021/22 DKK'000	2020/21 DKK'000
Ordinary dividend for the financial year	30,000	300
Retained earnings	125,469	29,980
	155,469	30,280

6 Financial assets

	Investments in group enterprises DKK'000	Receivables from group enterprises DKK'000
Cost beginning of year	39,495	88,674
Exchange rate adjustments	(9)	0
Additions	3,211	98,462
Disposals	0	(11,343)
Cost end of year	42,697	175,793
Revaluations beginning of year	226,945	(52,361)
Exchange rate adjustments	204	0
Adjustments on equity	12,385	0
Share of profit/loss for the year	170,436	0
Adjustment of intra-group profits	(2,412)	0
Dividend	(30,120)	0
Investments with negative equity value depreciated over receivables	(1,649)	1,649
Other adjustments	4,247	0
Revaluations end of year	380,036	(50,712)
Impairment losses for the year	0	(10,149)
Impairment losses end of year	0	(10,149)
Carrying amount end of year	422,733	114,932

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

7 Deferred tax

	2021/22 DKK'000	2020/21 DKK'000
Changes during the year		
Beginning of year	4,480	3,910
Recognised in the income statement	670	570
Used in joint taxation	(5,150)	0
End of year	0	4,480

Deferred tax is a result of difference between accounting and tax valuation. The resulting amount is considered to give a tax deduction in the future.

Deferred tax assets

Deferred tax consists of timely difference between tax and financial depreciations.

8 Contingent liabilities

The Entity serves as the administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc. for the jointly taxed entities, and also for obligations, if any, relating to the withholding of tax on interest, royalties and

dividends for these entities.

9 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 29m.

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 42m at balance sheet date.

The Company is liable for mortgage liabilities in Søstrene Grenes Import A/S, which total DKK 102m at the balance sheet date.

10 Non-arm's length related party transactions

Only non-arm's length related party transactions are disclosed in the annual report. No such transactions were conducted during the financial year.

Accounting policies

Reporting class

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

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' pro rata shares of the profit/loss and the net assets are disclosed as separate items in Management's proposal for the distribution of net profit/loss and equity, respectively.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the takeover 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.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates and out of the translation of income statements from average rates to the exchange rates at the balance sheet date are recognised directly in translation reserve in equity.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries, which are considered part of the total investment in the subsidiary in question, are recognised directly in translation reserve in equity.

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate at the time of acquisition or the time of any subsequent revaluation or writedown. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value, which has been calculated as the discounted value of expected future net cash flows by using an approximate risk-free interest rate adjusted for any factors that a potential market participant would attribute value to when acquiring the instrument. 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 reserve for fair value adjustments of hedging instruments 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

Gross profit or loss

Gross profit or loss comprises revenue, other operating income, cost of sales and other external expenses.

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.

Other operating income

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

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 wages and salaries, and social security contributions, pension contributions, etc. for entity staff.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, and gains and losses from the sale of intangible assets and property, plant and equipment.

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 intra-group profits or losses.

Other financial income

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

Impairment losses on financial assets

Impairment losses on financial assets comprises impairment losses on financial assets which are not measured at fair value on a current basis.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities, and 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.

Balance sheet**Goodwill**

Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by

Management for each business area.

For amounts of goodwill, useful life has been determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful lives are reassessed annually. The amortisation periods used are 5-10 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

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 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, plant and machinery, and other fixtures and fittings, tools and equipment 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. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

Interest expenses on loans for the financing of the manufacture of property, plant and equipment are included in cost if they relate to the manufacturing period. All other finance costs are recognised in the income statement.

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	3-10 years
Leasehold improvements	5 years

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

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.

Investments in group enterprises

Investments in group enterprises are recognised and measured in the parent financial statements according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus unamortised goodwill and plus or minus unrealised intra-group profits or losses. Reference is made to the above section on business combinations for more details about the accounting policies applied to acquisitions of investments in group enterprises.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to reserve for net revaluation according to the equity method in equity.

Goodwill is the difference between cost of investments and fair value of the pro rata share of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area.

Investments in group enterprises 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.

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.

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.

Tax payable or receivable

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

Joint taxation contributions payable or receivable

Current joint taxation contributions payable or receivable are recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.

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

On initial recognition, minority interests are measured at the minority interests' share of the acquiree's net assets measured at fair value. No goodwill related to the minority interests' equity interests in the acquiree is recognised.

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.

Lease liabilities

Lease liabilities relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease liabilities are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

Other financial liabilities

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

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities, and 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 financial income, financial expenses and income tax paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments, and purchase, development, improvement and sale, etc. of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs, and the raising of loans, repayments of interest-bearing debt, including lease liabilities, purchase of treasury shares and payment of dividend.

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