



Søstrene Grenes Import A/S

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

Annual report 01.05.2020 - 30.04.2021

The Annual General Meeting adopted the
annual report on 04.10.2021

Lasse Skaarup Christensen
Chairman of the General Meeting

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Entity details

Entity

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

Business Registration No.: 76220115
Registered office: Aarhus
Financial year: 01.05.2020 - 30.04.2021

Board of Directors

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

Executive Board

Mikkel Vaupell Grene

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 01.05.2020 - 30.04.2021.

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 30.04.2021 and of the results of its operations for the financial year 01.05.2020 - 30.04.2021.

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

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

Aarhus, 04.10.2021

Executive Board

Mikkel Vaupell Grene

Board of Directors

Lasse Skaarup Christensen
formand

Mikkel Vaupell Grene

Kurt Hedegaard Carstensen

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 01.05.2020 - 30.04.2021, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. 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 30.04.2021 and of the results of its operations for the financial year 01.05.2020 - 30.04.2021 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the 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:

- 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, 04.10.2021

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Thomas Rosquist Andersen

State Authorised Public Accountant
Identification No (MNE) mne31482

Søren Alsen Lauridsen

State Authorised Public Accountant
Identification No (MNE) mne40040

Management commentary

Financial highlights

	2020/21	2019/20	2018/19	2017/18	2016/17
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Key figures					
Revenue	881,611	776,402	864,856	729,190	533,785
Gross profit/loss	262,840	151,248	243,262	227,464	130,385
Operating profit/loss	84,713	(13,908)	98,194	109,087	42,812
Net financials	(1,742)	3,096	848	(4,205)	(218)
Profit/loss for the year	64,937	(6,920)	77,052	81,745	32,921
Total assets	705,688	687,616	644,977	461,355	388,116
Investments in property, plant and equipment	2,100	5,912	24,171	80,762	94,966
Equity	324,856	293,698	295,968	214,473	132,504
Ratios					
Return on equity (%)	21.00	(2.35)	30.19	47.12	28.42
Equity ratio (%)	46.0	42.8	45.9	46.5	34.1

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

Financial highlight for 2019/20 is not comparable, 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 Søstre 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.

Søstre 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, Søstre 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, Søstre Grene develops new designs within their product categories. The stores receive a wealth of new products every week, and many of these items are only sold for a short period of time. Common to all products is an elegant and feminine expression that brings beauty to everyday life, and the prices are always kept at a reasonable level.

In every respect, Søstre Grene is based on strong values, as a family owned and operated company with a unique culture called "the Sister Spirit". Today Søstre Grene is still managed from the head offices in Aarhus, Denmark, where it all began with the first store opening.

Welcome to Anna and Clara's wonderful world.

www.sostrenegrene.com

Aarhus, september 2021,

Cresten & Mikkel Vaupell Grene
Owners

Primary activities

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

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

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

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

Søstrene Grene is a very strong brand with more than 4,1 million followers on different social media platforms, which plays a vital part in the business strategy.

Development in activities and finances

Søstrene Grene has over the years experienced a very positive trend with very positive response from customers in all markets, however the financial year 2020/21 was a year with a performance impacted by the Covid-19 pandemic. All stores in almost all markets were shut down in the beginning of the fiscal year. As the markets reopened, we saw customers coming to the stores with a big desire for our products and sales during summer was higher than in 2019/20. By the end of the calendar year 2020 we had the best financial result ever despite lockdowns in some markets in the fall, however due to Covid-19 most stores were shut down from the middle of December until the end of the fiscal year and into the next. Since this last lockdown became so long, it had a very large negative impact on the financial result, so the management consider the result satisfying result in the light of these dramatic events.

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

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

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

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

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

Profit/loss for the year in relation to expected developments

Revenue for the year has increased from 776m to 882m. in spite of the shutdowns due to Covid-19, and it is the highest revenue in a year in the history of Søstrene Grenes Import A/S. The income statement for the financial year ending 30 April 2021 shows a gross profit increasing from DKK 151m to DKK 263m. The profit before tax shows an increase from last years loss of DKK 10m to a profit before tax of DKK 83m. The increase is a result of a very strong performance during the summer and fall before the latest shutdown.

Operating income shows a profit of DKK 85m. The Operating profit 2019/20 was a loss of DKK 14m .

The balance sheet shows equity of DKK 325m (30 April 2020: DKK 294m).

Unusual circumstances affecting recognition and measurement

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

Outlook

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

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

The expectations for the financial year were growth in revenue with 5 - 10% to 800m – 900m depending on the development of the Covid-19 pandemic. Financial year 2020/21 has realized an increase in Revenue of DKK 105m, or 14% This increase is despite the long shutdown in the winter and spring related to the Covid-19. Earnings before tax for the year is up by DKK 94m. The expectations for the year is accomplished we consider the result to be satisfying. A positive trend in revenue is expected in the financial year 2021/22. The Management expects revenue to grow within 10 to 20% to approximately DKK 950m to DKK 1,050m. The expectation is based on organic growth.

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

Earnings before tax for the year 2021/22 is expected to be DKK 110m to DKK 130m which will be the best result in the history of Søstrene Grene. Further investments in organizational resources and a new IT infrastructure for the new omnichannel business and further digitalisation of the business are planned. Investments that are expected to bring increased revenue and earnings in the years to come.

Material assumptions and uncertainties

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

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

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

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

Particular risks

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

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

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

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

Statutory report on corporate social responsibility

Søstrene Grene is a family-owned company with strong human values. As a natural consequence, corporate social responsibility and respect for human rights have always been highly prioritized and a natural part of the way Søstrene Grene runs its business. For further regarding the business model see the section on primary activities above.

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

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

Society

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

Extended partnership with Plan International

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

Plan International works long-term in the world's most fragile and marginalised areas to ensure rights of children and young people and create equal opportunities for all, regardless of gender.

Plan International makes an extra effort for girls and young women who are particularly affected by inequality and discrimination. The partnership with Søstrene Grene is specifically about helping girls and young women out of poverty.

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

Donation in 2020 and more products in 2021

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

With the help of our customers, Søstrene Grene donated DKK 500.000 to Plan International in 2020.

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

A minimum of DKK 600.000 has been set, but the goal is to reach even further.

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

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

In Denmark, more than 60.000 children live in poverty, and for them and their families, Christmas gifts, Christmas food and Christmas treats are rare occurrences. During Christmas 2020, Søstrene Grene entered a partnership with Mødrehjælpen, which consisted of a donation of 1200 Advent calendars gifts divided into 300 gift sets.

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

In addition to the gift donation, we put our digital platforms at their disposal and set up a fundraiser for the benefit of Mødrehjælpen's Christmas Aid, also called Mødrehjælpen's Julehjælp. It ran from mid-November until 21 December 2020. Several of the influencers with whom Søstrene Grene collaborates also participated and contributed generously to the partnership – from the gift-wrapping to the Christmas Aid fundraiser. For each DKK 500 that was collected, a marginalised child in Denmark could get a complete Christmas Eve experience with gifts, treats and everything that comes with it.

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

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

SOS Børnebyerne

SOS CHILDREN'S VILLAGES

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

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

Responsible Sourcing Strategy and Human Rights

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

For Søstrene Grene it is very important that our customers feel confident that our products are produced under proper conditions, and that the people working in the production are treated with respect and according to international legislation. We are committed to promoting human rights in our supply chain, where we recognize there is a risk of violations against workers.

Søstrene Grene's Supplier Code of Conduct defines the requirements that Søstrene Grene sets for all suppliers, especially regarding human rights. We have approximately 400 suppliers. The requirements refer to human rights, labour rights, working environment, environmental protection etc.

Søstrene Grene is an active member of the amfori Business Social Compliance Initiative (amfori BSCI), a leading international supplier management system.

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

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

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

Søstrene Grene has a regional office in China, from where our own employees work to create a close relationship with our Chinese suppliers. This involves audits of the factories including quality control of the production.

Our goal is that by the end of 2022 80% of our suppliers outside the EU must work actively to prepare for a BSCI audit. It is not possible to reach 100%, as some of our suppliers in India are approved under other recognized supplier management systems (such as Sedex/Smeta).

This year, 60% of our suppliers outside the EU have successfully undergone a BSCI audit. This process is ensured by working systematically with our set-up for responsible supplier management. This set-up includes all the requirements we place on our suppliers, both in relation to amfori BSCI and our own inspections, and it will be continuously developed and expanded.

Anti-Corruption and Bribery

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

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

Employee

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

Sister Spirit

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

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

Our values

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

Joy

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

Aesthetics

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

Ever-changing

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

Finds

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

Creativity

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

'Hygge'

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

Sisterhood

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

Head office

We employ around 400 employees at our head office and two warehouse locations in Denmark. About half of these are employed at our warehouse while the rest work at the office in functions like Design, Buying, Marketing, IT, Finance etc.

Working environment

A healthy and safe work environment is very important for us. We strive to reduce the risks related to employee matters such as stress on the job, an unhealthy work environment, or lack of motivation. It goes both in our stores and at our head office in Denmark.

We conduct yearly job satisfaction surveys, which focus on both the physical and mental working environment to ensure every employee get the chance to give anonymous feedback and we get a solid overview of the work conditions. We continuously emphasize the importance of our Sister Spirit and our values both to the employees and our managers to ensure a strong culture and cooperation where everybody feels welcome, involved and safe.

Management

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

Environment and Climate

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

PRODUCTS MADE FROM PLASTIC

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

At Søstrene Grene, there is a great focus on plastic. Plastic should be used with care and only when no other alternatives are available.

Preventing the emergence of plastic waste and reducing the plastic consumption are the most environmentally friendly things to do when it comes to waste hierarchy. Therefore, if we are to choose plastic for a product, it is important to choose plastic that can be reused again and again, or plastic that can be recycled. All single-use plastic is unnecessary plastic.

PHASE-OUT OF SINGLE-USE PLASTIC

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

In 2019/20 we initiated steps towards removing single-use plastic. This work continued in 2020/21. We have phased out the following products from the stores estimated 95%:

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

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

The following single-use plastic products will be/have been removed from our assortment:

- Single-use plastic ribbon (1/4-22)
- Transparent plastic film for wrapping (1/4-22)
- New Year's party horn with plastic mouthpiece (1/4-22)
- Rain Poncho in single-use plastic (out of store 1/7-22)
- Foil balloons (out of store 1/1-23)
- Transparent single-use food bags (out of store 1/1-23)

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

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

PRODUCT PACKAGING

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

However, product packaging cannot be completely avoided in all cases, due to hygiene, durability and product safety considerations. Just as we intend to reduce the amount of single-use plastic products, we also have a clear aim to reduce the plastic product packaging as much as possible.

If plastics are used for packaging, our aim in the future is to indicate which type of plastic has been used, so it can be sorted correctly for recycling.

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

FOOD PACKAGING

It is crucial that the food packaging protects its contents and thereby ensures and extends the shelf life of the food. Consequently, large amounts of food waste can be avoided. As the food packaging must live up to very strict requirements regarding its content and release of chemical substances, the food packaging is often of high quality, which makes it very suitable for recycling.

Therefore, the food packaging must be designed in such a way that makes it possible to sort the packaging correctly so that it can be recycled.

At Søstrene Grene, we are in an ongoing dialogue with our food packaging suppliers to ensure this.

TRANSPORT PACKAGING

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

ENERGY INITIATIVES

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

- The electricity at Søstrene Grene's warehouse locations in Aarslev and Viby near Aarhus is purchased as 100% wind energy.
- LED lights are used in the entire Søstrene Grene logistics center at Aarslev and in many Søstrene Grene stores.
- All light sources at Søstrene Grene's web warehouse in Viby have been replaced in the spring of 2021 and now also run with LED lights.

GERMAN STORES ON RENEWABLE ENERGY

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

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

TRANSPORT BY SEA

CO2-neutral freight with Mærsk

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

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

TRANSPORT BY ROAD

PART OF DHL'S GOGREEN PROGRAMME

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

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

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

GREENER DELIVERY WITH BRING

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

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

promote girls' rights, so that more can attend school and receive an education.

Statutory report on the underrepresented gender

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

The supreme governing body of Søstrene Grene Import A/S is composed of four male board members. This year, Inger Grene, founder of Søstrene Grene together with her late husband, passed away, and hence there are no female board members. By the end of 2022, Søstrene Grene 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.

There is a tendency towards a stronger overrepresentation of women in the retail business as store managers. The European subsidiaries established as joint venture entities are mainly managed by a married couple.

The split of the gender representation for the other management bodies in the company is currently 42:58%. Persons of both genders are being recruited to management positions internally or externally based on qualifications.

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

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2020/21

	Notes	2020/21 DKK'000	2019/20 DKK '000
Revenue	2	881,611	776,402
Other operating income	3	17,747	15,617
Cost of sales		(514,801)	(510,881)
Other external expenses	4	(121,717)	(129,890)
Gross profit/loss		262,840	151,248
Staff costs	5	(156,493)	(144,724)
Depreciation, amortisation and impairment losses	6	(16,511)	(14,043)
Other operating expenses		(5,123)	(6,389)
Operating profit/loss		84,713	(13,908)
Income from investments in group enterprises		463	320
Other financial income	7	7,376	8,469
Other financial expenses	8	(9,118)	(5,374)
Profit/loss before tax		83,434	(10,493)
Tax on profit/loss for the year	9	(18,497)	3,573
Profit/loss for the year	10	64,937	(6,920)

Balance sheet at 30.04.2021

Assets

	Notes	2020/21 DKK'000	2019/20 DKK'000
Acquired intangible assets		28,932	27,939
Intangible assets	11	28,932	27,939
Land and buildings		208,254	210,310
Other fixtures and fittings, tools and equipment		15,885	18,745
Leasehold improvements		640	1,221
Property, plant and equipment	12	224,779	230,276
Investments in group enterprises		1,700	1,261
Receivables from group enterprises		13,259	19,662
Deposits		8,324	8,613
Other receivables		3,020	13,918
Financial assets	13	26,303	43,454
Fixed assets		280,014	301,669
Manufactured goods and goods for resale		148,493	120,643
Prepayments for goods		1,416	4,516
Inventories		149,909	125,159
Trade receivables		24,707	59,860
Receivables from group enterprises		228,871	176,544
Other receivables		4,905	9,155
Prepayments	14	6,916	6,689
Receivables		265,399	252,248
Cash		10,366	8,540
Current assets		425,674	385,947
Assets		705,688	687,616

Equity and liabilities

	Notes	2020/21 DKK'000	2019/20 DKK'000
Contributed capital		510	510
Retained earnings		294,346	293,188
Proposed dividend		30,000	0
Equity		324,856	293,698
Deferred tax	15	10,935	5,687
Provisions		10,935	5,687
Mortgage debt		102,030	94,477
Bank loans		60,346	16,125
Lease liabilities		16,768	19,286
Deposits		70	70
Other payables		8,043	6,461
Non-current liabilities other than provisions	16	187,257	136,419
Current portion of non-current liabilities other than provisions	16	23,754	28,356
Bank loans		19,507	118,061
Convertible and dividend-yielding debt instruments		5,690	5,495
Trade payables		99,288	82,951
Payables to group enterprises		521	758
Tax payable		155	0
Joint taxation contribution payable		12,028	0
Other payables		21,697	16,191
Current liabilities other than provisions		182,640	251,812
Liabilities other than provisions		369,897	388,231
Equity and liabilities		705,688	687,616
Events after the balance sheet date	1		
Financial instruments	17		
Unrecognised rental and lease commitments	18		
Contingent liabilities	19		
Assets charged and collateral	20		
Related parties with controlling interest	21		
Transactions with related parties	22		
Group relations	23		

Statement of changes in equity for 2020/21

	Contributed capital DKK'000	Retained earnings DKK'000	Proposed extraordinary dividend DKK'000	Proposed dividend DKK'000	Total DKK'000
Equity beginning of year	510	293,188	0	0	293,698
Extraordinary dividend paid	0	0	(30,000)	0	(30,000)
Fair value adjustments of hedging instruments	0	(4,845)	0	0	(4,845)
Tax of entries on equity	0	1,066	0	0	1,066
Profit/loss for the year	0	4,937	30,000	30,000	64,937
Equity end of year	510	294,346	0	30,000	324,856

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

	2020/21	2019/20
	DKK'000	DKK'000
Nordic	433,040	370,424
DACH and Benelux	292,693	235,447
Southern Europe	128,569	134,110
UK and Asia	27,309	36,421
Total revenue by geographical market	881,611	776,402

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. Webshop is a part of the Nordic segment.

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

3 Other operating income

Other operating income consist of sale of software, consulting work in connection with design of shops, accounting fees and compensation received from the wage support schemes established as a result of the outbreak and spread of Covid-19 in 2020 with DKK 3,925,882.

4 Fees to the auditor appointed by the Annual General Meeting

Refer to Søstrene Grenes Holding ApS.

5 Staff costs

	2020/21	2019/20
	DKK'000	DKK'000
Wages and salaries	143,579	124,102
Pension costs	12,951	13,729
Other social security costs	1,965	2,518
Other staff costs	(2,002)	4,375
	156,493	144,724
Average number of full-time employees	286	260

	Remuneration of management 2020/21 DKK'000	Pension liabilities 2020/21 DKK'000	Remuneration of management 2019/20 DKK'000	Pension liabilities 2019/20 DKK'000
Total amount for management categories	2	235	2,843	196
	2	235	2,843	196

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

6 Depreciation, amortisation and impairment losses

	2020/21 DKK'000	2019/20 DKK'000
Amortisation of intangible assets	8,914	6,410
Depreciation of property, plant and equipment	7,597	7,620
Profit/loss from sale of intangible assets and property, plant and equipment	0	13
	16,511	14,043

7 Other financial income

	2020/21 DKK'000	2019/20 DKK'000
Financial income from group enterprises	4,061	3,963
Other interest income	3,315	4,506
	7,376	8,469

8 Other financial expenses

	2020/21 DKK'000	2019/20 DKK'000
Other interest expenses	9,118	5,374
	9,118	5,374

9 Tax on profit/loss for the year

	2020/21 DKK'000	2019/20 DKK'000
Current tax	13,094	0
Change in deferred tax	5,403	(3,418)
Adjustment concerning previous years	0	(155)
	18,497	(3,573)

10 Proposed distribution of profit and loss

	2020/21	2019/20
	DKK'000	DKK'000
Ordinary dividend for the financial year	30,000	0
Extraordinary dividend distributed in the financial year	30,000	0
Retained earnings	4,937	(6,920)
	64,937	(6,920)

11 Intangible assets

	Acquired intangible assets DKK'000
Cost beginning of year	46,596
Additions	11,561
Disposals	(1,654)
Cost end of year	56,503
Amortisation and impairment losses beginning of year	(18,657)
Amortisation for the year	(8,914)
Amortisation and impairment losses end of year	(27,571)
Carrying amount end of year	28,932

12 Property, plant and equipment

	Land and buildings DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improvements DKK'000
Cost beginning of year	218,921	30,916	5,685
Additions	0	2,100	0
Cost end of year	218,921	33,016	5,685
Depreciation and impairment losses beginning of year	(8,611)	(12,171)	(4,464)
Depreciation for the year	(2,056)	(4,960)	(581)
Depreciation and impairment losses end of year	(10,667)	(17,131)	(5,045)
Carrying amount end of year	208,254	15,885	640
Recognised assets not owned by entity	0	13,591	0

13 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	1,037	19,662	8,613	13,918
Exchange rate adjustments	(22)	0	0	0
Transfers	0	(550)	0	550
Additions	0	11,857	191	1,264
Disposals	0	(17,710)	(480)	(12,712)
Cost end of year	1,015	13,259	8,324	3,020
Revaluations beginning of year	224	0	0	0
Exchange rate adjustments	(2)	0	0	0
Share of profit/loss for the year	463	0	0	0
Revaluations end of year	685	0	0	0
Carrying amount end of year	1,700	13,259	8,324	3,020

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

14 Prepayments

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

15 Deferred tax

	2020/21 DKK'000	2019/20 DKK'000
Intangible assets	6,365	6,147
Property, plant and equipment	9,542	9,144
Inventories	(2,275)	(2,603)
Receivables	(2,244)	(6,380)
Liabilities other than provisions	(453)	(478)
Tax losses carried forward	0	(143)
Deferred tax	10,935	5,687

	2020/21 DKK'000	2019/20 DKK'000
Changes during the year		
Beginning of year	5,687	9,725
Recognised in the income statement	4,182	(3,418)
Recognised directly in equity	1,066	620
Recognised due to merger	0	(1,240)
End of year	10,935	5,687

16 Non-current liabilities other than provisions

	Due within 12 months 2020/21 DKK'000	Due within 12 months 2019/20 DKK'000	Due after more than 12 months 2020/21 DKK'000	Outstanding after 5 years 2020/21 DKK'000
Mortgage debt	6,722	21,384	102,030	77,028
Bank loans	11,317	2,150	60,346	15,079
Lease liabilities	5,715	4,822	16,768	3,755
Deposits	0	0	70	0
Other payables	0	0	8,043	0
	23,754	28,356	187,257	95,862

17 Financial instruments

Other receivables include a positive fair value of forward exchange contracts of DKK 1.966k (2019/20: DKK 2.879k). The forward exchange contracts have been entered into to hedge the foreign currency risk of trade payables in USD total 28.950k. 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.

18 Unrecognised rental and lease commitments

Unrecognised rental and lease commitments amount to DKK 72m in 2020/21 compared to DKK 83m in 2019/20.

Of total rental and lease commitments, the total unrecognised rental commitments amounts to DKK 66m and

unrecognised lease commitments amounts to 6m.

The Company subleases the leaseholds and has a corresponding contingent asset at the balance sheet date of DKK 31m.

19 Contingent liabilities

The Company's bank has issued a bank guarantee of DKK 7m for leaseholds at the balance sheet date, as well as other guarantee of DKK 5m.

The Company's bank has issued a bank guarantee of DKK 37m for outstanding amounts in Aarhus Reail B.V., Hilmer 1-7 GmbH, Hilmer West 1-4 GmbH, Hilmer Süd Holding GmbH and Hilmer Süd 1-5 GmbH.

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 for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

20 Assets charged and collateral

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

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 80m at the balance sheet date.

21 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.

22 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.

23 Group relations

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

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 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, 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:

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 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.

Tax receivable or payable

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

Joint taxation contributions payable or receivable

Current joint taxation contributions 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.