

Søstrene Grenes Import A/S

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

Annual report 01.05.2022 - 30.04.2023

The Annual General Meeting adopted the annual
report on 06.09.2023

Lasse Skaarup Christensen
Chairman of the General Meeting

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Entity details

Entity

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

Business Registration No.: 76220115
Registered office: Aarhus
Financial year: 01.05.2022 - 30.04.2023

Board of Directors

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

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 01.05.2022 - 30.04.2023.

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 30.04.2023 and of the results of its operations for the financial year 01.05.2022 - 30.04.2023.

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, 06.09.2023

Executive Board

Mikkel Vaupell Grene

Cresten Vaupell Grene

Board of Directors

Lasse Skaarup Christensen

Kurt Hedegaard Carstensen

Karen Sofie Hansen-Hoeck

Mikkel Vaupell Grene

Cresten Vaupell Grene

Independent auditor's report

To the shareholder of Søstrene Grenes Import A/S

Opinion

We have audited the financial statements of Søstrene Grenes Import A/S for the financial year 01.05.2022 - 30.04.2023, 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 30.04.2023 and of the results of its operations for the financial year 01.05.2022 - 30.04.2023 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 for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the 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:

- 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.

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, 06.09.2023

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

	2022/23	2021/22	2020/21	2019/20	2018/19
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Key figures					
Revenue	1,287,376	1,188,357	881,612	776,402	864,856
Gross profit/loss	391,662	377,690	262,840	151,248	243,262
Operating profit/loss	148,746	161,729	84,713	(13,908)	98,194
Net financials	9,036	5,172	(1,742)	3,096	848
Profit before tax	158,172	167,183	83,434	(10,493)	99,040
Profit/loss for the year	123,686	130,388	64,937	(6,920)	77,052
Total assets	703,876	793,683	705,691	687,615	644,975
Investments in property, plant and equipment	6,954	7,047	2,100	5,912	24,171
Equity	356,633	441,259	324,856	293,698	295,968
Ratios					
Return on equity (%)	31.00	34.04	21.00	(2.35)	30.19
Equity ratio (%)	50.55	55.17	46.00	42.80	45.90

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

Financial highlights for 2019/20 to 2022/23 are not comparable to previous years, due to merger between Søstrene Grenes Import A/S and Søstrene Grenes Handelskompagnie A/S.

Return on equity (%):

Profit/loss for the year * 100

Average equity

Equity ratio (%):

Equity * 100

Total assets

THE WONDERFUL WORLD OF ANNA & CLARA

The wonderful tale of Søstrene Grene began in the late summer of 1973, in Aarhus, Denmark. It is the story of the two elderly sisters, Anna and Clara Grene, who diligently work to create slight, bright differences to everyday life.

Søstrene Grene is a chain of retail stores where a truly special atmosphere exists. Walking into one of these stores is meant to feel like entering an oasis where, at least for a while, shoppers can take a break from the hectic pace of everyday life. By doing this, Søstrene Grene seeks out to set the stage for wonderful experiences and joyful moments. Experiences that encourage people to explore and to let their imagination run free.

With great passion, Søstrene Grene develops new designs within their product categories. The stores receive a wealth of new products every week, and many of these items are only sold for a short period of time. Common to all products is an elegant and feminine expression that brings beauty to everyday life, and the prices are always kept at a very reasonable level. In every respect, Søstrene Grene is based on strong values, as a family owned and operated company with a unique culture called "the Sister Spirit".

Today Søstrene Grene is still managed from the head office in Aarhus, Denmark, where it all began with the first store opening. Welcome to Anna and Clara´s wonderful world.

Aarhus, 6 September 2023

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.

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

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

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

Søstrene Grene has more than 5.2 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 developed and refined the concept and assortment while expanding into new areas with a very positive response from customers in all markets. We have gradually restarted the expansion strategy opening stores in the existing markets and the like for like stores are showing satisfying developments in the results. The digitalisation of the business model in Søstrene Grene has also continued. From a customer perspective this is seen in the Søstrene Grene App available as well as in the continued development of the webshop. Internally we are focusing on improving our value chain in several areas.

The result for the year is a lower than last years record result. Still the result is the second-best result in the history of Søstrene Grene and the management considers the result very satisfying.

Profit/loss for the year in relation to expected developments

Revenue for the year has increased from DKK 1,188m to DKK 1,287m, and it is the highest revenue in a year in the history of Søstrene Grene Import ApS. The income statement for the financial year ending 30 April 2023 shows a gross profit increasing from DKK 377m to DKK 392m. The profit before tax shows a decrease from DKK 167m to DKK 158m. The decrease was expected due to a normalization of the result after last years very strong performance.

Operating profit is DKK 148m compared to 2021/22 when operating profit was DKK 162m. This is the second best financial performance in the history of Søstrene Grene and is considered to be satisfactory.

The balance sheet shows an equity of DKK 357m (30 April 2022: DKK 441m).

Unusual circumstances affecting recognition and measurement

There have been no unusual circumstances in the year.

Outlook

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

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

The expectations for the financial year were a growth in revenue of 5 - 15% to DKK 1,250m – DKK 1,375m. The financial year 2022/23 has realised an increase in revenue of DKK 106m, or 6%. The increase is in the lower end of expectations and is considered satisfactory.

Management expects the revenue in 2022/23 to increase in the range of 11% to 20% to approximately DKK 1,425m to DKK 1,550m. The expectation is based on organic growth opening of new stores and expanding the webshop to new markets.

Earnings before tax for the year 2023/24 are expected to be in the range of DKK 140m to DKK 160m. Further investments in organisational resources, a new IT infrastructure for the expanding omnichannel business and further digitalisation of the business are planned as well as increased efforts in marketing. Investments that are expected to bring increased revenue and earnings in the years to come.

Material assumptions and uncertainties

The exact number of new stores cannot be predicted since it depends on timing of opening and availability of suitable locations.

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

There 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 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. 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

Reference is made to the consolidated and parent-company financial statements of Søstrene Grenes Holding ApS, Danish Central Business Registration no. 35140328, which include a report on the Søstrene Grene Group's social responsibility.

Statutory report on the underrepresented gender

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

The supreme governing body of Søstrene Grenes Import A/S is composed of four male board members and one female. By the end of 2024, Søstrene Grenes Import A/S 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.

The split of the gender representation for management bodies in the company is currently women 59% and men 41% . Persons of both genders are being recruited to management positions internally or externally based on qualifications.

Even though competences do always come first in the selection of resources to management positions, Søstrene Grene strives to offer equal possibilities for men and women on the management level. With more male owners within the Group, it is a challenge to change the ratios from day to day in the top management, but the overall goal is to give equal possibilities and access to management positions to both genders.

Statutory report on data ethics policy

Reference is made to the consolidated and parent-company financial statements of Søstrene Grenes Holding ApS, Danish Central Business Registration no. 35140328, which include a report on the Søstrene Grene Group's data ethics policy.

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 2022/23

	Notes	2022/23 DKK'000	2021/22 DKK '000
Revenue	2	1,287,376	1,188,357
Other operating income	3	23,370	18,510
Cost of sales		(755,849)	(676,301)
Other external expenses		(163,235)	(152,876)
Gross profit/loss		391,662	377,690
Staff costs	4	(207,916)	(191,906)
Depreciation, amortisation and impairment losses	5	(22,696)	(17,139)
Other operating expenses		(12,304)	(6,916)
Operating profit/loss		148,746	161,729
Income from investments in group enterprises		390	282
Other financial income	6	23,097	17,225
Other financial expenses	7	(14,061)	(12,053)
Profit/loss before tax		158,172	167,183
Tax on profit/loss for the year	8	(34,486)	(36,795)
Profit/loss for the year	9	123,686	130,388

Balance sheet at 30.04.2023

Assets

	Notes	2022/23 DKK'000	2021/22 DKK'000
Acquired intangible assets		38,006	34,560
Intangible assets	10	38,006	34,560
Land and buildings		205,769	207,991
Other fixtures and fittings, tools and equipment		16,449	15,635
Leasehold improvements		1,179	1,295
Property, plant and equipment	11	223,397	224,921
Investments in group enterprises		2,392	2,141
Receivables from group enterprises		0	97
Deposits		8,585	6,688
Other receivables		1,315	2,083
Financial assets	12	12,292	11,009
Fixed assets		273,695	270,490
Manufactured goods and goods for resale		164,327	168,123
Inventories		164,327	168,123
Trade receivables		22,656	23,039
Receivables from group enterprises		92,745	192,739
Other receivables		71,257	48,121
Prepayments	13	11,482	8,037
Receivables		198,140	271,936
Cash		67,714	83,134
Current assets		430,181	523,193
Assets		703,876	793,683

Equity and liabilities

	Notes	2022/23 DKK'000	2021/22 DKK'000
Contributed capital		510	510
Reserve for fair value adjustments of hedging instruments		(4,438)	10,852
Retained earnings		235,561	229,897
Proposed dividend		125,000	200,000
Equity		356,633	441,259
Deferred tax	14	15,484	12,976
Provisions		15,484	12,976
Mortgage debt		79,073	95,449
Bank loans		10,213	12,363
Lease liabilities		16,487	14,095
Other payables		8,350	8,209
Non-current liabilities other than provisions	15	114,123	130,116
Current portion of non-current liabilities other than provisions	15	13,867	15,195
Bank loans		622	508
Trade payables		152,926	142,062
Payables to group enterprises		813	1,513
Joint taxation contribution payable		25,936	15,747
Other payables		23,472	34,307
Current liabilities other than provisions		217,636	209,332
Liabilities other than provisions		331,759	339,448
Equity and liabilities		703,876	793,683
Events after the balance sheet date	1		
Financial instruments	16		
Unrecognised rental and lease commitments	17		
Contingent liabilities	18		
Assets charged and collateral	19		
Related parties with controlling interest	20		
Transactions with related parties	21		
Group relations	22		

Statement of changes in equity for 2022/23

	Contributed capital DKK'000	Reserve for fair value adjustments of hedging instruments DKK'000	Retained earnings DKK'000	Proposed dividend DKK'000	Total DKK'000
Equity beginning of year	510	10,852	229,897	200,000	441,259
Ordinary dividend paid	0	0	0	(200,000)	(200,000)
Fair value adjustments of hedging instruments	0	(19,603)	0	0	(19,603)
Other entries on equity	0	0	6,978	0	6,978
Tax of entries on equity	0	4,313	0	0	4,313
Profit/loss for the year	0	0	(1,314)	125,000	123,686
Equity end of year	510	(4,438)	235,561	125,000	356,633

Notes

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

	2022/23	2021/22
	DKK'000	DKK'000
Nordic	549,688	551,433
DACH and Benelux	447,152	383,983
Southern Europe	229,111	205,467
British Isles	61,425	47,474
Total revenue by geographical market	1,287,376	1,188,357

3 Other operating income

Other operating income consist of sale of software, consulting work in connection with design of shops, accounting fees and compensation received from the wage support schemes established as a result of the outbreak and spread of Covid-19 with DKK 0 in 2022/23 (2021/22: DKK 1,358 t.kr.).

4 Staff costs

	2022/23	2021/22
	DKK'000	DKK'000
Wages and salaries	170,251	174,120
Pension costs	17,713	17,045
Other social security costs	3,953	3,906
Other staff costs	15,999	(3,165)
	207,916	191,906
Average number of full-time employees	366	360

	Remuneration of Management 2022/23 DKK'000	Remuneration of Management 2021/22 DKK'000
Executive Board	5,827	5,672
Board of Directors	106	106
	5,933	5,778

5 Depreciation, amortisation and impairment losses

	2022/23 DKK'000	2021/22 DKK'000
Amortisation of intangible assets	14,312	10,528
Depreciation of property, plant and equipment	8,384	6,534
Profit/loss from sale of intangible assets and property, plant and equipment	0	77
	22,696	17,139

6 Other financial income

	2022/23 DKK'000	2021/22 DKK'000
Financial income from group enterprises	3,326	4,876
Other interest income	1,259	870
Exchange rate adjustments	5,366	11,479
Other financial income	13,146	0
	23,097	17,225

7 Other financial expenses

	2022/23 DKK'000	2021/22 DKK'000
Other interest expenses	14,061	12,053
	14,061	12,053

8 Tax on profit/loss for the year

	2022/23 DKK'000	2021/22 DKK'000
Current tax	31,978	34,754
Change in deferred tax	2,508	2,041
	34,486	36,795

9 Proposed distribution of profit and loss

	2022/23	2021/22
	DKK'000	DKK'000
Ordinary dividend for the financial year	125,000	200,000
Retained earnings	(1,314)	(69,612)
	123,686	130,388

10 Intangible assets

	Acquired intangible assets DKK'000
Cost beginning of year	72,641
Additions	17,758
Disposals	(2,233)
Cost end of year	88,166
Amortisation and impairment losses beginning of year	(38,081)
Amortisation for the year	(14,312)
Reversal regarding disposals	2,233
Amortisation and impairment losses end of year	(50,160)
Carrying amount end of year	38,006

11 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	220,773	33,720	3,941
Transfers	0	0	(95)
Additions	0	6,736	218
Disposals	0	(308)	(816)
Cost end of year	220,773	40,148	3,248
Depreciation and impairment losses beginning of year	(12,782)	(18,085)	(2,646)
Transfers	0	0	95
Depreciation for the year	(2,222)	(5,828)	(334)
Reversal regarding disposals	0	214	816
Depreciation and impairment losses end of year	(15,004)	(23,699)	(2,069)
Carrying amount end of year	205,769	16,449	1,179
Recognised assets not owned by entity	0	12,785	0

12 Financial assets

	Investments in group enterprises DKK'000	Receivables from group enterprises DKK'000	Deposits DKK'000	Other receivables DKK'000
Cost beginning of year	1,142	97	6,688	2,083
Exchange rate adjustments	(97)	0	0	0
Additions	0	0	1,923	0
Disposals	0	(97)	(26)	(768)
Cost end of year	1,045	0	8,585	1,315
Revaluations beginning of year	999	0	0	0
Exchange rate adjustments	(42)	0	0	0
Share of profit/loss for the year	405	0	0	0
Other adjustments	(15)	0	0	0
Revaluations end of year	1,347	0	0	0
Carrying amount end of year	2,392	0	8,585	1,315

Investments in subsidiaries	Registered in	Corporate form	Equity interest %
Søstrene Grene Europe B.V.	The Netherlands	B.V.	100
Søstrene Grene Trading (Shanghai) Co., Ltd.	China	Co. Ltd.	100

13 Prepayments

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

14 Deferred tax

	2022/23	2021/22
	DKK'000	DKK'000
Intangible assets	8,362	7,702
Property, plant and equipment	12,192	10,996
Inventories	(2,029)	(2,702)
Receivables	(3,031)	(2,591)
Liabilities other than provisions	(10)	(429)
Deferred tax	15,484	12,976

	2022/23	2021/22
	DKK'000	DKK'000
Changes during the year		
Beginning of year	12,976	10,935
Recognised in the income statement	2,508	2,041
End of year	15,484	12,976

15 Non-current liabilities other than provisions

	Due within 12	Due within 12	Due after	Outstanding
	months	months	more than 12	after 5 years
	2022/23	2021/22	2022/23	2022/23
	DKK'000	DKK'000	DKK'000	DKK'000
Mortgage debt	4,218	6,665	79,073	62,106
Bank loans	2,150	2,150	10,213	1,612
Lease liabilities	7,499	6,380	16,487	4,164
Other payables	0	0	8,350	0
	13,867	15,195	114,123	67,882

16 Financial instruments

Other payables include a positive fair value of forward exchange contracts of DKK 5,690k (2021/22: other receivables DKK 13,910k). The forward exchange contracts have been entered into to hedge the foreign currency risk of trade payables in USD total 17,000k. The exchange loss has been set off against the value adjustment of the hedged liabilities in the income statement. The forward exchange contracts have a term of 2-12 months. The forward contracts have been entered into with the Company's usual bank.

17 Unrecognised rental and lease commitments

Unrecognised rental and lease commitments amount to DKK 111m in 2022/23 compared to DKK 60m in 2021/22.

Of total rental and lease commitments, the total unrecognised rental commitments amounts to DKK 6m and unrecognised lease commitments amounts to 6m.

The Company releases the leaseholds and has a corresponding contingent asset at the balance sheet date of DKK 21m.

18 Contingent liabilities

The Company's bank has issued a bank guarantee of DKK 3m for leaseholds at the balance sheet date, as well as other guarantee of DKK 5m.

The Entity participates in a Danish joint taxation arrangement where 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.

19 Assets charged and collateral

Mortgage debt is secured by way of mortgage on properties, which amounts to DKK 83m at the balance sheet date. The carrying amount of mortgaged properties amounts to DKK 206m.

Collateral provided for group enterprises

The Entity has provided a joint and several guarantee to Sydbank for the parent Søstrene Grenes Holding ApS. The bank debt amounts to DKK 0m at the balance sheet date.

20 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.

21 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.

22 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
Søstrene Grenes Holding ApS, Aarhus C.

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.

Consolidated financial statements

Referring to section 112 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.

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. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

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 classified directly as equity.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries, which are considered part of the total investment in the subsidiary in question, are classified directly as 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.

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 property, plant and equipment.

Cost of sales

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

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.

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, prepayments for intangible assets and Software.

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:

	Useful life
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 according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value.

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.

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.

Lease liabilities

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

financial expense over the term of the leases.

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, for Søstrene Grenes Holding ApS.