



Søstrene Grenes Import A/S

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

Annual report 01.05.2019 - 30.04.2020

The Annual General Meeting adopted the
annual report on 22.12.2020

Lasse Søndergaard Christensen
Chairman of the General Meeting

Contents

Entity details	2
Statement by Management	3
Independent auditor's report	4
Management commentary	7
Income statement for 2019/20	17
Balance sheet at 30.04.2020	18
Statement of changes in equity for 2019/20	20
Notes	21
Accounting policies	28

Entity details

Entity

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

CVR No.: 76220115
Registered office: Aarhus C
Financial year: 01.05.2019 - 30.04.2020

Board of Directors

Lasse Skaarup Christensen
Inger Grene
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 01.05.2019 - 30.04.2020.

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 30.04.2020 and of the results of its operations for the financial year 01.05.2019 - 30.04.2020.

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, 22.12.2020

Executive Board

Mikkel Vaupell Grene

Board of Directors

Lasse Skaarup Christensen

Inger Grene

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 01.05.2019 - 30.04.2020, 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 30.04.2020 and of the results of its operations for the financial year 01.05.2019 - 30.04.2020 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, 22.12.2020

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Thomas Rosquist Andersen

State Authorised Public Accountant
Identification No (MNE) mne31482

Mads Fauerskov

State Authorised Public Accountant
Identification No (MNE) mne35428

Management commentary

Financial highlights

	2019/20	2018/19	2017/18	2016/17	2015/16
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Key figures					
Revenue	776,402	864,856	729,190	533,785	411,309
Gross profit/loss	151,247	243,260	227,465	130,382	107,616
Operating profit/loss	(13,909)	98,192	109,088	42,809	47,112
Net financials	3,096	848	(4205)	(218)	(1,245)
Profit/loss for the year	(6,920)	77,050	81,746	32,918	35,479
Total assets	687,615	644,975	461,356	388,113	231,015
Investments in property, plant and equipment	5,912	24,171	80,762	94,966	4,578
Equity	293,698	295,968	214,473	132,504	99,189
Ratios					
Return on equity (%)	(2.35)	30.19	47.12	28.42	42.1
Equity ratio (%)	42,8	45,9	46,5	34,1	42,9

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

Primary activities

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

The business consists of wholesale business related to the import and export of goods to the Søstrene Grene stores and retail activities in own stores in Denmark

All rights related to the Søstrene Grene brand is owned by Søstrene Grene Import A/S.

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

Søstrene Grene is a very strong brand with more than 3.8 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. The financial year 2019/20 was a year with a performance that leveled out more than expected, and initiated changes in the strategy of the company. The focus moved from expansion with physical stores to consolidation of existing markets and the implementation of a brand new omnichannel based business model. Also, several investments and activities were initiated to accelerate the digital transformation in general. A completely new homepage with a web shop has been developed and implemented. The web shop started end of March and was available for customers in Denmark during the last month of the financial year. It was a success, and the web shop is gradually being faced into other markets during the coming years. Also, strong efforts have been put into strengthening the CSR efforts as well as and cost savings initiatives.

The Covid-19 pandemic lead to a temporary closing of stores in all markets which has impacted the financial result significantly.

Revenue for the year has decreased from 865m to 776m. Before the shutdown due to Covid-19 revenue compared to last year was in line with previous year.

The income statement for the financial year ending 30 April 2020 shows a gross profit decreasing from DKK 243m to DKK 151m. The profit before tax shows a decrease from DKK 99m to DKK -10m. The decrease is a result of losses due to the covid-19 related restrictions and lockdowns, increased costs in the head office, cost related to digitalising of the company, starting the webshop and changing the strategic focus to create a new foundation for future growth and development. Also, organisational restructuring has taken place reducing the head count in the year to come.

Currently subsidiaries are established in Holland and China.

Operating income shows a loss of DKK 14m. The Operating profit 2018/19 was DKK 98m

The balance sheet shows equity of DKK 294m (30 April 2019: DKK 297m).

However, the Covid-19 pandemic has created an unpredictable business situation and an adequate amount of liquidity has been secured by establishing increased lines of credit with the bank and EKF. The new established creditlines supports the future of the business, and we expect an improved cashflow.

In the financial year, Søstrene Grene Handelskompagnie ApS demerged the two activities, real estate and store activities. The activity regarding real estate has been demerged into a new established company and the store activity has been demerged into Søstrene Grene Import A/S effective from 1st May 2019.

As a consequence, Søstrene Grene Import A/S are running the Søstrene Grene shops in Søndergade, Bruuns Galleri and City Vest in Aarhus as well as the shop in Randers Storcenter.

The book value method has been applied and there is therefore non-comparability to comparison numbers, as they only contain the wholesale activities from Søstrene Grene Import A/S.

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

Søstrene Grene has established a strong position in several attractive retail markets with a very large potential and the ambition is to continue the expansion of new stores in these areas as well adding new revenue streams and services with a new omnichannel business model and a major digital transformation of the business.

The expectations for the financial year were growth in revenue with 5 - 15% to 900-1.000m. Financial year 2019/20 has realized a decrease in Revenue of DKK 136m. This decrease is for the main part related to the Covid-19 shut down. Earnings before tax for the year is down by DKK 109m. This is a disappointing result, and due to Covid-19 shutdown, increased costs in head office and lower than expected performance in nonmature markets.

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

A positive trend in revenue is expected in the financial year 2020/21. The Management expects revenue to grow within 5 to 10% to approximately DKK 800m to DKK 900m. This will be depending on how the Covid-19 pandemic evolves.

Earnings before tax for the year 2020/21 is expected to be DKK 70m to DKK 90m which is in line with some of the best financial results historically in the company. 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.

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 2019/20 that can be found on our webpage.

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 partnerships with credible and well-established partners, we reduce the risk of not succeeding in our efforts and in creating mistrust about our efforts.

PARTNERSHIP WITH PLAN INTERNATIONAL

Søstrene Grene has entered a partnership with Plan International in order to support their work towards achieving UN Sustainable Development Goal 5: Gender equality. In many parts of the world, girls and boys do not have the same opportunities and conditions in life. That is why we support Plan International's efforts to promote girls' rights, so that more can attend school and receive an education.

WATER BOTTLE PROJECT

As part of the partnership between Søstrene Grene and Plan International, we are launching a major water bottle project, which has already been rolled out in all Søstrene Grene's markets, except Norway and Denmark. When our customers buy the water, they are contributing € 0.1 per bottle to support girls' education in Eastern Africa. The Plan International water will also be launched on the Danish and Norwegian markets in late 2020. The plastic bottles will be made of 100% recycled plastic in all markets.

SISTER WEEK – WEEK 41, 2019

In week 41 of 2019, we put extra focus on girls' rights under the slogan, 'When sisters support each other, great things happen'. At Søstrene Grene, we believe the world can become a better and more equal place if we all act as sisters towards each other.

To this end, we launched a specially designed shopping bag, with part of the profits from sales going towards Plan International's fight for gender equality. For each bag sold, € 0.67 went towards the good cause. All sisters in Søstrene Grene's stores around the world also wore a badge with the caption 'When sisters support each other, great things happen' throughout week 41. We sold a total of 28,200 bags in 2019/20 (up to week 35 2020).

GIRLS' PRIZE 2019

To draw attention to girls' rights, Plan International awards a Danish Girls' Prize (Pigeprisen) on the International Day of the Girl on 11 October each year. The prize is awarded to a person, organisation or company that is making an extraordinary effort to advance girls' rights and gender equality. As part of our partnership with Plan International, we decided to sponsor the DKK 25,000 that was awarded with the Girls' Prize in 2019. The prize was awarded to Anja Leighton, who has put rape culture and sexist power structures among young people on the agenda through her participation in social debate.

Anja Leighton was presented with the prize at an event held at Gasværksvejens Skole in Copenhagen. Prior to the award, HRH Crown Princess Mary gave a speech to the school's oldest pupils, along with 14-year-old Farzana from Bangladesh, on the importance of ensuring girls' right to attend school.

PARTNERSHIP WITH THE RED CROSS

Søstrene Grene has been in partnership with the Red Cross since 2013 in relation to the sale of drinking water in Søstrene Grene stores in Denmark and Norway. The Red Cross has used the funds from the sale of the bottles to help vulnerable children and families in Denmark and in hot spots around the world.

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

ACHIEVED

In 2019, we donated DKK 500,000 to the Danish Red Cross through the sale of water bottles. In 2019, we donated DKK 425,000 to Plan International, and in 2020 we are donating DKK 500,000. The donation is partly financed through the sale of water boxes and shopping bags, with part of the proceeds going towards the donation.

AIM

Together with our great partners, we want to create value and sustainable solutions for our society. We are therefore continuously aiming to contribute to putting focus on important areas through various initiatives. We also have the specific aim of extending our partnership with Plan International, and increasing the donation amount over the years ahead by launching more products for which part of the proceeds go towards supporting Plan International's important work.

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.

We have for many years conducted control visits, through our supplier management system at the factories on an ongoing basis to ensure that they comply with all requirements.

In addition to this, Søstrene Grene decided in 2019 to become 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 joining 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, 50% 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.

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.

Culture measurement

Every year, we carry out a culture survey where we also measure the degree of compliance with our Sister spirit, values and ambition. Moreover, we examine how our employees experience our business, products, processes and management etc.

The culture survey is carried out and followed up with specific actions.

After the culture measurement, managers are trained in the focus areas identified so that they can make an effort to improve conditions.

A healthy and attractive workplace

To ensure that we have the workplace we want and reduce the risks related to employee matters such as stress on the job, an unhealthy work environment, lack of motivation and development etc. we have developed and optimised the following during the year:

- A thorough recruitment process where we have internal resources and competencies to recruit the right employees.
- Optimal onboarding of all employees with the introduction of New Sisters Day, where new employees meet managers from all departments, and responsibilities and value chain are explained.
- Competent management where we focus on the development of each employee and contributions to the Sister spirit through culture measurement, my goals and my growth conversations.
- Collaboration and cross-organisational knowledge sharing by ensuring cross-organisational involvement in projects and development tasks.
- Healthy and safe working conditions. We have designated traffic routes in the warehouse for forklift trucks and walkways for employees. All forklift trucks have lights and audible alarms to ensure safe traffic in the warehouse. In the office, our open-plan offices are optimally designed with anatomically designed workplaces.
- Flexibility and influence on own work situation are part of the Sister spirit and documented in the culture survey which received a high score on these particular parameters.
- An improved health insurance plan providing employee with security and health insurance with both preventive and therapeutic coverage and improved insurance.

Every day, we work to become more skilled, and this year's efforts have produced the following results in employee conditions:

- Reorganisation of our working environment organisation and its work
- Talent development enabling us to attract and develop the right skills
- Optimisation of internal work processes
- International HR collaboration
- Fewer leaders and more cross-collaboration

Environment and Climate

Søstrene Grene has a climate and environmental footprint throughout the value chain. It is our goal to 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. To minimise the risk of our environmental impact, we have taken regular action and reduced our CO2 footprint in the following areas:

- Product packaging
- Transport packaging
- Packaging for e-commerce

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.

WATER BOTTLES MADE OF RECYCLED PLASTIC

Søstrene Grene is launching water bottles made of 100% recycled polyethylene plastic in autumn 2020, in cooperation with Plan International. See page 46.

PAPER BAGS IN STORE

Søstrene Grene has been using paper bags for customers to carry their purchases in since 1973. In 2019, the paper bags were FSC®-certified as a step toward our goals. We have also replaced our single-use plastic bags for candied sugar with FSC®-certified paper bags in all our stores. Our aim in 2021 is for our self-serve tea leaf bags in stores to be FSC®-certified.

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.

PACKAGING FOR E-COMMERCE

As part of our strategy to minimise single-use plastic, we decided in 2019 that no single-use plastic should be used for shipping our e-commerce products. All cardboard boxes used for shipment are FSC®-certified. It is also our aim that all paper/ wrapping used to protect products must be FSC®-certified by mid-2021.

ENERGY INITIATIVES

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

consumption:

- The power used at Søstrene Grene's warehouses in Årslev and Viby near Aarhus is purchased as 100% wind energy.
- LED lighting is used at Søstrene Grene's logistics centre at Årslev, and in many of Søstrene Grene's stores. We also aim to replace all light sources in the e-commerce warehouse in Viby with LED lighting.

TRANSPORT BY SEA

We work in partnership with Maersk, which has several environmental initiatives underway in their future strategy, including:

- The stated goal of achieving CO2 neutral shipping by 2050, with two sub-goals set in 2018 and 2030.
- Reduction in the CO2 emissions for a container by 41% from 2008-2018, and by 60% in 2030.
- The aim of being able to build container ships by 2030 which do not run on fuel oil, but on alternative energy sources.
- As a regulatory requirement, we pay the IMO 2020 surcharge, which means that all ships must reduce sulphur oxide emissions by 85%. The new limit values for sulphur oxide are expected to have a significant positive effect on the climate.

TRANSPORT BY ROAD

TESTING ELECTRIC TRUCKS FOR DELIVERY

In 2019/20 we tested eco-friendly delivery by electric truck from our logistics centre to two of our stores in Aarhus. We are exploring similar solutions elsewhere in Europe, so that we can help reduce carbon emissions in cities.

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.

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 and one 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. This is to be effected through internal as well as external recruitment if there are relevant candidates. This is also the ambition for the other management bodies in the group. Here the split is currently 36:64% including the two owners

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

We have seen a positive development in the customer behaviour and are still experiencing developments in the markets due to Covid-19, that makes it difficult to make predictions. Recent shutdowns will have a negative impact on sales, but we have seen from the past, that reopening's on the other hand leads to increased sales. The net effect will depend on the length of the shutdowns and time of reopening's, but it is uncertain at the moment.

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

Income statement for 2019/20

	Notes	2019/20 DKK'000	2018/19 DKK '000
Revenue	2	776,402	864,856
Other operating income	3	15,617	20,719
Cost of sales		(510,882)	(549,417)
Other external expenses	4	(129,890)	(92,898)
Gross profit/loss		151,247	243,260
Staff costs	5	(144,724)	(120,754)
Depreciation, amortisation and impairment losses	6	(14,043)	(10,323)
Other operating expenses		(6,389)	(13,991)
Operating profit/loss		(13,909)	98,192
Income from investments in group enterprises		320	(102)
Other financial income	7	8,469	4,793
Other financial expenses	8	(5,373)	(3,843)
Profit/loss before tax		(10,493)	99,040
Tax on profit/loss for the year	9	3,573	(21,990)
Profit/loss for the year	10	(6,920)	77,050

Balance sheet at 30.04.2020

Assets

	Notes	2019/20 DKK'000	2018/19 DKK'000
Acquired intangible assets		27,939	13,460
Intangible assets	11	27,939	13,460
Land and buildings		210,310	208,444
Other fixtures and fittings, tools and equipment		18,745	22,373
Leasehold improvements		1,221	1,181
Property, plant and equipment	12	230,276	231,998
Investments in group enterprises		1,261	956
Receivables from group enterprises		19,662	1,856
Deposits		8,613	8,359
Other receivables		13,918	4,959
Other financial assets	13	43,454	16,130
Fixed assets		301,669	261,588
Manufactured goods and goods for resale		120,643	126,091
Prepayments for goods		4,516	9,397
Inventories		125,159	135,488
Trade receivables		59,860	81,982
Receivables from group enterprises		176,544	148,639
Other receivables		9,154	10,760
Prepayments	14	6,689	5,654
Receivables		252,247	247,035
Cash		8,540	864
Current assets		385,946	383,387
Assets		687,615	644,975

Equity and liabilities

	Notes	2019/20 DKK'000	2018/19 DKK'000
Contributed capital		510	510
Retained earnings		293,188	277,458
Proposed dividend		0	18,000
Equity		293,698	295,968
Deferred tax	15	5,687	9,725
Provisions		5,687	9,725
Mortgage debt		94,477	101,997
Bank loans		16,125	18,275
Lease liabilities		19,286	21,066
Deposits		70	9
Other payables		6,461	0
Non-current liabilities other than provisions	16	136,419	141,347
Current portion of non-current liabilities other than provisions	16	28,356	18,927
Bank loans		118,061	88,883
Convertible and dividend-yielding debt instruments		5,495	5,306
Trade payables		82,951	43,995
Payables to group enterprises		758	521
Joint taxation contribution payable		0	23,703
Other payables		16,190	16,600
Current liabilities other than provisions		251,811	197,935
Liabilities other than provisions		388,230	339,282
Equity and liabilities		687,615	644,975
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 2019/20

	Contributed capital DKK'000	Retained earnings DKK'000	Proposed dividend DKK'000	Total DKK'000
Equity beginning of year	510	277,457	18,000	295,967
Increase of capital	0	24,850	0	24,850
Ordinary dividend paid	0	0	(18,000)	(18,000)
Fair value adjustments of hedging instruments	0	(2,819)	0	(2,819)
Tax of entries on equity	0	620	0	620
Profit/loss for the year	0	(6,920)	0	(6,920)
Equity end of year	510	293,188	0	293,698

Increase of capital is due to the merger of Søstrene Grenes Import A/S and Søstrene Grenes Handelskompagniet A/S. The capital increase is DKK 1 with DKK 24.849.651 in share premium.

Notes

1 Events after the balance sheet date

We have seen a positive development in the customer behaviour and are still experiencing developments in the markets due to Covid-19, that makes it difficult to make predictions. Recent shutdowns will have a negative impact on sales, but we have seen from the past, that reopening's on the other hand leads to increased sales. The net effect will depend on the length of the shutdowns and time of reopening's, but it is uncertain at the moment.

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

2 Revenue

	2019/20	2018/19
	DKK'000	DKK'000
Nordic	370,424	433,275
DACH and Benelux	235,447	220,179
Southern Europe	134,110	174,207
UK and Asia	36,421	37,195
Total revenue by geographical market	776,402	864,856

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

3 Other operating income

Other operating income consist of sale of Software, consulting work in connection with design of shops, as well as accounting fees.

4 Fees to the auditor appointed by the Annual General Meeting

Refer to Søstrene Grenes Holding ApS.

5 Staff costs

	2019/20	2018/19
	DKK'000	DKK'000
Wages and salaries	124,102	103,467
Pension costs	13,729	10,877
Other social security costs	2,518	1,771
Other staff costs	4,375	4,639
	144,724	120,754
Average number of full-time employees	260	206

	Remuneration of management 2019/20 DKK'000	Pension liabilities 2019/20 DKK'000	Remuneration of management 2018/19 DKK'000	Pension liabilities 2018/19 DKK'000
Total amount for management categories	2,843	196	4,510	157
	2,843	196	4,510	157

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

	2019/20 DKK'000	2018/19 DKK'000
Amortisation of intangible assets	6,410	4,730
Depreciation of property, plant and equipment	7,620	5,593
Profit/loss from sale of intangible assets and property, plant and equipment	13	0
	14,043	10,323

7 Other financial income

	2019/20 DKK'000	2018/19 DKK'000
Financial income from group enterprises	3,963	2,250
Other interest income	4,506	2,543
	8,469	4,793

8 Other financial expenses

	2019/20 DKK'000	2018/19 DKK'000
Financial expenses from group enterprises	0	15
Other interest expenses	5,373	3,828
	5,373	3,843

9 Tax on profit/loss for the year

	2019/20 DKK'000	2018/19 DKK'000
Current tax	0	22,449
Change in deferred tax	(3,418)	(459)
Adjustment concerning previous years	(155)	0
	(3,573)	21,990

10 Proposed distribution of profit and loss

	2019/20	2018/19
	DKK'000	DKK'000
Ordinary dividend for the financial year	0	18,000
Retained earnings	(6,920)	59,050
	(6,920)	77,050

11 Intangible assets

	Acquired intangible assets DKK'000
Cost beginning of year	25,707
Additions	20,889
Cost end of year	46,596
Amortisation and impairment losses beginning of year	(12,247)
Amortisation for the year	(6,410)
Amortisation and impairment losses end of year	(18,657)
Carrying amount end of year	27,939

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	215,007	29,837	4,990
Addition through business combinations etc	0	257	213
Additions	3,914	1,046	482
Disposals	0	(224)	0
Cost end of year	218,921	30,916	5,685
Depreciation and impairment losses beginning of year	(6,563)	(7,465)	(3,810)
Depreciation for the year	(2,048)	(4,918)	(654)
Reversal regarding disposals	0	212	0
Depreciation and impairment losses end of year	(8,611)	(12,171)	(4,464)
Carrying amount end of year	210,310	18,745	1,221
Recognised assets not owned by entity	0	16,741	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	1,053	1,856	8,360	4,959
Addition through business combinations etc	0	22,412	218	0
Exchange rate adjustments	(16)	0	0	0
Additions	0	887	221	10,993
Disposals	0	(5,493)	(186)	(2,034)
Cost end of year	1,037	19,662	8,613	13,918
Revaluations beginning of year	(98)	0	0	0
Exchange rate adjustments	2	0	0	0
Share of profit/loss for the year	320	0	0	0
Revaluations end of year	224	0	0	0
Carrying amount end of year	1,261	19,662	8,613	13,918

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

	2019/20 DKK'000	2018/19 DKK'000
Intangible assets	6,147	2,961
Property, plant and equipment	9,144	10,069
Inventories	(2,603)	(2,041)
Receivables	(6,380)	(1,114)
Liabilities other than provisions	(478)	(150)
Tax losses carried forward	(143)	0
Deferred tax	5,687	9,725

	2019/20	2018/19
Changes during the year	DKK'000	DKK'000
Beginning of year	9,725	10,184
Recognised in the income statement	(3,418)	(459)
Recognised directly in equity	620	0
Recognised due to merger	(1,240)	0
End of year	5,687	9,725

16 Non-current liabilities other than provisions

	Due within 12	Due within 12	Due after	Outstanding
	months	months	more than 12	after 5 years
	2019/20	2018/19	2019/20	2019/20
	DKK'000	DKK'000	DKK'000	DKK'000
Mortgage debt	21,384	12,839	94,477	83,694
Bank loans	2,150	2,150	16,125	7,525
Lease liabilities	4,822	3,938	19,286	3,907
Deposits	0	0	70	0
Other payables	0	0	6,461	6,461
	28,356	18,927	136,419	101,587

17 Financial instruments

Other receivables include a positive fair value of forward exchange contracts of DKK 2,879k (2018/19: DKK 5,699k). The forward exchange contracts have been entered into to hedge the foreign currency risk of trade payables in USD total 20.900k. 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 0-2 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 83m in 19/20 compared to DKK 106m in 18/19.

Of total rental and lease commitments, the total unrecognised rental commitments amounts to DKK 77m 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 6m.

19 Contingent liabilities

The Company's bank has issued a bank guarantee of DKK 10m for leaseholds at the balance sheet date, as well as a guarantee for non-recognised import letters of credit with an open balance at the balance sheet date totalling DKK 0,2m. Additionally, the Company has issued other guarantee of DKK 5m.

The Entity participates in a Danish joint taxation arrangement in which Søstrene Grenes Holding ApS serves as

the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable from the financial year 2019/20 for income taxes etc for the jointly taxed companies and from 1 July 2019 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.

20 Assets charged and collateral

Mortgage debt is secured by way of mortgage on properties, which amounts to DKK 118m at the balance sheet date. The carrying amount of mortgaged properties amounts to DKK 212m.

Collateral provided for group enterprises

The Entity has provided a joint and several guarantee to Sydbank for the the parent Søstrene Grenes Holding ApS. The bank debt amounts to DKK 136m 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 C

Name and registered office of the Parent preparing consolidated financial statements for the smallest 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.

Non-comparability

Due to the merger between Søstrene Grenes Import A/S and Søstrene Grenes Handelskompagnie A/S, with Søstrene Grenes Import A/S, as the continuing company, there is non-comparability to last years numbers, as they only contain Søstrene Grenes Import A/S.

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.

Business combinations

Newly acquired or newly established enterprises are recognised in the financial statements from the time of acquiring or establishing such enterprises. Divested or wound-up enterprises are recognised in the income statement up to the time of their divestment or winding-up.

The purchase method is applied at the acquisition of new enterprises, under which identifiable assets and liabilities of these enterprises are measured at fair value at the acquisition date. Provisions for costs of restructuring of the enterprise acquired are only made in so far as such restructuring was decided by the enterprise acquired prior to acquisition. Allowance is made for the tax effect of restatements.

Positive differences in amount (goodwill) between cost of the acquired share and fair value of the assets

and liabilities taken over are recognised under intangible assets, and they are amortised systematically over the income statement based on an individual assessment of their useful lives. If the useful life cannot be estimated reliably, it is fixed at 10 years. Useful life is reassessed annually.

The book value method is applied on acquisition of enterprises, mergers, demergers, contributions of assets and exchanges of shares, etc where the enterprises concerned are controlled by the Parent. Under the book value method, the acquiree's assets and liabilities are recognised at their booked amounts, adjusted for any differences in accounting policies. The comparative figures are not restated.

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.

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.