

Søstrene Grenes Import A/S

Mariane Thomsens Gade 1 C, 5.
8000 Aarhus C
Business Registration No
76220115

Annual report 01.05.2017 - 30.04.2018

The Annual General Meeting adopted the annual report on 14.09.2018

Chairman of the General Meeting

Name: Lasse Søndergaard Christensen

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Entity details

Entity

Søstrene Grenes Import A/S
Mariane Thomsens Gade 1 C, 5.
8000 Aarhus C

Central Business Registration No (CVR): 76220115

Registered in: Aarhus

Financial year: 01.05.2017 - 30.04.2018

Website: www.sostrenegrene.com

Board of Directors

Lasse Søndergaard Christensen, Chairman

Inger Grene

Cresten Vaupell Grene

Mikkel Vaupell Grene

Kurt Hedegaard Carstensen

Executive Board

Mikkel Vaupell Grene, CEO

Bank

Sydbank

Store Torv 12

8000 Aarhus C

Lawyer

Gorrissen Federspiel

Silkeborgvej 2

8000 Aarhus C

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 Import A/S for the financial year 01.05.2017 - 30.04.2018.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 30.04.2018 and of the results of its operations for the financial year 01.05.2017 - 30.04.2018.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Aarhus, 14.09.2018

Executive Board

Mikkel Vaupell Grene
CEO

Board of Directors

Lasse Søndergaard
Christensen
Chairman

Inger Grene

Cresten Vaupell Grene

Mikkel Vaupell Grene

Kurt Hedegaard Carstensen

Independent auditor's report

To the shareholders of Søstrene Grenes Import A/S

Opinion

We have audited the financial statements of Søstrene Grenes Import A/S for the financial year 01.05.2017 - 30.04.2018, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 30.04.2018 and of the results of its operations for the financial year 01.05.2017 - 30.04.2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the financial statements section of this auditor's report. We are independent of the Entity 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 financial statements

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

In preparing the financial statements, Management is responsible for assessing the 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 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 financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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:

Independent auditor's report

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 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 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the 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 financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the 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.

Independent auditor's report

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Aarhus, 14.09.2018

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

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

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

Management commentary

	2017/18	2016/17	2015/16	2014/15	2013/14
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Financial highlights					
Key figures					
Revenue	729,191	533,786	411,308	304,931	273,033
Gross profit/loss	227,466	130,385	107,814	79,317	53,423
Operating profit/loss	109,089	42,812	47,112	32,923	23,545
Net financials	-4,205	-219	-1,245	-476	-1,904
Profit/loss for the year	81,748	32,920	35,478	24,776	16,527
Total assets	461,357	388,115	230,953	162,629	131,912
Investments in property, plant and equipment	80,761	94,965	4,578	2,068	14,804
Equity	214,473	132,505	99,188	69,327	46,550
Ratios					
Return on equity (%)	47.1	28.4	42.1	42.8	43.2
Equity ratio (%)	46.5	34.1	42.9	42.6	35.3

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

Ratios	Calculation formula	Calculation formula reflects
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the entity.

Management commentary

Primary activities

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

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

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

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

Development in activities and finances

Søstrene Grene is experiencing a very positive trend with a highly positive response from customers and partners on all markets. In the financial year, a growth in revenue of almost 36% was generated boosted by the opening of new stores and by a generally positive trend. This has been achieved by strengthening the whole value chain from production to the customers in the stores, by increasing the standard of quality in operations in all departments and by adding a large number of new staff members in the head office, doubling the staff over 2 - 3 years to strengthen the Søstrene Grene brand and business model to ensure a positive development in the years to come.

The income statement for the financial year ending 30 April 2018 shows a gross profit growing from DKK 130m to DKK 227m. The profit before tax shows an increase from DKK 43m to DKK 105m. The increase is a result of increased sales and the ability to increase the profitability, offsetting the investment in more staff members in the head office and investment in new joint venture based companies to create the foundation for future growth and development.

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

Operating income shows a profit of DKK 109m. Included in the Operating income is the profit DKK 26m from sale of two of the company's properties. Excluding the one time effect of the sale of properties the normalised Operating Income is DKK 83m (2016/2017: DKK 46m).

Management commentary

Unusual circumstances affecting recognition and measurement

The building of a fully owned 31,000 m² logistics center in Aarslev (western part of Aarhus) has been completed with an investment of DKK 173m in the balance sheet. The investment was initiated last financial year. The new logistics center has replaced the previously used logistics centers by the end of 2017. There is still work in progress on finalising the setup of workflows in the logistics center.

When fully operational the new logistics center is estimated to cover 350 - 400 stores and to decrease the logistic cost per store significantly.

Outlook

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

The expectations for the financial year were growth in revenue and profit before tax with 30 - 40%. Financial year 2017/18 has realised a growth above expected. Revenue in 2017/18 is grown by DKK 195m, or 37 % compared to 2017/18, and earnings before tax for the year without profit from sales of properties is grown by 93% compared to last year. This is better than expected

The strategy to develop a larger number of own designs, strong products, effective campaigns, strong retail operation as well as other efforts to even strengthen the position of the Søstrene Grene brand is expected to fuel a continuously strong growth in the future. Especially establishing a strong brand in the new established countries is a focus.

A positive trend in both revenue and profit is expected in the financial year 2018/19. The Management expects revenue to grow within 25 to 40% to approximately DKK 911m to DKK 1,050m and expects the earnings for the year to be DKK 100m to DKK 120m.

Particular risks

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

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

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

Statutory report on corporate social responsibility

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

Management commentary

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

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

Responsible Sourcing Strategy

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

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

The Company prioritises to collaborate with the suppliers on improvements, since this has the most significant effect on working conditions and environmental protection. In case the supplier is not genuinely committed to rectify non-compliances, or if zero tolerance principles as defined in the Supplier Code of Conduct are violated, the cooperation with the supplier will be terminated. In the financial year 2017/2018 three suppliers have been put on temporary standby. At the moment we are still pending receipt of requested documentation to be able to place orders with them again. During the financial year 2017/18 the Company started up a supplier training programme with a comprehensive self-assessment element. The programme has shown promising results in terms of monitoring and improving conditions at the suppliers. The programme will be developed and expanded the coming years.

Climate and Environmental Strategy

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

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

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

Management commentary

Community Involvement Strategy

With an increased size and role in society, Søstrene Grene can create positive changes to vulnerable people.

Danish Red Cross and Søstrene Grene have had a close cooperation for several years. A donation of DKK 1 is given each time a bottle of water is sold in the stores in Denmark and Norway. This year, Søstrene Grene has donated DKK 672k. The coming year the company plans to expand the charity work, so it covers all markets.

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

Statutory report on the underrepresented gender

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

The supreme governing body of Søstrene Grenes Holding ApS is composed of four male and one female board members. During the year a new board member has been appointed, in the recruitment process the best qualified was a man. By the end of 2021, Søstrene Grenes Holding ApS will seek to obtain a ratio of at least 40:60% of the underrepresented gender. This is to be effected through internal as well as external recruitment if there are relevant candidates. This process has already been initiated, which is reflected in the other management bodies in the group.

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.

Income statement for 2017/18

	<u>Notes</u>	<u>2017/18</u> <u>DKK</u>	<u>2016/17</u> <u>DKK</u>
Revenue	1	729,190,974	533,785,587
Other operating income	2	42,091,804	12,600,144
Cost of sales		(473,200,230)	(356,490,761)
Other external expenses		<u>(70,616,238)</u>	<u>(59,509,714)</u>
Gross profit/loss		227,466,310	130,385,256
Staff costs	3	(96,699,156)	(69,940,189)
Depreciation, amortisation and impairment losses	4	(6,783,436)	(4,415,926)
Other operating expenses		<u>(14,894,671)</u>	<u>(13,217,587)</u>
Operating profit/loss		109,089,047	42,811,554
Income from investments in group enterprises		4,463	0
Other financial income	5	2,913,455	2,761,519
Other financial expenses	6	<u>(7,123,303)</u>	<u>(2,980,043)</u>
Profit/loss before tax		104,883,662	42,593,030
Tax on profit/loss for the year	7	<u>(23,135,874)</u>	<u>(9,672,883)</u>
Profit/loss for the year	8	<u>81,747,788</u>	<u>32,920,147</u>

Balance sheet at 30.04.2018

	Notes	2017/18 DKK	2016/17 DKK
Acquired intangible assets		11,227,931	11,537,005
Intangible assets	9	11,227,931	11,537,005
Land and buildings		209,493,073	51,765,558
Other fixtures and fittings, tools and equipment		3,358,334	3,916,617
Leasehold improvements		908,987	651,901
Property, plant and equipment in progress		0	93,600,756
Property, plant and equipment	10	213,760,394	149,934,832
Investments in group enterprises		4,470	7
Receivables from group enterprises		1,765,276	1,679,058
Deposits		9,952,949	10,874,390
Other receivables		6,417,489	6,200,078
Fixed asset investments	11	18,140,184	18,753,533
Fixed assets		243,128,509	180,225,370
Manufactured goods and goods for resale		92,312,989	60,679,176
Prepayments for goods		7,700,615	4,997,555
Inventories		100,013,604	65,676,731
Assets held for sale		0	12,983,841
Trade receivables		37,055,423	23,628,177
Receivables from group enterprises		69,215,909	94,233,093
Receivables from associates		0	255,693
Other receivables		390,816	6,646,854
Prepayments	12	2,981,429	1,353,623
Receivables		109,643,577	126,117,440
Cash		8,571,270	3,111,379
Current assets		218,228,451	207,889,391
Assets		461,356,960	388,114,761

Balance sheet at 30.04.2018

	<u>Notes</u>	<u>2017/18 DKK</u>	<u>2016/17 DKK</u>
Contributed capital		510,000	510,000
Retained earnings		213,962,541	131,994,622
Equity		<u>214,472,541</u>	<u>132,504,622</u>
Deferred tax	13	10,184,000	4,670,000
Provisions		<u>10,184,000</u>	<u>4,670,000</u>
Mortgage debt		114,710,367	28,532,991
Deposits		20,799	20,799
Payables to group enterprises		0	26,406,597
Non-current liabilities other than provisions	14	<u>114,731,166</u>	<u>54,960,387</u>
Current portion of long-term liabilities other than provisions	14	6,811,581	4,555,230
Mortgage debt		0	2,900,487
Bank loans		24,834,548	86,598,964
Convertible and dividend-yielding debt instruments		5,108,598	4,947,764
Trade payables		56,997,493	77,309,041
Payables to group enterprises		0	2,530,757
Payables to associates		23,094	0
Joint taxation contribution payable		15,898,986	8,258,611
Other payables		12,294,953	8,878,898
Current liabilities other than provisions		<u>121,969,253</u>	<u>195,979,752</u>
Liabilities other than provisions		<u>236,700,419</u>	<u>250,940,139</u>
Equity and liabilities		<u>461,356,960</u>	<u>388,114,761</u>
Unrecognised rental and lease commitments	15		
Contingent liabilities	16		
Assets charged and collateral	17		
Related parties with controlling interest	18		
Transactions with related parties	19		

Statement of changes in equity for 2017/18

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	510,000	131,994,622	132,504,622
Fair value adjustments of hedging instruments	0	282,221	282,221
Tax of entries on equity	0	(62,090)	(62,090)
Profit/loss for the year	0	81,747,788	81,747,788
Equity end of year	510,000	213,962,541	214,472,541

Notes

	2017/18	2016/17
	DKK	DKK
1. Revenue		
Denmark	275,213,910	261,332,707
Other Scandinavia	181,161,768	136,580,535
Outside Scandinavia	<u>272,815,296</u>	<u>135,872,345</u>
	<u>729,190,974</u>	<u>533,785,587</u>

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

The Company'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 Company's revenue by geographical area will be of considerable damage to the competitive situation.

2. Other operating income

This year other operating income includes a profit from sale of two of the company's properties totalling DKK 27m.

	2017/18	2016/17
	DKK	DKK
3. Staff costs		
Wages and salaries	84,084,590	62,705,518
Pension costs	7,609,921	4,949,617
Other social security costs	1,226,307	1,012,663
Other staff costs	3,778,338	2,410,391
Staff costs classified as assets	<u>0</u>	<u>(1,138,000)</u>
	<u>96,699,156</u>	<u>69,940,189</u>
Average number of employees	<u>165</u>	<u>123</u>

Notes

	Remunera- tion of manage- ment 2017/18 DKK	Pension liabilities 2017/18 DKK	Remunera- tion of manage- ment 2016/17 DKK	Pension liabilities 2016/17 DKK
Total amount for management categories	3,890,000	140,000	3,625,000	89,000
	<u>3,890,000</u>	<u>140,000</u>	<u>3,625,000</u>	<u>89,000</u>

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

	2017/18 DKK	2016/17 DKK
4. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	4,083,373	2,086,672
Depreciation of property, plant and equipment	<u>2,700,063</u>	<u>2,329,254</u>
	<u>6,783,436</u>	<u>4,415,926</u>

	2017/18 DKK	2016/17 DKK
5. Other financial income		
Financial income arising from group enterprises	1,752,394	1,653,655
Other interest income	<u>1,161,061</u>	<u>1,107,864</u>
	<u>2,913,455</u>	<u>2,761,519</u>

	2017/18 DKK	2016/17 DKK
6. Other financial expenses		
Financial expenses from group enterprises	348,469	1,119,467
Other interest expenses	<u>6,774,834</u>	<u>1,860,576</u>
	<u>7,123,303</u>	<u>2,980,043</u>

Notes

	2017/18	2016/17
	DKK	DKK
7. Tax on profit/loss for the year		
Current tax	17,672,898	8,146,834
Change in deferred tax	5,514,000	1,500,076
Adjustment concerning previous years	(51,024)	25,973
	<u>23,135,874</u>	<u>9,672,883</u>
	2017/18	2016/17
	DKK	DKK
8. Proposed distribution of profit/loss		
Retained earnings	<u>81,747,788</u>	<u>32,920,147</u>
	<u>81,747,788</u>	<u>32,920,147</u>
		Acquired intangible assets DKK
9. Intangible assets		
Cost beginning of year		14,970,599
Additions		<u>3,774,299</u>
Cost end of year		<u>18,744,898</u>
Amortisation and impairment losses beginning of year		(3,433,594)
Amortisation for the year		<u>(4,083,373)</u>
Amortisation and impairment losses end of year		<u>(7,516,967)</u>
Carrying amount end of year		<u>11,227,931</u>

Notes

	Land and buildings DKK	Other fixtures and fittings, tools and equipment DKK	Leasehold improve- ments DKK	Property, plant and equipment in progress DKK
10. Property, plant and equipment				
Cost beginning of year	55,762,678	7,394,347	3,942,646	93,600,756
Transfers	173,289,435	0	0	(173,289,435)
Additions	0	609,124	463,684	79,688,679
Disposals	(14,982,702)	(35,800)	0	0
Cost end of year	214,069,411	7,967,671	4,406,330	0
Depreciation and impairment losses beginning of year	(3,997,120)	(3,477,730)	(3,290,745)	0
Depreciation for the year	(1,330,301)	(1,163,164)	(206,598)	0
Reversal regarding disposals	751,083	31,557	0	0
Depreciation and impairment losses end of year	(4,576,338)	(4,609,337)	(3,497,343)	0
Carrying amount end of year	209,493,073	3,358,334	908,987	0

Notes

	Invest- ments in group enterprises DKK	Receivables from group enterprises DKK	Deposits DKK	Other receivables DKK
11. Fixed asset investments				
Cost beginning of year	7	1,679,058	10,874,390	6,200,078
Additions	0	86,218	160,972	2,452,491
Disposals	0	0	(1,082,413)	(2,235,080)
Cost end of year	7	1,765,276	9,952,949	6,417,489
Share of profit/loss for the year	4,463	0	0	0
Revaluations end of year	4,463	0	0	0
Carrying amount end of year	4,470	1,765,276	9,952,949	6,417,489

	Registered in	Corpo- rate form	Equity inte- rest %
Investments in group enterprises comprise:			
Søstrene Grene Europe B.V.	Holland	B.V.	100.0

12. Prepayments

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

Notes

	2017/18	2016/17
	DKK	DKK
13. Deferred tax		
Intangible assets	2,470,000	2,538,000
Property, plant and equipment	8,930,000	2,158,000
Inventories	(215,000)	0
Receivables	(845,000)	0
Liabilities other than provisions	(156,000)	(26,000)
	10,184,000	4,670,000
Changes during the year		
Beginning of year	4,670,000	
Recognised in the income statement	5,514,000	
End of year	10,184,000	

	Due within 12 months 2017/18 DKK	Due within 12 months 2016/17 DKK	Due after more than 12 months 2017/18 DKK	Outstanding after 5 years DKK
14. Liabilities other than provisions				
Mortgage debt	6,811,581	3,159,329	114,710,367	88,596,141
Deposits	0	0	20,799	0
Payables to group enterprises	0	1,395,901	0	0
	6,811,581	4,555,230	114,731,166	88,596,141

15. Unrecognised rental and lease commitments

Unrecognised rental commitments amount to DKK 150m in 17/18 compared to DKK 156m in 16/17.

Of total rental and lease commitments, the total unrecognised rental commitments amount to DKK 131m. The Company releases the leaseholds and has a corresponding contingent asset at the balance sheet date of DKK 23m.

16. Contingent liabilities

The Company's bank has issued a bank guarantee of DKK 10m for leaseholds at the balance sheet date, payment guarantee for mortgage debt of DKK 35m as well as a guarantee for non-recognised import letters

Notes

of credit with an open balance at the balance sheet date totalling DKK 11m. Additionally, the Company has issued other guarantee of DKK 4m.

The Entity participates in a Danish joint taxation arrangement in which Søstrene Grenes Holding ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable from the financial year 2012/13 for income taxes etc for the jointly taxed companies and from 1 July 2012 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies. The total tax liability for the jointly taxed companies is disclosed in the financial statement of the administration entities.

17. Assets charged and collateral

Mortgage debt is secured by way of mortgage on properties, which amounts to DKK 122m at the balance sheet date. The carrying amount of mortgaged properties amounts to DKK 209m.

Collateral provided for group enterprises

The Entity has provided a joint and several guarantee to Sydbank for the sister subsidiary Søstrene Grenes Handelskompagnie A/S and the parent Søstrene Grenes Holding ApS. The bank debt amounts to DKK 33m at the balance sheet date.

18. Related parties with controlling interest

Søstrene Grenes Holding ApS, Aarhus C, wholly owns the shares of the Entity and thus has control over the Entity.

19. Transactions with related parties

Only related party transactions not conducted on an arm's length basis are disclosed in the annual report. No such transactions have been conducted in the financial year.

Accounting policies

Reporting class

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

The accounting policies applied to these financial statements are consistent with those applied last year apart from a few reclassifications.

Fees to auditors appointed by the Annual General Meeting

Referring to S. 96(3) of the Danish Financial Statements Act, the fee to the auditors appointed by the Annual General Meeting has not been disclosed. See the consolidated financial statements of Søstrene Grenes Holding A/S showing the group audit fee.

Consolidated financial statements

Referring to S. 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

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.

Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value.

Derivative financial instruments are recognised under other receivables or other payables.

Accounting policies

Income statement

Revenue

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

Other operating income

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

Cost of sales

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

Other external expenses

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

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

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, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Other operating expenses

Other operating expenses comprise expenses of a secondary nature as viewed in relation to the Entity's primary activities, including loss from 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, as well as tax relief under the Danish Tax Prepayment Scheme etc.

Accounting policies

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 as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

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

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

Balance sheet

Intellectual property rights etc

Intellectual property rights etc comprise acquired intellectual property rights and prepayments for intangible assets.

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, leasehold improvements as well as 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.

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.

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

Accounting policies

Estimated useful lives and residual values are reassessed annually.

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

Investments in group enterprises

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

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 under equity.

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.

Assets held for sale

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

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

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.

Accounting policies

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.

Mortgage debt

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

Operating leases

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

Other financial liabilities

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

Joint taxation contributions payable or receivable

Current joint taxation contributions receivable or joint taxation contributions payable are recognised in the balance sheet, calculated as tax computed on the taxable income of the year, which has been 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.

Cash flow statement

The Company has omitted to prepare a cash flow statement in accordance with S. 86 of the Danish Financial Statements Act, as this is included in the consolidated financial statements.