



Søstrene Grenes Holding ApS

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

Annual report 01.05.2020 - 30.04.2021

The Annual General Meeting adopted the
annual report on 04.10.2021

Lasse Skaarup Christensen
Chairman of the General Meeting

Contents

Entity details	2
Statement by Management on the annual report	3
Independent auditor's report	4
Management commentary	7
Consolidated income statement for 2020/21	21
Consolidated balance sheet at 30.04.2021	22
Consolidated statement of changes in equity for 2020/21	25
Consolidated cash flow statement for 2020/21	26
Notes to consolidated financial statements	28
Parent income statement for 2020/21	38
Parent balance sheet at 30.04.2021	39
Parent statement of changes in equity for 2020/21	41
Notes to parent financial statements	42
Accounting policies	45

Entity details

Entity

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

Business Registration No.: 35140328
Registered office: Aarhus
Financial year: 01.05.2020 - 30.04.2021

Board of Directors

Lasse Skaarup Christensen, formand
Mikkel Vaupell Grene
Kurt Hedegaard Carstensen
Cresten Vaupell Grene

Executive Board

Mikkel Vaupell Grene
Cresten Vaupell Grene

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
City Tower, Værkmestergade 2
8000 Aarhus C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Søstrene Grene Holding ApS for the financial year 01.05.2020 - 30.04.2021.

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 30.04.2021 and of the results of their operations and the consolidated cash flows for the financial year 01.05.2020 - 30.04.2021.

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, 04.10.2021

Executive Board

Mikkel Vaupell Grene

Cresten Vaupell Grene

Board of Directors

Lasse Skaarup Christensen
formand

Mikkel Vaupell Grene

Kurt Hedegaard Carstensen

Cresten Vaupell Grene

Independent auditor's report

To the shareholders of Søstrene Grenes Holding ApS

Opinion

We have audited the consolidated financial statements and the parent financial statements of Søstrene Grenes Holding ApS for the financial year 01.05.2020 - 30.04.2021, 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 30.04.2021 and of the results of their operations and the consolidated cash flows for the financial year 01.05.2020 - 30.04.2021 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 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 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 and 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, 04.10.2021

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

	2020/21	2019/20	2018/19	2017/18	2016/17
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Key figures					
Revenue	1,215,897	1,049,277	1,127,612	893,653	613,748
Gross profit/loss	439,182	263,018	352,074	311,480	178,795
Operating profit/loss	56,332	(52,847)	68,895	110,944	46,109
Net financials	(6,032)	(4,476)	(19,449)	(8,144)	(3,756)
Profit/loss for the year	34,393	(59,377)	31,126	77,540	32,264
Profit for the year excl. minority interests	30,280	(43,640)	36,628	77,815	31,836
Balance sheet total	748,107	761,892	771,794	583,251	465,461
Investments in property, plant and equipment	37,924	29,369	107,552	116,773	133,031
Equity	211,286	209,792	273,452	248,888	171,647
Equity excl. minority interests	212,412	220,002	267,559	238,367	162,309
Cash flows from operating activities	164,541	30,088	(26,240)	29,420	54,795
Cash flows from investing activities	(8,853)	(43,276)	(111,184)	(67,156)	(140,241)
Cash flows from financing activities	11,581	(4,613)	35,194	85,860	(25,473)
Ratios					
Gross margin (%)	36.12	25.07	31.22	34.85	29.13
Net margin (%)	2.83	(5.66)	2.76	8.68	5.26
Return on equity (%)	14.01	(17.90)	14.48	38.84	20.90
Equity ratio (%)	30.0	28.4	34.5	42.7	36.9

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

Gross margin (%):

$\frac{\text{Gross profit/loss} * 100}{\text{Revenue}}$

Net margin (%):

$\frac{\text{Profit/loss for the year} * 100}{\text{Revenue}}$

Return on equity (%):

$\frac{\text{Profit/loss for the year excl. minority interests} * 100}{\text{Average equity excl. minority interests}}$

Equity ratio (%):

$\frac{\text{Equity excl. minority interests} * 100}{\text{Balance sheet total}}$

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 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

Aarhus, 30. september 2021,

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 wholesale business related to the import and export of goods to the Søstrene Grene stores and retail activities in web shops, own stores and stores partly owned through joint venture companies. Apart from fully owned and partial 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 is a very strong brand with more than 4,1 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 experienced a very positive trend with very positive response from customers in all markets, however the financial year 2020/21 was a year with a performance impacted by the Covid-19 pandemic. All stores in almost all markets were shut down in the beginning of the fiscal year. As the markets reopened, we saw customers coming to the stores with a big desire for our products and sales during summer was higher than in 2019/20. By the end of the calendar year 2020 we had the best financial result ever despite lockdowns in some markets in the fall, however due to Covid-19 most stores were shut down from the middle of December until the end of the fiscal year and into the next. Since this last lockdown became so long, it had a very large negative impact on the financial result, so the management consider the result satisfying result in the light of these dramatic events.

In 2018 the top management decided to engage in a major digital transformation of the company to turn the company into an omnichannel company and to aim for a pole position as a digital frontrunner to make sure to be relevant to the customers of the future and the new reality in retail.

The decision also had a big impact on this fiscal year with large investments being made and a large part of the turnover moved online during the temporary lockdowns of the physical stores.

In March 2020 the first web shop opened in Denmark and became a massive success from day one with one product sold every 0,7 seconds. Later more web shops have been added and now Søstrene Grene has web shops in 8 countries (2 of them are operated by the local partner). The omnichannel journey and the digital transformation will continue in the coming years with very large and important investments being made. In 2021 Søstrene Grene was recognised as the most impressive and well executed digital transformation at the "Danish Digital Awards".

The comprehensive digital transformation also aims to not only have the best digital tools and platforms but also use the digitalisation to save costs and increase efficiency.

The physical stores have proven to be very successful and came back strong after every temporary lockdown, so a new "Retail for the Senses" store layout has been tested and are now being rolled out in a large number of stores which transforms the stores into an even more intense customer experience. Stores are also being enlarged and/or moved to better locations. In order to ensure the financing of this major upgrades of stores now and in the coming years Søstrene Grenes Holding ApS has increased its ownership in the stores.

Profit/loss for the year in relation to expected developments

Revenue for the year has increased from DKK 1,049m to DKK 1,216m. in spite of the shutdowns due to Covid-19, and it is the highest revenue in a year in the history of Søstrene Grenes Holding ApS. The income statement for the financial year ending 30 April 2021 shows a gross profit increasing from DKK 263m to DKK 439m. The profit before tax shows an increase from last years loss of DKK 57m to a profit before tax of DKK 50m. The increase is a result of a very strong performance during the summer and fall before the latest shutdown.

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). The partly owned subsidiaries in Denmark and Sweden have been established during the year.

Operating income shows a profit of DKK 56m. The Operating profit 2019/20 was a loss of DKK 53m .

The balance sheet shows equity of DKK 211m (30 April 2020: DKK 210m) and cash flow from operating activities amounts to DKK 165m compared to last year DKK 30m.

Unusual circumstances affecting recognition and measurement

The shut down due to Covid-19 has impacted the result negatively due to store shut down and hence missing revenue and profit.

Outlook

The strategy is to continue the major digital transformation of the company with several large, important project on the way. The goal is to offer a "customer centric" digital Søstrene Grene with all the options that the future customers are going to need and more.

The physical stores will still be in the centre of it all and not only a major upgrade of stores has been initiated but also the expansion with brand new stores has been restarted after the Covid19 crisis and in the coming years more than 100 different new stores is expected to be opened around Europe.

The expectations for the financial year were growth in revenue with 20 - 30% to DKK 1,250m – DKK 1,350m depending on the development of the Covid-19 pandemic. Financial year 2020/21 has realised an increase in Revenue of DKK 167m, or 16% This increase is despite the long shutdown in the winter and spring related to the Covid-19. Earnings before tax for the year is up by DKK 107m. Even when the expectations for the year is not quite accomplished we still consider the result to be satisfying considering the impact from Covid-19 shutdown. A positive trend in revenue is expected in the financial year 2021/22. The Management expects revenue to grow within 40 to 50% to approximately DKK 1,700m to DKK 1,800m. The expectation is based on organic growth and the increased ownership of stores.

For the turnover in all channels (including the franchisee operated) the goal is to reach a turnover of DKK 3b including VAT in 2023 which is 50% higher than the level that we have seen in the past years (not all of the turnover will be within Søstrene Grene Holding ApS, since some of the stores are operated by franchisees).

Earnings before tax for the year 2021/22 is expected to be DKK 110m to DKK 130m which will be the best result in the history of Søstrene Grene. Further investments in organisational resources and a new IT infrastructure for the new 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.

Currently fluctuations in costs of raw material impacts prices of products. The expected impact is included in the outlook.

There are uncertainties in the worldwide distribution system. Transport by both sea and land are 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 a natural part of the way Søstrene Grene runs its business. For further regarding the business model see the section on primary activities above.

Søstrene Grene's CSR engagement is defined in "Søstrene Grene's Responsibility Report 2020/21 that can be found on our webpage from week 39.

The engagement is primarily focused on four areas being Products, Suppliers, Environment and Society, with policies defined for each of the areas.

Society

At Søstrene Grene, we believe that supporting charity initiatives to aid vulnerable groups helps create a more sustainable future – not only for the communities we support, but for the entire global community. By entering into partnerships with credible and well-established partners, we reduce the risk of not succeeding in our efforts and in creating mistrust about our efforts.

Extended partnership with Plan International

In the autumn of 2020, we extended our partnership with Plan International for another two years until the end of 2022.

Plan International works long-term in the world's most fragile and marginalised areas to ensure rights of children and young people and create equal opportunities for all, regardless of gender. Plan International makes an extra effort for girls and young women who are particularly affected by inequality and discrimination. The partnership with Søstrene Grene is specifically about helping girls and young women out of poverty.

The goal is to give girls and young women in East Africa the opportunity to receive an education and thus create a better and safer life for themselves and their families.

Donation in 2020 and more products in 2021

Part of the partnership consists of Søstrene Grene introducing a range of products, where part of the price goes to the important work of Plan International.

With the help of our customers, Søstrene Grene donated DKK 500,000 to Plan International in 2020.

In 2021, we have chosen to launch even more products as part of this partnership, so we and our customers can raise even more money for the good cause.

A minimum of DKK 600,000 has been set, but the goal is to reach even further.

In addition to the launch of Plan tote bags throughout the year, we will also launch a notebook as well as a colouring book in the autumn of 2021. For each product sold, we will donate between DKK 3 and 5 to Plan International.

Working together to give children a Christmas they can look forward to

In Denmark, more than 60,000 children live in poverty, and for them and their families, Christmas gifts, Christmas food and Christmas treats are rare occurrences. During Christmas 2020, Søstrene Grene entered a partnership with Mødrehjælpen, which consisted of a donation of 1200 Advent calendars gifts divided into 300 gift sets.

The gifts were, among others, wrapped by helpful Sisters from Søstrene Grene's headquarters, who were gathered around a more than 19-meter-long packing table to carefully wrap the many gifts. The Advent calendar gifts were distributed to the marginalised children in Mødrehjælpen's local associations in Aarhus, Aalborg, Esbjerg, Næstved, Slagelse and Nykøbing Falster.

In addition to the gift donation, we put our digital platforms at their disposal and set up a fundraiser for the benefit of Mødrehjælpen's Christmas Aid, also called Mødrehjælpen's Julehjælp. It ran from mid-November until 21 December 2020. Several of the influencers with whom Søstrene Grene collaborates also participated and contributed generously to the partnership – from the gift-wrapping to the Christmas Aid fundraiser.

For each DKK 500 that was collected, a marginalised child in Denmark could get a complete Christmas Eve experience with gifts, treats and everything that comes with it.

With the support from our customers, Søstrene Grene's Facebook fundraiser reached DKK 86,788 and together with our influencers' own contributions, the donation to Mødrehjælpen's Christmas Aid reached a total of DKK 135,168.

That meant that we could bring Christmas joy to 270 marginalised children with our donation. All donations went undiminished to Mødrehjælpen's 2020 Christmas Aid.

SOS Børnebyerne

SOS CHILDREN'S VILLAGES

Søstrene Grene has also worked closely with SOS Children's Villages over the years, through which we sponsor four children:

- Ali Khamis from Zanzibar
- James Wilson from Dar es Salaam
- Ida Ayu from Bali
- Aailyah from Dar es Salaam

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 recognize 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 400 suppliers. 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, 60% 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 set-up 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 fiscal year.

Employee

We wish to touch people's hearts through a wonderful universe of which the world has never seen the like, and we believe that our business and our results depend on the Sisters surrounding us. Therefore, our partnership with our franchisees and suppliers as well as the relationship with our employees are crucial to our success. In Søstrene Grene we call each other Sisters – regardless of gender. Our culture and our way of being together are called our Sister spirit.

Sister Spirit

We want to build a valuable community where work does not feel like work. A community that creates the foundation of the wonderful world of Anna and Clara. We are Sisters. We stick together and support and help each other. We make each other stronger; we take responsibility and are always ready to lead and show the way for others.

We value the good and sound Sister virtues of respect, trust and honesty, and we want to treat everyone in accordance with our values.

Our values

No matter if you are employed at Søstrene Grene's head office or in a Søstrene Grene, our values describe what we wish that both our customers and fellow Sisters should experience in the wonderful world of Anna and Clara.

Joy

At Søstrene Grene, we aspire to brighten up and make a joyful and positive difference to the lives of everyone who explores the wonderful world of Anna and Clara.

Aesthetics

We are passionate about incorporating beauty into everything we do, because we believe that being surrounded by high aesthetic quality can bring joy to daily life.

Ever-changing

We make a virtue of being ever-changing, and the frequent variation is what makes our product range so surprising. The ever-changing comes from within – and therefore we value creativity and innovation in an ever-changing world.

Finds

Everyone is welcome to explore Søstrene Grene, and we do our utmost to feature wonderful finds at favourable prices that everyone can appreciate. Therefore, a good deal is fundamental to our entire business.

Creativity

Creativity makes life an experience. At Søstrene Grene, we therefore endeavour to inspire our surroundings to be creative.

'Hygge'

Hygge is a state of joy, satisfaction and cosiness that is unique to Denmark, where the sisters are from. We therefore take great care to create moments of hygge at Søstrene Grene.

Sisterhood

To ensure a strong community feeling, a common understanding and a high level of information we have developed an internal app called Sisterhood for stores. Here the individual can find and share knowledge, become inspired, receive training and read about what is going on in the wonderful world of Anna and Clara. We have approx. 3000 users on the app. Moreover, we have an intranet for the head office, also called Sisterhood, where HQ employees can get a feeling of togetherness across locations, find info on working in Søstrene and stay updated about what goes on in the organisation as well as in the wonderful world of Anna and Clara. We aim to have even more active users on Sisterhood.

Head office

We employ around 400 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 get the chance to give anonymous feedback and we get a solid overview of the work conditions. 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.

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, the 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.

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 2019/20 we initiated steps towards removing single-use plastic. This work continued in 2020/21.

We have phased out the following products from the stores estimated 95%:

- Straws
- Food Sticks, flag sticks, balloon sticks
- Cutlery
- Lid for cups etc.
- Plastic party poppers
- Christmas stars for gifts

By the end of 2022, we will even go one step further.

The following single-use plastic products will be/have been removed 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)
- 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)

The products are sold until the mentioned dates, which is the cut-off time for the phase-out. This is to sell off the stock, thus avoiding a major environmental waste.

Moreover, polymer clay will be phased out of our assortment and removed completely from 1 April 2022, as the product contains PVC.

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.

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 center 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.

GERMAN STORES ON RENEWABLE ENERGY

In 2021, 17 of Søstrene Grene's 51 stores in Germany have changed their electricity to 100% renewable energy, and by 1 January 2022, all German stores will be powered by 100% renewable energy.

All of Søstrene Grene's 11 stores in the Netherlands are also powered by 100% renewable energy.

TRANSPORT BY SEA

CO2-neutral freight with Mærsk

Søstrene Grene has signed a contract with Mærsk for CO2-neutral freight on all freight voyages. The agreement becomes effective on 1 October 2021.

Søstrene Grene has therefore bought into Mærsk's ECO Delivery product. In its ECO Delivery product, Mærsk uses biofuels that are produced from recyclable and sustainable biomass and certified as a sustainable fuel. Thus, we expect to provide a significant CO2 reduction overall in regard to transport.

TRANSPORT BY ROAD

PART OF DHL'S GOGREEN PROGRAMME

We are also part of DHL's GoGreen programme. The programme focuses on green transport solutions, sustainable supply chain management and a general reduction in carbon emissions. DHL aims to reduce all logistics-related emissions to zero by 2050. Some of their sub-goals for 2025 are to:

- Increase their carbon efficiency by 50% compared to the 2007 level.
- Reduce local air pollution emissions by operating 70% of their own first and last mile services using delivery solutions such as bicycles and electric vehicles.

All Søstrene Grene e-commerce packages shipped abroad carry a GoGreen label, showing that they are on a more sustainable journey with DHL.

GREENER DELIVERY WITH BRING

In Sweden and Norway, our web orders are delivered with Bring.

Bring is working towards making all their deliveries fossil-free by 2025. As a group, Bring had already in 2019 achieved its 2022-goal for reduced emissions and increased use of bio-neutral vehicles, etc.

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 Grene Holding ApS is composed of four male board members. This year, Inger Grene, founder of Søstrene Grene together with her late husband, passed away, and hence there are no female board members. By the end of 2022, Søstrene Grene 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 European subsidiaries established as joint venture entities are mainly managed by a married couple. The split of the gender representation for the other management bodies in the group is currently 74:26%. 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.

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 2020/21

	Notes	2020/21 DKK'000	2019/20 DKK'000
Revenue	2	1,215,897	1,049,277
Other operating income	3	49,032	8,554
Cost of sales		(553,679)	(521,760)
Other external expenses	4	(272,068)	(273,053)
Gross profit/loss		439,182	263,018
Staff costs	5	(318,806)	(269,672)
Depreciation, amortisation and impairment losses	6	(64,044)	(42,872)
Other operating expenses		0	(3,321)
Operating profit/loss		56,332	(52,847)
Other financial income	7	3,406	1,024
Impairment of financial assets		0	(1,036)
Other financial expenses	8	(9,438)	(4,464)
Profit/loss before tax		50,300	(57,323)
Tax on profit/loss for the year	9	(15,907)	(2,054)
Profit/loss for the year	10	34,393	(59,377)

Consolidated balance sheet at 30.04.2021

Assets

	Notes	2020/21 DKK'000	2019/20 DKK'000
Acquired intangible assets		29,252	27,939
Goodwill		0	0
Intangible assets	11	29,252	27,939
Land and buildings		208,299	277,843
Other fixtures and fittings, tools and equipment		53,214	61,727
Leasehold improvements		71,256	78,132
Property, plant and equipment	12	332,769	417,702
Deposits		17,177	16,732
Other receivables		3,292	13,006
Financial assets	13	20,469	29,738
Fixed assets		382,490	475,379
Manufactured goods and goods for resale		238,014	191,800
Prepayments for goods		1,416	4,516
Inventories		239,430	196,316
Trade receivables		21,606	52,034
Deferred tax	14	2,926	0
Other receivables		37,578	9,155
Prepayments	15	6,391	6,689
Receivables		68,501	67,878
Cash		57,686	22,319
Current assets		365,617	286,513
Assets		748,107	761,892

Equity and liabilities

	Notes	2020/21 DKK'000	2019/20 DKK'000
Contributed capital		80	80
Revaluation reserve		0	38,742
Retained earnings		212,032	181,180
Proposed dividend for the financial year		300	0
Equity belonging to Parent's shareholders		212,412	220,002
Equity belonging to minority interests		(1,126)	(10,210)
Equity		211,286	209,792
Deferred tax	14	651	6,725
Provisions for investments in associates	16	0	3,585
Provisions		651	10,310
Mortgage debt		142,925	122,762
Bank loans		60,346	56,341
Lease liabilities		16,768	19,286
Deposits		70	70
Other payables		8,043	6,461
Non-current liabilities other than provisions	17	228,152	204,920
Current portion of non-current liabilities other than provisions	17	38,020	28,356
Bank loans		19,507	151,409
Convertible and profit-sharing debt instruments	18	5,696	5,495
Trade payables		163,497	103,319
Payables to associates		0	8,952
Tax payable		3,407	6,818
Other payables		77,891	32,521
Current liabilities other than provisions		308,018	336,870
Liabilities other than provisions		536,170	541,790
Equity and liabilities		748,107	761,892
Events after the balance sheet date	1		
Financial instruments	20		
Unrecognised rental and lease commitments	21		
Contingent liabilities	22		

Assets charged and collateral	23
Transactions with related parties	24
Subsidiaries	25

Consolidated statement of changes in equity for 2020/21

	Contributed capital DKK'000	Revaluation reserve DKK'000	Retained earnings DKK'000	Proposed dividend for the financial year DKK'000	Equity belonging to Parent's shareholders DKK'000
Equity beginning of year	80	38,742	181,180	0	220,002
Effect of mergers and business combinations	0	0	(9,084)	0	(9,084)
Extraordinary dividend paid	0	0	(25,300)	0	(25,300)
Exchange rate adjustments	0	0	126	0	126
Fair value adjustments of hedging instruments	0	0	(4,845)	0	(4,845)
Value adjustments	0	0	167	0	167
Tax of entries on equity	0	0	1,066	0	1,066
Transfer to reserves	0	(38,742)	38,742	0	0
Profit/loss for the year	0	0	29,980	300	30,280
Equity end of year	80	0	212,032	300	212,412

	Equity belonging to minority interests DKK'000	Total DKK'000
Equity beginning of year	(10,210)	209,792
Effect of mergers and business combinations	4,971	(4,113)
Extraordinary dividend paid	0	(25,300)
Exchange rate adjustments	0	126
Fair value adjustments of hedging instruments	0	(4,845)
Value adjustments	0	167
Tax of entries on equity	0	1,066
Transfer to reserves	0	0
Profit/loss for the year	4,113	34,393
Equity end of year	(1,126)	211,286

Consolidated cash flow statement for 2020/21

	Notes	2020/21 DKK'000	2019/20 DKK'000
Operating profit/loss		56,332	(52,847)
Amortisation, depreciation and impairment losses		65,879	42,872
Working capital changes	19	55,608	67,454
Cash flow from ordinary operating activities		177,819	57,479
Financial income received		3,325	1,024
Financial expenses paid		(9,234)	(4,464)
Taxes refunded/(paid)		(7,369)	(23,951)
Cash flows from operating activities		164,541	30,088
Acquisition etc. of intangible assets		(11,561)	(20,889)
Acquisition etc. of property, plant and equipment		(6,544)	(29,369)
Sale of property, plant and equipment		0	3,649
Acquisition of fixed asset investments		(1,826)	0
Repayments received		11,078	3,333
Cash flows from investing activities		(8,853)	(43,276)
Free cash flows generated from operations and investments before financing		155,688	(13,188)
Loans raised		51,588	33,679
Repayments of loans etc.		(18,491)	(18,594)
Dividend paid		(25,300)	(8,000)
Loans to associates and franchises		0	(11,698)
Financing from acquisitions		3,784	0
Cash flows from financing activities		11,581	(4,613)
Increase/decrease in cash and cash equivalents		167,269	(17,801)

Cash and cash equivalents beginning of year	(129,090)	(111,289)
Cash and cash equivalents end of year	38,179	(129,090)

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

Cash	57,686	22,319
Short-term bank loans	(19,507)	(151,409)
Cash and cash equivalents end of year	38,179	(129,090)

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

	2020/21	2019/20
	DKK'000	DKK'000
DAC and Benelux	413,282	406,449
Nordic	510,124	374,671
Southern Europe	232,493	192,150
Other	59,998	76,007
Total revenue by geographical market	1,215,897	1,049,277

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.

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 5m.

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 2020 and 2021 with a total of DKK 44 m split with DKK 16m from wages and DKK 28m from fixed costs.

4 Fees to the auditor appointed by the Annual General Meeting

	2020/21	2019/20
	DKK'000	DKK'000
Statutory audit services	1,204	862
Tax services	234	78
Other services	556	571
	1,994	1,511

5 Staff costs

	2020/21	2019/20
	DKK'000	DKK'000
Wages and salaries	279,833	216,673
Pension costs	14,255	14,564
Other social security costs	20,876	23,182
Other staff costs	3,842	15,253
	318,806	269,672
Average number of full-time employees	1,007	799

	Remuneration of manage- ment 2020/21 DKK'000	Pension liabilities 2020/21 DKK'000	Remuneration of manage- ment 2019/20 DKK'000	Pension liabilities 2019/20 DKK'000
Board of Directors	125	0	50	0
Total amount for management categories	5,417	269	5,306	453
	5,542	269	5,356	453

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

6 Depreciation, amortisation and impairment losses

	2020/21	2019/20
	DKK'000	DKK'000
Amortisation of intangible assets	8,994	6,410
Impairment losses on intangible assets	19,837	0
Depreciation on property, plant and equipment	37,048	36,462
Profit/loss from sale of intangible assets and property, plant and equipment	(1,835)	0
	64,044	42,872

7 Other financial income

	2020/21	2019/20
	DKK'000	DKK'000
Other interest income	3,325	104
Exchange rate adjustments	81	920
	3,406	1,024

8 Other financial expenses

	2020/21	2019/20
	DKK'000	DKK'000
Financial expenses from associates	195	189
Other interest expenses	9,243	4,275
	9,438	4,464

9 Tax on profit/loss for the year

	2020/21	2019/20
	DKK'000	DKK'000
Current tax	11,042	9,520
Change in deferred tax	4,865	(10,948)
Adjustment concerning previous years	0	3,482
	15,907	2,054

10 Proposed distribution of profit/loss

	2020/21	2019/20
	DKK'000	DKK'000
Retained earnings	30,280	(43,640)
Minority interests' share of profit/loss	4,113	(15,737)
	34,393	(59,377)

11 Intangible assets

	Acquired intangible assets	Goodwill
	DKK'000	DKK'000
Cost beginning of year	46,596	0
Addition through business combinations etc	400	19,837
Additions	11,561	0
Disposals	(1,654)	0
Cost end of year	56,903	19,837
Amortisation and impairment losses beginning of year	(18,657)	0
Impairment losses for the year	0	(19,837)
Amortisation for the year	(8,994)	0
Amortisation and impairment losses end of year	(27,651)	(19,837)
Carrying amount end of year	29,252	0

12 Property, plant and equipment

	Land and buildings DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improvements DKK'000
Cost beginning of year	242,371	108,796	109,724
Addition through business combinations etc	0	22,105	9,275
Exchange rate adjustments	0	(227)	(278)
Additions	0	4,366	2,178
Disposals	(23,450)	(392)	(1,702)
Cost end of year	218,921	134,648	119,197
Revaluations beginning of year	54,900	0	0
Reversal regarding disposals	(54,900)	0	0
Revaluations end of year	0	0	0
Depreciation and impairment losses beginning of year	(19,428)	(47,069)	(31,592)
Addition through business combinations etc	0	(12,188)	(4,239)
Exchange rate adjustments	0	85	83
Depreciation for the year	(2,056)	(22,799)	(12,193)
Reversal regarding disposals	10,862	537	0
Depreciation and impairment losses end of year	(10,622)	(81,434)	(47,941)
Carrying amount end of year	208,299	53,214	71,256
Recognised assets not owned by Entity	0	13,591	0

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

At 30.04.2021 domicile and inventory properties amount to DKK 208m, whereas shop properties amount to DKK 0m.

Land and buildings (Shop properties) are as of 2020/21 not longer a part of the consolidation.

13 Financial assets

	Deposits DKK'000	Other receivables DKK'000
Cost beginning of year	16,732	13,540
Exchange rate adjustments	(17)	0
Additions	1,451	375
Disposals	(989)	(10,089)
Cost end of year	17,177	3,826
Impairment losses beginning of year	0	(534)
Impairment losses end of year	0	(534)
Carrying amount end of year	17,177	3,292

14 Deferred tax

	2020/21 DKK'000	2019/20 DKK'000
Intangible assets	6,365	6,147
Property, plant and equipment	9,542	14,214
Inventories	(13,860)	(5,417)
Receivables	(2,244)	(6,381)
Liabilities other than provisions	(453)	(805)
Tax losses carried forward	(1,626)	(1,033)
Deferred tax	(2,276)	6,725
	2020/21 DKK'000	2019/20 DKK'000
Changes during the year		
Beginning of year	6,725	17,413
Recognised in the income statement	4,865	(11,568)
Recognised directly in equity	(13,866)	880
End of year	(2,276)	6,725

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 Provisions for investments in associates

The company has previously 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. This guarantee is no longer effective.

17 Non-current liabilities other than provisions

	Due within 12 months 2020/21 DKK'000	Due within 12 months 2019/20 DKK'000	Due after more than 12 months 2020/21 DKK'000	Outstanding after 5 years 2020/21 DKK'000
Mortgage debt	20,989	21,384	142,925	77,483
Bank loans	11,317	2,150	60,346	15,079
Lease liabilities	5,714	4,822	16,768	3,755
Deposits	0	0	70	0
Other payables	0	0	8,043	0
	38,020	28,356	228,152	96,317

18 Convertible and profit-sharing debt instruments

	Interest rate agreed %
Debt instrument payable on demand	3

19 Changes in working capital

	2020/21 DKK'000	2019/20 DKK'000
Increase/decrease in inventories	(43,114)	(2,067)
Increase/decrease in receivables	2,303	31,393
Increase/decrease in trade payables etc.	96,419	38,128
	55,608	67,454

20 Derivative financial instruments

Other receivables include a positive fair value of the forward exchange contracts of DKK 1,996k (2019/20: DKK 2,879k). The forward exchange contracts have been acquired to hedge the foreign currency risk of trade payables in USD total 28,950k. The exchange profit has been set off against the value adjustments of the hedged payables in the

Balance sheet. The forward exchange contracts have a term of 2-12 months. The forward exchange contracts have been entered into the Company's usual bank.

21 Unrecognised rental and lease commitments

	2020/21	2019/20
	DKK'000	DKK'000
Total liabilities under rental or lease agreements until maturity	430,750	525,165

Of total rental and lease commitments, the total unrecognised rental commitments amount to DKK 425m. The Company re-leases the leaseholds and has a corresponding contingent asset at the balance sheet date of DKK 31m.

22 Contingent liabilities

The Group's bank has issued a bank guarantee of DKK 75m for leaseholds at the balance sheet date, payment guarantee to mortgage debt for DKK 70m 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.

23 Assets charged and collateral

Mortgage debt is secured by way of mortgage on properties, which amounts to DKK 108m at the balance sheet date. The carrying amount of mortgaged properties amounts to DKK 188m.

24 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.

25 Subsidiaries

	Registered in	Corporate form	Ownership %
Søstrene Grenes Import A/S	Denmark	A/S	100
Hilmer Denmark 1 Holding ApS	Denmark	ApS	90
R&R Handel ApS	Denmark	ApS	100
Sg - Field's Aps	Denmark	ApS	100
Christian Malholm - Holding & Invest ApS	Denmark	ApS	100
Søstrene Grene Europe B.V.	Netherlands	B.V.	100
Søstrene Grene Trading Shanghai Co, Ltd	Shanghai	Ltd.	100
Søstrene Grene Deutschland GmbH	Germany	GmbH	100
Hilmer Holding GmbH	Germany	GmbH	86
Hilmer 1 GmbH	Germany	GmbH	100
Hilmer 2 GmbH	Germany	GmbH	100
Hilmer 3 GmbH	Germany	GmbH	100
Hilmer 4 GmbH	Germany	GmbH	100
Hilmer 5 GmbH	Germany	GmbH	100
Hilmer 6 GmbH	Germany	GmbH	100
Hilmer 7 GmbH	Germany	GmbH	100
Hilmer Süd Holding GmbH	Germany	GmbH	86
Hilmer Süd 1 GmbH	Germany	GmbH	100
Hilmer Süd 2 GmbH	Germany	GmbH	100
Hilmer Süd 3 GmbH	Germany	GmbH	100
Hilmer Süd 4 GmbH	Germany	GmbH	100
Hilmer Süd 5 GmbH	Germany	GmbH	100
Hilmer West Holding GmbH	Germany	GmbH	86
Hilmer West 1 GmbH	Germany	GmbH	100
Hilmer West 2 GmbH	Germany	GmbH	100
Hilmer West 3 GmbH	Germany	GmbH	100
Hilmer West 4 GmbH	Germany	GmbH	100
Hilmer West 5 GmbH	Germany	GmbH	100
SG Northern England Ltd.	England	Ltd.	50
SG Victoria Nottingham Ltd.	England	Ltd.	100
SG Chester Ltd.	England	Ltd.	100
SG No. 3 Ltd.	England	Ltd.	100

	Registered in	Corporate form	Ownership %
SG No. 4 Ltd.	England	Ltd.	100
S. Grene Operations Ireland Ltd.	Ireland	Ltd.	50
S. Green Dún Laohaire Ltd.	Ireland	Ltd.	100
S. Grene Dublin 1 Ltd.	Ireland	Ltd.	100
S. Grene Cork 1 Ltd.	Ireland	Ltd.	100
Hilmer R.T.I. 1 Ltd.	Ireland	Ltd.	100
Hilmer R.T.I. 2 Ltd.	Ireland	Ltd.	100
Hilmer R.T.I. 3 Ltd.	Ireland	Ltd.	100
Hilmer Northern Ireland Holding Ltd.	Northern Ireland	Ltd.	50
Hilmer Northern Ireland Ltd.	Northern Ireland	Ltd.	100
Hilmer Newry Ltd.	Northern Ireland	Ltd.	100
Hilmer Bangor Ltd.	Northern Ireland	Ltd.	100
Aarhus Retail B.V.	Netherlands	B.V.	100
SG Retail Groningen B.V.	Netherlands	B.V.	100
SG Retail Den Haag B.V.	Netherlands	B.V.	100
SG Retail Nieuwendijk B.V.	Netherlands	B.V.	100
SG Retail Zwolle B.V.	Netherlands	B.V.	100
SG Retail Rotterdam B.V.	Netherlands	B.V.	100
SG Retail Den Bosch B.V.	Netherlands	B.V.	100
SG Retail Nijmegen B.V.	Netherlands	B.V.	100
SG Retail Enschede B.V.	Netherlands	B.V.	100
SG Retail Amersfoort B.V.	Netherlands	B.V.	100
SG Retail Eindhoven B.V.	Netherlands	B.V.	100
SG Retail Breda B.V.	Netherlands	B.V.	100
SG Retail Utrecht HC B.V.	Netherlands	B.V.	100
SG Retail Maastricht B.V.	Netherlands	B.V.	100
SG Retail Utrecht B.V.	Netherlands	B.V.	100
Søstrene Grene Holding France S.A.R.L.	France	S.A.R.L.	100
Hilmer Holding France S.A.R.L.	France	S.A.R.L.	100
Hilmer Retail 1 S.A.R.L.	France	S.A.R.L.	100
Hilmer Retail 2 S.A.R.L.	France	S.A.R.L.	100
Hilmer Retail 3 S.A.R.L.	France	S.A.R.L.	100
Hilmer Retail 4 S.A.R.L.	France	S.A.R.L.	100

	Registered in	Corporate form	Ownership %
Hilmer Retail 5 S.A.R.L.	France	S.A.R.L.	100
Hilmer Retail 6 S.A.R.L.	France	S.A.R.L.	100
Hilmer Retail 7 S.A.R.L.	France	S.A.R.L.	100
Hilmer Retail 8 S.A.R.L.	France	S.A.R.L.	100
Hilmer Vest France Holding S.A.R.L.	France	S.A.R.L.	100
SGTF S.A.R.L.	France	S.A.R.L.	100
SGBM S.A.R.L.	France	S.A.R.L.	100
SGBA S.A.R.L.	France	S.A.R.L.	100
SGPC S.A.R.L.	France	S.A.R.L.	100
SGLM S.A.R.L.	France	S.A.R.L.	100
SGPL S.A.R.L.	France	S.A.R.L.	100
SGTC S.A.R.L.	France	S.A.R.L.	100
Hilmer East France Holding S.A.R.L.	France	S.A.R.L.	100
SG Mulhouse Distribution S.A.R.L.	France	S.A.R.L.	100
SG Rive Etoile Distribution S.A.R.L.	France	S.A.R.L.	100
SG Saint Genies Laval Distribution S.A.R.L.	France	S.A.R.L.	100
SG Besancon Distribution S.A.R.L.	France	S.A.R.L.	100
SG Val Thoiry Distribution S.A.R.L.	France	S.A.R.L.	100
SG Annecy Distribution S.A.R.L.	France	S.A.R.L.	100
SG Sverige Holding AB	Sweden	AB	90
SG Malmö AB	Sweden	AB	100
SG Kristiansta AB	Sweden	AB	100
LP&CM Retail AB	Sweden	AB	100
CM Mölndal AB	Sweden	AB	100
CM Helsingborg AB	Sweden	AB	100
CM Halmstad AB	Sweden	AB	100
CF Kungälv AB	Sweden	AB	100
CF Allum AB	Sweden	AB	100

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 2020/21

	Notes	2020/21 DKK'000	2019/20 DKK'000
Gross profit/loss		(996)	(482)
Income from investments in group enterprises		32,301	(42,233)
Other financial income	1	3,089	4,179
Impairment of financial assets		(59)	(1,036)
Other financial expenses	2	(4,625)	(4,496)
Profit/loss before tax		29,710	(44,068)
Tax on profit/loss for the year	3	570	428
Profit/loss for the year	4	30,280	(43,640)

Parent balance sheet at 30.04.2021

Assets

	Notes	2020/21 DKK'000	2019/20 DKK'000
Investments in group enterprises		266,440	301,481
Receivables from group enterprises		36,313	48,224
Receivables from associates		0	1
Financial assets	5	302,753	349,706
Fixed assets		302,753	349,706
Receivables from group enterprises		21	3,631
Deferred tax	6	4,480	3,910
Tax receivable		7,371	0
Receivables		11,872	7,541
Cash		258	114
Current assets		12,130	7,655
Assets		314,883	357,361

Equity and liabilities

	Notes	2020/21 DKK'000	2019/20 DKK'000
Contributed capital		80	80
Reserve for net revaluation according to the equity method		196,945	242,821
Retained earnings		15,087	(22,899)
Proposed dividend for the financial year		300	0
Equity		212,412	220,002
Provisions for investments in associates	7	0	3,585
Provisions		0	3,585
Trade payables		186	351
Payables to group enterprises		102,285	133,347
Tax payable		0	76
Current liabilities other than provisions		102,471	133,774
Liabilities other than provisions		102,471	133,774
Equity and liabilities		314,883	357,361
Contingent liabilities	8		
Assets charged and collateral	9		
Transactions with related parties	10		

Parent statement of changes in equity for 2020/21

	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	242,821	(22,899)	0	220,002
Extraordinary dividend paid	0	0	(25,300)	0	(25,300)
Exchange rate adjustments	0	126	0	0	126
Value adjustments	0	(8,917)	0	0	(8,917)
Other entries on equity	0	(3,779)	0	0	(3,779)
Profit/loss for the year	0	(33,306)	63,286	300	30,280
Equity end of year	80	196,945	15,087	300	212,412

Notes to parent financial statements

1 Other financial income

	2020/21 DKK'000	2019/20 DKK'000
Financial income from group enterprises	3,089	4,179
	3,089	4,179

2 Other financial expenses

	2020/21 DKK'000	2019/20 DKK'000
Financial expenses from group enterprises	4,605	4,585
Financial expenses from associates	0	2
Other interest expenses	13	16
Other financial expenses	7	(107)
	4,625	4,496

3 Tax on profit/loss for the year

	2020/21 DKK'000	2019/20 DKK'000
Change in deferred tax	(570)	(428)
	(570)	(428)

4 Proposed distribution of profit and loss

	2020/21 DKK'000	2019/20 DKK'000
Ordinary dividend for the financial year	300	0
Retained earnings	29,980	(43,640)
	30,280	(43,640)

5 Financial assets

	Investments in group enterprises DKK'000	Receivables from group enterprises DKK'000
Cost beginning of year	58,663	100,094
Exchange rate adjustments	(26)	0
Additions	36	0
Disposals	(19,178)	(11,420)
Cost end of year	39,495	88,674
Revaluations beginning of year	242,820	(51,870)
Exchange rate adjustments	152	0
Adjustments on equity	(3,779)	0
Amortisation of goodwill	(21,332)	0
Share of profit/loss for the year	67,202	0
Adjustment of intra-group profits	(13,568)	0
Dividend	(30,000)	0
Investments with negative equity value depreciated over receivables	491	(491)
Other adjustments	(8,919)	0
Reversal regarding disposals	(6,122)	0
Revaluations end of year	226,945	(52,361)
Carrying amount end of year	266,440	36,313

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

6 Deferred tax

	2020/21 DKK'000
Changes during the year	
Beginning of year	3,910
Recognised in the income statement	570
End of year	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.

7 Provisions for investments in associates

The company has previously contractually guaranteed 40% of loan lent to Hilme Japan Co. Ltd. In case Hilme Japan Co. Ltd. before the settlement of the debt does not have the ability to defray its liabilities to lender. This guarantee is longer effective.

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 24m.

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 33m at balance sheet date.

The Company is liable for mortgage liabilities in Søstrene Grenes Import A/S, which total DKK 109m 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.

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 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 of financial assets

Impairment of financial assets comprise impairment of 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

Plant and machinery, and other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

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 plus revaluation and minus 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:

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.

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.

Other provisions

Other provisions comprise anticipated non-recourse guarantee commitments, etc.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

Once it is probable that total costs will exceed total income from a contract in progress, provision is made for the total loss estimated to result from the relevant contract.

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 commitments 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 commitments 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.