

**Søstrene Grenes Import
A/S**

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

**Annual report
01.05.2018 -
30.04.2019**

The Annual General Meeting adopted the annual report on 12.09.2019

Chairman of the General Meeting

Name: Lasse Søndergaard Christensen

Contents

	<u>Page</u>
Entity details	1
Statement by Management on the annual report	2
Independent auditor's report	3
Management commentary	6
Income statement for 2018/19	12
Balance sheet at 30.04.2019	13
Statement of changes in equity for 2018/19	17
Notes	18
Accounting policies	25

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: 01.05.2018 - 30.04.2019

Website: www.sostrenegrene.com

Board of Directors

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

Executive Board

Mikkel Vaupell Grene

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 01.05.2018 - 30.04.2019.

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 30.04.2019 and of the results of its operations for the financial year 01.05.2018 - 30.04.2019.

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, 12.09.2019

Executive Board

Mikkel Vaupell Grene

Board of Directors

Lasse Søndergaard
Christensen

Inger Grene

Mikkel Vaupell Grene

Cresten 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 01.05.2018 - 30.04.2019, 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 30.04.2019 and of the results of its operations for the financial year 01.05.2018 - 30.04.2019 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, 12.09.2019

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

	2018/19	2017/18	2016/17	2015/16	2014/15
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Financial highlights					
Key figures					
Revenue	864.856	729.191	533.786	411.308	304.931
Gross profit/loss	243.262	227.466	130.385	107.613	79.317
Operating profit/loss	98.192	109.089	42.812	47.112	32.923
Net financials	848	(4.205)	(219)	(1.245)	(476)
Profit/loss for the year	77.050	81.748	32.920	35.478	24.776
Total assets	644.974	461.357	388.115	231.013	162.678
Investments in property, plant and equipment	24.171	80.761	94.965	4.578	2.068
Equity	295.967	214.473	132.505	99.188	69.327
Ratios					
Return on equity (%)	30,2	47,1	28,4	42,1	42,8
Equity ratio (%)	45,9	46,5	34,1	42,9	42,6

Financial highlights are defined and calculated in accordance with current "Recommendations & Ratios" 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.

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 3.4 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 positive response from customers and partners on all markets. In the financial year, a growth in revenue of almost 19% was generated boosted by the opening of new stores. 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 2019 shows a gross profit growing from DKK 227m to DKK 243m. This years gross profit is impacted by write downs of inventory of DKK 12m. Last years gross profit included profit from sales of property of DKK 26m. The profit before tax shows an decrease from DKK 105m to DKK 99m. The decrease is a result of above mentioned impact on gross profit and the investment in more staff members in the head office and to create the foundation for future growth and development.

Operating income shows a profit of DKK 98m. This is higher than last years normalized Operating income (excluding profit from sales of property) of DKK 83m.

Unusual circumstances affecting recognition and measurement

No unusual circumstances has taken place.

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 as well adding new revenue streams and services with a new omnichannel business model and a major digital transformation of the business.

The expectations for the financial year were growth in revenue and profit before tax with 25 - 40%. The Financial year 2018/19 has realised a growth just below expected. Revenue in 2018/19 is grown by DKK

Management commentary

136m, or 19% compared to 2017/18, and earnings before tax for the year without profit from sales of properties is grown by 27% compared to last year. This is in line with the expectations, and is considered by Management to be a good result.

The strategy to develop an even stronger culture, even more relevant and unique products, even more inviting and differentiating retail experience, new business channels, further digitalisation of the business and increased focus on sustainability as well as other efforts to even strengthen the position of the Søstrene Grene brand is expected to fuel a continuously strong growth in the future.

A positive trend in revenue is expected in the financial year 2019/20. The Management expects revenue to grow within 5 to 15% to approximately DKK 900m to DKK 1,000m and expects the earnings for the year to be DKK 50m to DKK 70m. The lower expected result includes the investments in organizational resources and a new IT infrastructure for the new omnichannel business and further digitalisation of the business. Investments that are expected to bring increased revenue and earnings in the years to come.

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 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 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.

Søstrene Grene is a family-owned company with strong positive 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 a "Responsible Sourcing Strategy", a "Climate and Environmental Strategy" and a "Community Involvement Strategy" with policies defined for each of the areas.

Management commentary

Responsible Sourcing Strategy

The majority of Søstrene Grene's product range is produced in Asian countries. From a risk perspective the main risk factors are: risk of human rights and labor right violations, unsafe working environment, environmental issues. 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 fiscal year 2018/2019 the activity in this field have been, as follows:

More than 70 suppliers have been audited in China, India and Vietnam. 4 audits have revealed Zero Tolerance concerns, status at the time of writing is as follows:

We have had to stop doing business with one supplier. One supplier is on Stand-by at the moment. We are pending documentation showing that the concerns have been corrected. Two suppliers have documented that the Zero Tolerance concerns have been corrected, so we have been able to place orders with them again.

Our supplier training program have been continued and expanded during the fiscal year. This effort is showing promising results, especially in terms of better dialogue with the suppliers resulting in a better overview of what steps needs to be taken to get even better results in the future. Our plan is to integrate and increase supplier training in our work with Social Compliance even more in 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.

From a risk perspective the main risk factors are the energy consumption, CO2 emissions, and emissions related to production of procured products.

Our policy is to include as many products as possible that are labelled with an environmental mark e.g. FSC, Organic, Fair Trade, Vegan, Svanemærket, GOTS and Økotex.

Management commentary

Søstrene Grene has a chain of custody certification under Forest Stewardship Council (FSC). FSC is a world-wide NGO which ensures that forests around the world are managed in a responsible and sustainable way. In some key areas: Paper Products, Wooden Furniture and Artist Materials 100% of the products Søstrene Grene sells are produced from FSC certified materials. The share of FSC certified products has been increased in the relevant product categories. It is our ambition to increase the percentage of FSC certified products even more in some categories like kitchen products and toys. We are slowly but surely increasing the number FSC certified products in above categories, but still have work to do before we reach our goal.

During the financial year, we have started developing a global sustainability strategy. We have taken the first steps to develop a comprehensive policy for the use of plastic in our product range, but also in product packaging and transport packaging. Our ambition is to reduce our use of plastic significantly in the coming years. The sustainability strategy will also include a plan to reduce the use of transport packaging: cardboard, paper, plastic etc. The first steps to reduce unnecessary packaging was taken a few years ago by improving the packaging instructions to our suppliers. So far this have resulted in a limited reduction only, so we are developing a comprehensive plan to reduce unnecessary packaging. in the coming years.

When it comes to Sea Transport we have reduced our CO2 footprint by using a forwarder with great attention to this issue – according to their calculations we have saved at least 521 tonnes of CO2 during the fiscal year compared to industry average according to Mærsk certificate.

This fiscal year is the first in our newly built HQ and logistics center. The move to new energy efficient buildings have resulted in a reduction of energy consumption pr. Employee. As an integral part of our sustainability work we will keep looking for ways to reduce energy consumption in the coming years.

Anti Corruption and Bribery

Søstrene Grene has a non-tolerance policy towards corruption and bribery by always acting fairly, professionally and with integrity. It is a policy that employees are made aware of through introductory training and continuous awareness raising. 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.

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 454k. 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.

Management commentary

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 Import ApS is composed of four male and one female board members. By the end of 2021, Søstrene Grenes Import 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. Here the split is 42:58%

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 2018/19

	<u>Notes</u>	<u>2018/19 DKK</u>	<u>2017/18 DKK</u>
Revenue	1	864.855.548	729.190.974
Other operating income	2	20.719.634	42.091.804
Cost of sales		(549.416.115)	(473.200.230)
Other external expenses		<u>(92.897.383)</u>	<u>(70.616.238)</u>
Gross profit/loss		243.261.684	227.466.310
Staff costs	3	(120.754.759)	(96.699.156)
Depreciation, amortisation and impairment losses	4	(10.322.714)	(6.783.436)
Other operating expenses		<u>(13.992.302)</u>	<u>(14.894.671)</u>
Operating profit/loss		98.191.909	109.089.047
Income from investments in group enterprises		(102.246)	4.463
Other financial income	5	4.793.381	2.913.455
Other financial expenses	6	<u>(3.843.185)</u>	<u>(7.123.303)</u>
Profit/loss before tax		99.039.859	104.883.662
Tax on profit/loss for the year	7	<u>(21.990.129)</u>	<u>(23.135.874)</u>
Profit/loss for the year	8	<u>77.049.730</u>	<u>81.747.788</u>

Balance sheet at 30.04.2019

	<u>Notes</u>	<u>2018/19 DKK</u>	<u>2017/18 DKK</u>
Acquired intangible assets		13.459.667	11.227.931
Intangible assets	9	<u>13.459.667</u>	<u>11.227.931</u>
Land and buildings		208.443.942	209.493.073
Other fixtures and fittings, tools and equipment		22.372.368	3.358.334
Leasehold improvements		1.180.070	908.987
Property, plant and equipment	10	<u>231.996.380</u>	<u>213.760.394</u>
Investments in group enterprises		955.654	4.470
Receivables from group enterprises		1.856.083	1.765.276
Deposits		8.359.508	9.952.949
Other receivables		4.959.433	6.417.489
Fixed asset investments	11	<u>16.130.678</u>	<u>18.140.184</u>
Fixed assets		<u>261.586.725</u>	<u>243.128.509</u>
Manufactured goods and goods for resale		126.091.331	92.312.989
Prepayments for goods		9.396.602	7.700.615
Inventories		<u>135.487.933</u>	<u>100.013.604</u>
Trade receivables		81.981.888	37.055.423
Receivables from group enterprises		148.639.199	69.215.909
Other receivables		10.759.500	390.816
Prepayments	12	5.654.038	2.981.429
Receivables		<u>247.034.625</u>	<u>109.643.577</u>
Cash		<u>864.359</u>	<u>8.571.270</u>
Current assets		<u>383.386.917</u>	<u>218.228.451</u>
Assets		<u>644.973.642</u>	<u>461.356.960</u>

Balance sheet at 30.04.2019

	<u>Notes</u>	<u>2018/19</u> <u>DKK</u>	<u>2017/18</u> <u>DKK</u>
Contributed capital		510.000	510.000
Retained earnings		277.457.282	213.962.541
Proposed dividend		18.000.000	0
Equity		295.967.282	214.472.541
Deferred tax	13	9.725.000	10.184.000
Provisions		9.725.000	10.184.000
Mortgage debt		101.996.728	114.710.367
Bank loans		18.275.000	0
Finance lease liabilities		21.065.733	0
Deposits		8.500	20.799
Non-current liabilities other than provisions	14	141.345.961	114.731.166
Current portion of long-term liabilities other than provisions	14	18.926.883	6.811.581
Bank loans		88.882.902	24.834.548
Convertible and dividend-yielding debt instruments		5.305.977	5.108.598
Trade payables		43.994.913	56.997.493
Payables to group enterprises		521.304	0
Payables to associates		0	23.094
Joint taxation contribution payable		23.702.849	15.898.986
Other payables		16.600.571	12.294.953
Current liabilities other than provisions		197.935.399	121.969.253
Liabilities other than provisions		339.281.360	236.700.419
Equity and liabilities		644.973.642	461.356.960
Financial instruments	15		
Unrecognised rental and lease commitments	16		
Contingent liabilities	17		
Assets charged and collateral	18		
Related parties with controlling interest	19		
Transactions with related parties	20		

Statement of changes in equity for 2018/19

	Contributed capital DKK	Retained earnings DKK	Proposed dividend DKK	Total DKK
Equity beginning of year	510.000	213.962.541	0	214.472.541
Fair value adjustments of hedging instruments	0	5.698.727	0	5.698.727
Tax of entries on equity	0	(1.253.716)	0	(1.253.716)
Profit/loss for the year	0	59.049.730	18.000.000	77.049.730
Equity end of year	510.000	277.457.282	18.000.000	295.967.282

Notes

	2018/19	2017/18
	DKK	DKK
1. Revenue		
Nordic	433.274.877	455.911.262
DACH and Benelux	220.179.461	133.517.151
Southern Europe	174.206.627	108.854.193
UK and Asia	37.194.583	30.908.368
	864.855.548	729.190.974

The Group's segments comprise business areas and geographical markets. DACH consist of Germany, Switzerland, Austria and Benelux, Nordic consist of Denmark, Norway, Sweden, Iceland and Faroe Islands, Southern Europe consist of Spain and France.

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

2. Other operating income

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

	2018/19	2017/18
	DKK	DKK
3. Staff costs		
Wages and salaries	103.467.541	84.084.590
Pension costs	10.877.163	7.609.921
Other social security costs	1.770.696	1.226.307
Other staff costs	4.639.359	3.778.338
	120.754.759	96.699.156
 Average number of employees	 206	 165

Notes

	Remunera- tion of manage- ment 2018/19 DKK	Pension liabilities 2018/19 DKK	Remunera- tion of manage- ment 2017/18 DKK	Pension liabilities 2017/18 DKK
Total amount for management categories	<u>4.510.000</u>	<u>157.000</u>	<u>3.890.000</u>	<u>140.000</u>
	<u>4.510.000</u>	<u>157.000</u>	<u>3.890.000</u>	<u>140.000</u>

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

	2018/19 DKK	2017/18 DKK
4. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	4.730.175	4.083.373
Depreciation of property, plant and equipment	<u>5.592.539</u>	<u>2.700.063</u>
	<u>10.322.714</u>	<u>6.783.436</u>

	2018/19 DKK	2017/18 DKK
5. Other financial income		
Financial income arising from group enterprises	2.249.952	1.752.394
Other interest income	<u>2.543.429</u>	<u>1.161.061</u>
	<u>4.793.381</u>	<u>2.913.455</u>

	2018/19 DKK	2017/18 DKK
6. Other financial expenses		
Financial expenses from group enterprises	14.783	348.469
Other interest expenses	<u>3.828.402</u>	<u>6.774.834</u>
	<u>3.843.185</u>	<u>7.123.303</u>

Notes

	2018/19	2017/18
	DKK	DKK
7. Tax on profit/loss for the year		
Current tax	22.449.129	17.672.898
Change in deferred tax	(459.000)	5.514.000
Adjustment concerning previous years	0	(51.024)
	21.990.129	23.135.874

	2018/19	2017/18
	DKK	DKK
8. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	18.000.000	0
Retained earnings	59.049.730	81.747.788
	77.049.730	81.747.788

	Acquired intangible assets DKK
9. Intangible assets	
Cost beginning of year	18.744.898
Additions	6.961.911
Cost end of year	25.706.809
Amortisation and impairment losses beginning of year	(7.516.967)
Amortisation for the year	(4.730.175)
Amortisation and impairment losses end of year	(12.247.142)
Carrying amount end of year	13.459.667

Notes

	Land and buildings DKK	Other fixtures and fittings, tools and equipment DKK	Leasehold improve- ments DKK
10. Property, plant and equipment			
Cost beginning of year	214.069.411	7.967.671	4.406.330
Additions	937.686	22.649.402	583.540
Disposals	0	(780.000)	0
Cost end of year	215.007.097	29.837.073	4.989.870
Depreciation and impairment losses beginning of year	(4.576.338)	(4.609.337)	(3.497.343)
Depreciation for the year	(1.986.817)	(3.293.265)	(312.457)
Reversal regarding disposals	0	437.897	0
Depreciation and impairment losses end of year	(6.563.155)	(7.464.705)	(3.809.800)
Carrying amount end of year	208.443.942	22.372.368	1.180.070
Recognised assets not owned by entity	-	19.289.768	-

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	1.765.276	9.952.949	6.417.489
Exchange rate adjustments	10.813	0	0	0
Additions	1.042.608	90.807	215.122	937.785
Disposals	0	0	(1.808.563)	(2.395.841)
Cost end of year	1.053.428	1.856.083	8.359.508	4.959.433
Revaluations beginning of year	4.463	0	0	0
Exchange rate adjustments	9	0	0	0
Share of profit/loss for the year	(102.246)	0	0	0
Revaluations end of year	(97.774)	0	0	0
Carrying amount end of year	955.654	1.856.083	8.359.508	4.959.433

	<u>Registered in</u>	<u>Corpo- rate form</u>	<u>Equity inte- rest %</u>
Investments in group enterprises comprise:			
Søstrene Grene Europe B.V.	Holland	B.V.	100,0
Søstrene Grene Trading (Shanghai) Co., Ltd.	Shanghai	Limited	100,0

12. Prepayments

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

Notes

	2018/19	2017/18
	DKK	DKK
13. Deferred tax		
Intangible assets	2.961.000	2.470.000
Property, plant and equipment	10.069.000	8.930.000
Inventories	(2.041.000)	(215.000)
Receivables	(1.114.000)	(845.000)
Liabilities other than provisions	(150.000)	(156.000)
	9.725.000	10.184.000

Changes during the year

Beginning of year	10.184.000
Recognised in the income statement	(459.000)
End of year	9.725.000

	Due within 12 months 2018/19 DKK	Due within 12 months 2017/18 DKK	Due after more than 12 months 2018/19 DKK	Outstanding after 5 years DKK
14. Liabilities other than provisions				
Mortgage debt	12.838.557	6.811.581	101.996.728	91.980.189
Bank loans	2.150.000	0	18.275.000	9.675.000
Finance lease liabilities	3.938.326	0	21.065.733	3.412.272
Deposits	0	0	8.500	0
	18.926.883	6.811.581	141.345.961	105.067.461

15. Financial instruments

Other receivables include a positive fair value of the forward exchange contracts of DKK 5,699k. The forward exchange contracts have been acquired to hedge the foreign currency risk of trade payables in USD. 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 0-12 months. The forward exchange contracts have been entered into the Company's usual bank.

16. Unrecognised rental and lease commitments

Unrecognised rental commitments amount to DKK 106m in 18/19 compared to DKK 150m in 17/18.

Notes

Of total rental and lease commitments, the total unrecognised rental commitments amount to DKK 100m. The Company releases the leaseholds and has a corresponding contingent asset at the balance sheet date of DKK 6m.

17. Contingent liabilities

The Company's bank has issued a bank guarantee of DKK 10m for leaseholds at the balance sheet date, as well as a guarantee for non-recognised import letters of credit with an open balance at the balance sheet date totalling DKK 1m. 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.

18. Assets charged and collateral

Mortgage debt is secured by way of mortgage on properties, which amounts to DKK 117m at the balance sheet date. The carrying amount of mortgaged properties amounts to DKK 208m.

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 110m at the balance sheet date.

19. 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.

20. 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 ApS 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.

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.

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.

Finance 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.

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.