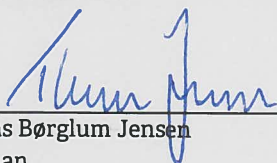


**BESTSELLER A/S**  
**Fredskovvej 5**  
**7330 Brande**  
**CVR no. 88 21 65 12**

# **Annual report for 2018/19**

Adopted at the annual general meeting on  
26 November 2019



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Thomas Børglum Jensen  
chairman

**BESTSELLER**

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## Statement by management on the annual report

The Supervisory Board and Executive Board have today discussed and approved the annual report of BESTSELLER A/S for the financial year 1 August 2018 - 31 July 2019.

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

In our opinion, the consolidated financial statements and Parent financial statements give a true and fair view of the company and the Group financial position at 31 July 2019 and of the results of the Group and the Parent company operations and cash flows for the financial year 1 August 2018 - 31 July 2019.

In our opinion, Management's review includes a fair review of the matters dealt within the Management's review.

Management recommends that the annual report should be approved by the company at the general meeting.

Aarhus, 26 November 2019

### Executive board



Anders Holch Povlsen



Thomas Børglum Jensen

### Supervisory board




Merete Bech Povlsen  
chairman



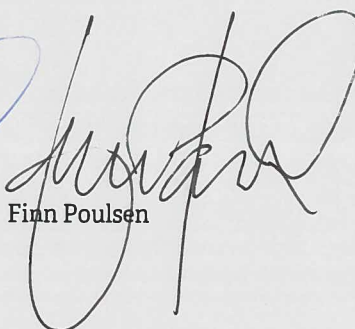
Lise Kaae



Anders Holch Povlsen



Troels Holch Povlsen



Finn Poulsen

## **Independent auditor's report**

### ***To the shareholder of BESTSELLER A/S***

#### **Opinion**

We have audited the consolidated financial statements and the parent company financial statements of BESTSELLER A/S for the financial year 1 August 2018 - 31 July 2019, which comprise accounting policies, income statement, balance sheet, statement of changes in equity, cash flow statement and notes, for both the group and the parent company. The consolidated financial statements and the parent company financial statements are prepared under the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the group and the parent company's financial position at 31 July 2019 and of the results of the group and the parent company's operations and cash flows for the financial year 1 August 2018 - 31 July 2019 in accordance with the Danish Financial Statements Act.

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the 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 consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Independence**

We are independent of the group in accordance with the International Ethics Standards Board for 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.

#### **Management's responsibilities for the consolidated financial statements and the financial statements**

Management is responsible for the preparation of consolidated financial statements and parent company 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 the consolidated financial statements and the parent company the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and parent company financial statements, management is responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the consolidated financial statements and parent company financial statements unless management either intends to liquidate the group or the company or to cease operations, or has no realistic alternative but to do so.

## Independent auditor's report

### **Auditor's responsibilities for the audit of the consolidated financial statements and parent company financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and parent company 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 consolidated financial statements and parent company financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and parent company 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 group's and the parent company'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 consolidated financial statements and parent company 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 group's and the parent company'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 consolidated financial statements and parent company 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 group and the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the consolidated financial statements and parent company financial statements, including the disclosures, and whether the consolidated financial statements and parent company financial statements represent the underlying transactions and events in a manner that gives a true and fair view.



## Independent auditor's report

- Obtain sufficient and appropriate audit evidence regarding the financial information for the group's entities or business activities to express an opinion on the consolidated financial statements. We are responsible for directing, supervising and conducting the audit of the group. We alone are responsible for our audit opinion.

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 management's review

Management is responsible for management's review.

Our opinion on the consolidated financial statements and parent company financial statements does not cover management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and parent company financial statements, our responsibility is to read management's review and, in doing so, consider whether management's review is materially inconsistent with the consolidated financial statements and parent company financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether management's review provides the information required under the Danish Financial Statements Act.

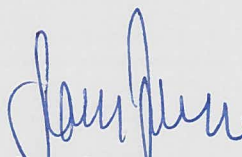
Based on the work we have performed, we conclude that management's review is in accordance with the consolidated financial statements and parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material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

Aarhus, 26 November 2019

ERNST & YOUNG  
Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 28



Morten Friis  
State Authorised Public Accountant  
mne32732



Søren Jensen  
State Authorised Public Accountant  
mne34132

## Company details

### The company

BESTSELLER A/S  
Fredskovvej 5  
7330 Brande

CVR no.: 88 21 65 12

Reporting period: 1 August 2018 - 31 July 2019

Domicile: Ikast-Brande

### Supervisory board

Merete Bech Povlsen, chairman  
Anders Holch Povlsen  
Finn Poulsen  
Lise Kaae  
Troels Holch Povlsen

### Executive board

Anders Holch Povlsen  
Thomas Børglum Jensen

### Auditors

ERNST & YOUNG  
Godkendt Revisionspartnerselskab  
Værkmestergade 25  
8000 Aarhus C

## Group chart

Company	Residence	Ownership
<b>BESTSELLER A/S</b>	<b>Brande, Denmark</b>	
9292-1394 Québec Inc.	Montreal, Canada	50%
AHPK GmbH	Hamburg, Germany	51%
BESTSELLER af 24.5.2011 A/S	Brande, Denmark	100%
- 24.5.2011 US Corporation	Wilmington, Delaware, USA	100%
- BESTSELLER Wholesale US LLC	Wilmington, Delaware, USA	100%
AM PIECES Retail A/S	Brande, Denmark	51%
BESTSELLER AS	Olso, Norway	100%
BESTSELLER Australia PTY Ltd.	Mosman, Australia	100%
BESTSELLER Birlesik Tekstil Ltd.	Istanbul, Turkey	90%
BESTSELLER Commerce B.V.	Amsterdam, Netherlands	100%
- BESTSELLER Handels B.V.	Amsterdam, Netherlands	100%
- BESTSELLER Service B.V.	Amsterdam, Netherlands	100%
- BESTSELLER Commerce Poland Sp. z O.O.	Lozienica, Poland	100%
- BESTSELLER Handels Portugal, Unipessoal LDA	Lisbon, Portugal	100%
BESTSELLER Handels AG	Glattbrugg, Switzerland	100%
BESTSELLER Italy SpA	Castel San Pietro Terme, Italy	100%
- BESTSELLER Stores Italy SpA	Castel San Pietro Terme, Italy	100%
BESTSELLER Stores Austria GmbH	Vienna, Austria	100%
- BESTSELLER Handels GmbH	Vienna, Austria	100%
BESTSELLER Retail Europe A/S	Brande, Denmark	75%
- BESTSELLER Retail Czech Republic s.r.o.	Prague, Czech Republic	100%
- BESTSELLER Retail Luxembourg Sarl	Grand Rue, Luxembourg	100%
- BESTSELLER Retail Benelux B.V.	Leusden, Netherlands	100%
- BESTSELLER Retail Sp. z O.O.	Warsaw, Poland	100%
- BRE Ireland Retail Limited	Dublin, Ireland	100%
- ONLY Stores Austria GmbH	Vienna, Austria	100%
- Grønhaug Retail AS *	Bergen, Norway	50%
- ONLY Stores A/S	Brande, Denmark	100%
- ONLY Stores Belgium BVBA	Antwerp, Belgium	100%
- ONLY Stores Denmark A/S	Brande, Denmark	100%
- ONLY Stores Finland OY	Espoo, Finland	100%
- ONLY Stores France SaS	Paris, France	100%
- ONLY Stores Germany GmbH	Viersen, Germany	100%
- ONLY Stores Ireland Ltd.	Dublin, Ireland	100%
- ONLY Stores Holland B.V.	Leusden, Netherlands	100%
- ONLY Stores Norway AS	Bergen, Norway	100%
- ONLY Stores Spain S.L.	Churriana, Spain	100%
- ONLY Stores Sweden AB	Solna, Sweden	100%
- ONLY Stores Switzerland AG	Glattbrugg, Switzerland	100%
- Retail-Fabrikken A/S *	Haderslev, Denmark	50%
BESTSELLER Retail Ireland Limited	Dublin, Ireland	100%
BESTSELLER Retail UK Ltd.	Birmingham, England	100%
BESTSELLER (Schweiz) AG	Glattbrugg, Switzerland	100%
BESTSELLER Stores A/S	Brande, Denmark	100%
BESTSELLER Stores Belgium BVBA	Antwerp, Belgium	100%
BESTSELLER Stores Czech Republic s.r.o.	Prague, Czech Republic	100%
BESTSELLER Stores Denmark A/S	Brande, Denmark	100%
BESTSELLER Stores Finland OY	Helsinki, Finland	100%



## Group chart - continued

Company	Residence	Ownership
BESTSELLER Stores Germany GmbH	Hamburg, Germany	100%
BESTSELLER Stores Luxembourg Sarl	Luxembourg, Luxembourg	100%
BESTSELLER Stores Norway AS	Bergen, Norway	100%
BESTSELLER Stores Poland Sp. z O.O.	Warsaw, Poland	100%
BESTSELLER Stores Sverige AB	Solna, Sweden	100%
BESTSELLER Stores Slovak Republic s.r.o.	Bratislava, Slovakia	100%
BESTSELLER Stores Switzerland AG	Glattbrugg, Switzerland	100%
BESTSELLER Sverige AB	Solna, Sweden	100%
- Hagamagasinet AB	Solna, Sweden	100%
BESTSELLER Textilhandels GmbH	Hamburg, Germany	100%
BESTSELLER United China Ltd.	Kowloon, Hong Kong	100%
BESTSELLER United Italy Srl	Castel San Pietro Terme, Italy	100%
BESTSELLER United Singapore Pte. Ltd.	Singapore, Singapore	100%
- BEST United India Comforts Pvt. Ltd.	Mumbai, India	100%
- ONLY Retail Pvt. Ltd.	Mumbai, India	99%
- VERO MODA Retail Pvt. Ltd.	Mumbai, India	100%
BESTSELLER Wholesale A/S	Brande, Denmark	100%
BESTSELLER Wholesale Belgium BVBA	Antwerp, Belgium	100%
BESTSELLER Wholesale Canada Inc.	Montréal, Canada	100%
- BESTSELLER Retail Canada Inc.	Montréal, Canada	100%
BESTSELLER Wholesale OY	Helsinki, Finland	100%
BESTSELLER Wholesale France SaS	Paris, France	100%
- BESTSELLER Stores France SaS	Paris, France	100%
- 9/9 - 49 France Sarl	Paris, France	100%
BESTSELLER Wholesale (Ireland) Ltd.	Dublin, Ireland	100%
BESTSELLER Wholesale Poland Sp. z O.O.	Warsaw, Poland	100%
BESTSELLER Wholesale Spain S.L.U.	Churriana, Spain	100%
- BESTSELLER Stores Spain S.L.U.	Churriana, Spain	100%
- BESTSELLER Tekstil Ltd.	Istanbul, Turkey	90%
- BS Company of 14.12.2014 Sociedad Limitada	Churriana, Spain	100%
- BESTSELLER Textil Whs Uruguay S.A.	Montevideo, Uruguay	100%
- BESTSELLER Latam ZF S.A.	Montevideo, Uruguay	100%
- BESTSELLER Wholesale Chile SpA	Santiago, Chile	100%
- BESTSELLER Wholesale Mexico S.A. C.V.	Ciudad de México, Mexico	100%
- BESTSELLER Textil Mexico S.A. de C.V.	Ciudad de México, Mexico	100%
BESTSELLER Wholesale UK Ltd.	London, England	100%
Best Whs Clothing Greece LLC	Athens, Greece	100%
Bluetide Ltd.	Dubai, United Arab Emirates	100%
BRN Best Retail Norge AS	Namsos, Norway	51%
VILA A/S	Skanderborg, Denmark	100%
- VILA Belgium BVBA	Antwerp, Belgium	100%
- VILA Benelux B.V.	Amstelveen, Netherlands	100%
- VILA Stores B.V.	Amstelveen, Netherlands	100%
- VILA Clothes AG	Glattbrugg, Switzerland	100%
- VILA Clothes Handels GmbH	Vienna, Austria	100%
- VILA Clothes Ltd.	Dublin, Ireland	100%
- VILA Clothes Ltd.	London, United Kingdom	100%
- VILA Finland Oy	Espoo, Finland	100%
- VILA France SaS	Paris, France	100%

**Group chart - continued**

<b>Company</b>	<b>Residence</b>	<b>Ownership</b>
- VILA Italy S.R.L.	Castel San Pietro Terme, Italy	100%
- VILA Norge AS	Oslo, Norway	100%
- VILA Spain S.L.U.	Torremolinos, Spain	100%
- VILA Stores A/S	Skanderborg, Denmark	100%
- VILA Stores GmbH	Hamburg, Germany	100%
- VILA GmbH	Hamburg, Germany	100%
- VILA Sweden AB	Solna, Sweden	100%
- VILA Wholesale A/S	Skanderborg, Denmark	100%
Bestseller Stores Netherlands B.V.	Amstelveen, Netherlands	100%
- BESTSELLER Wholesale Benelux B.V.	Amstelveen, Netherlands	100%
- BESTSELLER United NL B.V.	Amstelveen, Netherlands	100%
- BESTSELLER Fashion India Pvt. Ltd.	Mumbai, India	100%
- BESTSELLER Wholesale India Pvt. Ltd.	Mumbai, India	100%
Toast (Mail Order) Limited	London, United Kingdom	100%

\* Associated company

## Financial highlights

Seen over a 5-year period, the development of the Company may be described by means of the following financial highlights:

	Group				
	2018/19	2017/18	2016/17	2015/16	2014/15
	MDKK	MDKK	MDKK	MDKK	MDKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Revenue	25.817	24.157	23.402	22.791	21.734
Gross margin	12.756	12.256	11.467	10.825	9.614
Gross profit	8.296	7.879	7.148	6.934	5.418
Profit before net financials	2.731	2.747	2.494	2.294	723
Net financials	44	108	12	-260	264
Profit before tax	2.775	2.855	2.505	2.032	987
Profit for the year	2.108	2.107	1.771	1.265	575
<b>Balance sheet</b>					
Total assets	15.405	14.215	14.436	16.590	16.114
Investment in property, plant and equipment	922	1.055	689	802	1.300
Equity	7.071	6.928	7.129	10.768	9.433
<b>Financial ratios</b>					
Gross margin ratio	49,4%	50,7%	49,0%	47,5%	44,2%
Operating margin ratio	10,6%	11,4%	10,7%	10,1%	3,3%
Solvency ratio	45,9%	48,7%	49,4%	64,9%	58,5%

For definitions, see accounting policies.

## Management's review

### Business activities

The Company's and the Group's activities are to develop and sell fashion wear. The Company and the Group primarily sell its goods in Europe, India and America.

### Business model

BESTSELLER A/S (BESTSELLER) is a fashion company. BESTSELLER markets and sells fashion clothing and accessories for men, women, teens and children. BESTSELLER has offices and warehouses in 24 countries. The products are sold online, in approx. 2,800 chain stores and via approx. 18.000 wholesale customers of which 2.100 have shop-in-shops.

### Business review

The Group's income statement for the year ending 31 July shows a profit after tax of DKK 2.108m.

The result of the year is in line with expectations and similar to the previous years.

During the financial year BESTSELLER A/S has performed an intergroup acquisition and demerger. BESTSELLER has acquired Toast (Mail Order) Limited, VILA A/S and their underlying subsidiaries. The acquisition is implemented using the uniting of interests method, which results in adjusted figures for the Group and the Parent Company for both current and prior years. BESTSELLER A/S has demerged assets into BESTSELLER Wholesale A/S and group entity VILA A/S has demerged assets into Vila Wholesale A/S.

The intergroup companies has been acquired for a total of DKK 594m. The carrying amount for the acquired group enterprises was DKK 78m lower than the acquisition price. The difference has been corrected in prior years equity.

### Outlook

The expectations for 2019/20 is to deliver a result close to the previous year. This will require an extraordinary effort, particular considering the continued changes in consumer behavior leading to a new reality for online and retail.

### Research and development

The Company's and the Group's collections are being continually developed during the financial year. The Company and the Group does not engage in other development activities apart from the regular development and maintenance of its IT systems.

### Particular risks

In Management's assessment, the Company and the Group are not exposed to particular risks apart from those generally occurring in this line of business.

## Management's review

### BESTSELLER financial supplement 2018/19

#### Placing sustainability at the core of our business

In BESTSELLER we understand the need for the fashion industry to accelerate its efforts to promote sustainable production and consumption, in the face of climate change, pollution and resource scarcity. Building on our existing commitments, BESTSELLER's Fashion FWD strategy will put social and environmental considerations at the heart of our business, enabling us to reinvent the way we design, make and deliver fashion.

- Fashion FWD is BESTSELLER's new sustainability strategy, guided by strong ambitions and clearly defined goals.
- Through Fashion FWD, we will place sustainability at the core of our business, reinventing the way our products are created, made and consumed.
- We are stepping up our focus on the environment throughout our value chain, and committing to ambitious, science-based climate targets.
- We are striving to create positive impact for people across our business, from garment workers to our own employees.

The global fashion industry faces shared risks including climate change, pollution and resource scarcity. For BESTSELLER, forging a more sustainable reality is a strategic imperative.

The full Fashion FWD strategy can be found at:

[about.bestseller.com/sustainability/the-fashion-fwd-strategy/strategy-overview](https://about.bestseller.com/sustainability/the-fashion-fwd-strategy/strategy-overview)

#### Key achievements

**MAKING FWD** - We are officially committed to set greenhouse gas (GHG) goals through the Science Based Targets initiative (SBTi), a global collaboration that helps companies set climate goals in line with limiting global warming to 1.5 C.

**CREATING FWD** - We are already sourcing 65% more sustainable cotton, on our journey towards 100%.

**ENGAGING FWD** - By the end of 2018, we had addressed 96% of the fire and building safety issues identified by Accord inspections in our suppliers' factories.

**DELIVERING FWD** - Through our membership of the Ellen MacArthur Foundation, we joined the Make Fashion Circular initiative in 2018 to help create a new textiles economy.

**INVEST FWD** - In early 2019, we launched a major new partnership with Better Energy to power our owned and operated buildings with 100% solar energy.

## Management's review

### Taking a holistic approach to protecting the environment

In BESTSELLER we are committed to lead the way by making a positive impact on the global challenges of climate change and resource scarcity, which present distinct risks for our industry. With the industry generating nearly 7% of global greenhouse gas (GHG) emissions, we have a clear responsibility to act and use our business to drive positive change. To transform our environmental footprint, we are taking an ambitious, interconnected approach, guided by multiple goals on saving energy, water, chemicals and reducing waste. In particular, we have committed to setting a carbon reduction goal in line with science based targets.

### Promoting sustainable raw materials

Cultivating and producing our raw materials represents our largest impact on the environment. With natural resources under pressure from climate change and environmental degradation, resource scarcity poses a risk to our business in terms of both raw material price volatility and security of supply. Through Creating FWD, we aim to increase our use of more sustainable materials year-on-year, until all our products are circular by design. We are optimising and improving the sustainability of our most important fibres (including cotton, polyester and cellulosic fibres), defining measurable targets for each fibre. We also partner across our industry, including through Fashion for Good, the Textile Exchange and the Ellen MacArthur Foundation, to drive innovation and positive change.

Cotton is our most important raw material by volume, representing 40% of our fibre use. By 2022, we aim to source 100% more sustainable cotton primarily through schemes such as the globally recognised Better Cotton Initiative, together with certified organic cotton and recycled cotton. In this way, we are helping to reduce the environmental and social risks associated with cotton growing, improving farming practices, strengthening the sustainable cotton market and protecting workers, while safeguarding our future supply of a fundamental material. In 2018, we reached more than 65% of our 100% more sustainable cotton target.

Similarly, we are taking action to reduce the environmental impact of polyester. Derived from fossil fuels and energy-intensive to produce, polyester does not biodegrade in the environment. While we research alternatives for this versatile, low maintenance synthetic fibre, we are increasing our use of recycled polyester made from waste such as plastic bottles and leftover fabric. We aim for at least half of our polyester to be derived from recycled sources or more sustainable alternatives by 2025.

To help prevent deforestation, reduce carbon emissions and promote security of supply, we aim to source 100% of cellulosic fibres responsibly in line with industry best practice, such as the Forest Stewardship Council, by 2022. For example, we are sourcing TENCEL lyocell – derived from sustainable forestry and produced in a sustainable, 99% closed loop system.

Animal welfare is an important issue in the fashion industry. BESTSELLER's requires that no harm should come to animals in the manufacture of our products, and that any animal-derived materials we use must be sourced from animals that are treated humanely and in compliance with the relevant laws. Our Animal Welfare policy provides guidance to suppliers on this vital topic. BESTSELLER is a fur-free company, we have banned angora, and by 2020, we will phase out mohair.



## Management's review

### Setting ambitious climate goals and investing in renewables

Our Making FWD climate goals will help direct our efforts to improve energy efficiency and increase our use of renewable energy, both within our business and supply chain. We will further reduce our emissions by opting for lower impact materials and supporting lower carbon agriculture, investing in sustainable technologies and addressing the emissions created through the washing of our products.

In 2018, we committed to set our GHG goals by 2020 through the Science Based Targets (SBT) initiative, a global collaboration encouraging companies to set goals in line with the best available science and global efforts to keep global warming below 1.5 C. Our ambitious, science-based targets will inform our approach throughout our value chain, including our supplier improvement programmes.

In early 2019, we announced plans to build a 125-megawatt capacity solar plant, which will produce the equivalent amount of energy that we consume in owned and operated buildings globally by 2021. We will reduce our energy consumption in these buildings by 30% by 2025. BESTSELLER will also partner with strategic suppliers to reduce the climate impact of their production. Additionally, we have joined RE100, a coalition of companies committed to 100% renewable electricity, led by The Climate Group and Carbon Disclosure Project.

### Improving our suppliers' environmental impact

To encourage suppliers to invest in improving energy, water and chemical use and reduce waste, we have committed to directing 75% of all product orders to suppliers performing strongly on sustainability by 2025. To make this a reality, we are continuously adding key environmental criteria to our rating and evaluation system, and delivering dedicated training. Participating in the SAC and deploying its industry-wide environmental measurement and evaluation tool – the Higg Index Facilities Environment Module (FEM) – is deepening our understanding of our suppliers' environmental and chemical management impacts, enabling us to focus on the issues that stand to make the greatest impact, and helping to raise our suppliers' performance. In 2018, we implemented the Higg Index Facility Environmental Module (FEM) among 150 manufacturing facilities (representing 49% of our business by value). The findings have been independently verified at 32 factories.

### Building momentum on chemical management

Controlling and monitoring the chemicals in our products is a critical part of BESTSELLER's compliance work. We take action to improve the way our raw materials are produced, and manage chemicals responsibly within our products and throughout the manufacturing process.

Our Restricted Substances List (RSL) provides our suppliers with an in depth guide on which chemicals must be reduced or eliminated from our products. It is based on progressive legislation, precautionary principles and industry best practice, and updated annually. In 2018, we updated our RSL and delivered 125 chemical management training sessions to 1,659 supplier participants in Bangladesh, Pakistan, India, China, Cambodia and Turkey.

Through product and materials testing programme, we are working to eliminate hazardous chemicals, including the 11 chemicals defined by the industry as priorities. Materials that do not meet our requirements are not permitted within our products. For example, we tested 19,475 materials for APEOS in 2018, identifying a 0.8% failure rate, an improvement on the 1.5% rate we achieved in 2017.

## Management's review

We continue to support progressive industry action on chemical management, fully adopting the Zero Discharge of Hazardous Chemicals' Manufacturing Restricted Substance List in 2018. By 2025, we aim to scale up our impact by achieving 100% approved and traceable chemistry in our core products.

### Taking action to conserve water

The fashion industry uses water throughout its value chain. However, climate change poses a risk to water availability, and conventional manufacturing processes can pollute water systems. To conserve water quality and availability for our business and future generations, we are sourcing raw materials with a lower water footprint, promoting water saving in the manufacture of our products, and promoting safer alternatives to harmful chemicals. By 2021, we aim to set water stewardship targets, and in advance, we will conduct a full analysis of our water use.

In 2018, JACK & JONES launched its most sustainable collection of 'Low Impact Denim' jeans to date, offering consumers the opportunity to buy high quality jeans with a lower water, energy and environmental footprint. The brand has used sustainable materials, reduced its water use for this collection by 55%, and identified safer alternatives to bleach in the finishing process. Overall, JACK & JONES has halved its water and energy use by identifying opportunities to make savings and helping its suppliers to improve their practices. The brand is aiming for 25% of its jeans production to be low-impact by 2020.

### Collaborating to make fashion circular

A growing global population is intensifying pressure on Earth's finite natural resources, climate and fragile environment. Shifting towards a circular economy will help to conserve natural resources, protect the environment and reduce waste. Through Delivering FWD, we are focusing on prolonging our products' life through recapturing end-of-life clothing from consumers. By collaborating with our industry and recycling specialists, we aim to have established post-consumer waste solutions and infrastructure by 2025.

We are engaging in industry dialogues and major forums on circular fashion, including the Global Fashion Agenda, and the Ellen MacArthur Foundation's Circular Economy 100 (CE100) Group. For example, through the Foundation's Make Fashion Circular Initiative, VERO MODA is working with other leading fashion brands to transform denim through a 'Jeans Redesign' project, which will build on existing efforts to improve the sustainability of denim production and make jeans more durable, recyclable and traceable. BESTSELLER also contributed to shaping the guidelines for the project. In addition, we are increasing the volume of recycled and innovative fibres in our products, and investing in new technologies, materials and business models through Invest FWD.

## Management's review

### **Our supply chain: Protecting human rights and improving workers' lives**

People across the world play an important role in designing, making and selling our products, yet in many of the countries from which we source, there is often a lack of effective governance on human rights and labour issues. In particular, workers in our supply chain still face the risk of unfair and unsafe working conditions, low pay, and a lack of opportunity for progression. This can result in high staff turnover and low productivity, posing a risk to security of supply. Throughout the years we have worked continuously to promote human rights and better working conditions. We will continue this journey to achieve greater stability and create a positive impact on everyone who contributes to our business, including own employees and the workers in the supply chain. We will promote dignity, equality and safe working conditions for all people across our value chain until fair incomes and respect for human rights are the norm.

#### **Protecting human rights in our supply chain**

To promote human rights in our supply chain, we are strengthening our factory compliance programme, promoting social dialogue, empowering women, and collaborating with the industry to achieve fair living wages and raise health and safety standards.

Our Code of Conduct forms the foundation of the ethical, social and environmental standards we expect our suppliers to uphold. Together with our human rights, illegal labour, child labour, home-working and sustainability policies, it guides our efforts to identify, address and prevent adverse human rights impacts on employees and workers in the supply chain. Any new supplier must demonstrate that they meet our minimum performance standards and local legislation before they are allowed to enter into a business relationship with BESTSELLER. We made this process even more rigorous in 2018-19.

We monitor our direct suppliers' performance through a comprehensive social and environmental compliance programme, independent audits and compliance visits, prioritising strategic suppliers. Where issues are identified, we work with the suppliers to develop corrective action plans and help them to make the required changes (including through training and advice), building the capacity of high performing suppliers to take ownership of compliance. In 2018-19, our compliance and third party auditors made 849 visits. This included 427 suppliers and 784 factories.

To further improve our direct suppliers' performance, we will continue to strengthen both local teams' expertise and our assessment methods, including by using technology to expand supplier training and monitor progress. We are also supporting the Sustainable Apparel Coalition's (SAC) efforts to establish standardised ways of measuring and reporting progress, social and labour issues through the HIGG Index Facility Social Labour Module (FSLM). We remain committed to transparency, and publish our factory list twice a year.

Through participation in global programmes such as the Better Cotton Initiative, we are also helping raw material suppliers – smallholder farmers – to address labour conditions, prevent forced labour and promote decent work, while empowering them to raise their yields and improve their livelihoods.

## **Management's review**

### **Improving factory workplace safety**

We continue to support suppliers in improving the health and safety of their premises, so that workers can be safe from fire and electrical risks, and work in safe, structurally sound buildings. By 2025, we aim for all our suppliers to have invested in fire, electrical and building safety and show continuous improvement. We also continue to collaborate with our industry on this critical issue. In 2018, we completed our five-year commitment to the Bangladesh Accord on Fire and Building Safety (the Accord). To date, we have addressed 96% of the issues identified by Accord inspections in suppliers' factories, helping to create healthier, safer working conditions for 240,000 workers.

We plan to apply the lessons we have learnt through the Accord in other key production countries through the Life and Building Safety (LABS) initiative, supported and facilitated by IDH, the Sustainable Trade Initiative. This will begin with a pilot project in India.

### **Partnering to advance fair living wages**

The global apparel industry has provided vital jobs for many people in production countries, helping to improve their livelihoods. However, despite this progress some workers do not yet earn a fair living wage. We are committed to making living wages a reality, however, it is a complex issue, requiring long-term, systemic change, and will only be solved through concerted action from brands, governments, suppliers and workers themselves. To scale up our impact, we joined the Action, Collaboration, Transformation (ACT) apparel industry initiative in 2018. Through ACT, we have committed to promote collective bargaining – enabling workers to negotiate better pay and conditions with their employers through elected representatives or trade unions – in our production countries.

### **Enabling women workers to fulfil their potential**

Women workers represent around 80% of the world's garment workers, and yet are particularly vulnerable to harsh treatment, low wages and poor job quality. There is a lot of work to be done throughout our industry to help improve conditions and opportunities for women workers, which in turn stands to reduce staff turnover and boost productivity. By 2025, we will support 100,000 women in our direct suppliers' factories through training on work and life skills, enabling them to negotiate better pay and employment.

We supported women in learning about female health through our ongoing partnership with HERproject (an initiative managed by not-for-profit organisation Business for Social Responsibility (BSR) in Bangladesh in 2018-19, helping to grow their self-confidence and enable them to voice concerns about workplace health and wellbeing. We have since strengthened our partnership with HERproject, working closely with suppliers, peers and experts to improve and expand the programme.

## **Management's review**

### **The people of BESTSELLER: Fostering a diverse, talented workforce**

Attracting and retaining a diverse, talented employee community is critical to our ability to thrive as a company and achieve our sustainability ambitions. We create an inclusive work environment, listen to our employees and offer compelling development opportunities to help them to unlock their full potential. Importantly, we are taking steps to strengthen our Leadership competences, and focusing on diversity and inclusion as a key factor for success.

#### **Diversity**

During Autumn 2019, we will have rolled out our global Diversity and Inclusion policy to continue to include diversity considerations within all HR processes. During the coming year, we will also implement an awareness program to strengthen diversity further.

#### **Leadership competences**

BESTSELLER is taking a structured approach to ensuring that we continue to have strong leaders in the future so we can grow our business. In 2018, we undertook a comprehensive research exercise to help understand perceptions of leadership in different countries. The outcome of this is our Leadership Pipeline initiative designed to reemphasize our leadership development capabilities across BESTSELLER to achieve a sustainable advantage through people.

#### **Engaging and developing our employees**

Engaged colleagues deliver better results, therefore, we work actively to strengthen this via employee engagement surveys. Combining this feedback with our ongoing Growth Management processes gives us valuable input and empower our colleagues to implement local initiatives and solutions to grow competences and people. We continuously support the personal and professional development of our employees, helping them reach their potential and we encourage all employees throughout the business to participate in training courses hosted by our internal Academy team.

#### **Promoting employees' health and wellbeing**

Protecting our employees' health and safety is critical for us and remains a key priority. In 2018, we introduced a process in Denmark to help avoid long-term illness and support employees affected by illness to achieve a swift recovery - focusing on job satisfaction, mental well-being and overall quality of life.



## Management's review

### Taking action to prevent bribery and corruption

At BESTSELLER, we are committed to conducting our business with ethics and integrity, and competing fairly in the marketplace. We take a zero tolerance approach to bribery and corruption.

Within the fashion industry, we face the shared risk of corrupt practices in certain production countries where political instability and a lack of strong governance combine to reduce transparency levels. These countries typically score low on transparency scores (according to the global anti-corruption coalition Transparency International).

At a policy level, our Code of Ethics covers multiple elements of business ethics, including anti-bribery and corruption, and forms the foundation of regular employee training on these topics. All relevant BESTSELLER employees are required to undertake a Code of Ethics e-learning course every two years, while new employees must undertake the course as standard. In addition, our Code of Ethics for Business Partners provides all our partners and suppliers with a clear indication of our expectations on ethical behaviour. These expectations are further reinforced in our supplier Code of Conduct. Further to this, we have individual policies on anti-corruption and anti-fraud, which provide clear guidance to our employees on legal requirements, along with potential risks and how to address them.

Before on-boarding any new supplier, we review their ethical practices as part of their initial supplier assessment. If any instances of bribery or corruption are discovered, we do not enter into a business relationship.

We include anti-corruption clauses in contracts with suppliers and business partners, and seek proof of ethical practices through supplier audits. Should an instance of bribery or corruption occur, we would cease working with the supplier until such time as the company could demonstrate improved practices.

### Looking ahead

As we move forward in 2019 and beyond, BESTSELLER will remain steadfast in our commitment to building momentum on our Fashion FWD strategy. We will continue to have sustainability at the core of our business and addressing social and environmental risks, measuring progress and communicating transparently on performance. Importantly, we will continue to interact with all stakeholders across the industry to help create transformational change.

### Statutory statement regarding target figures for gender representation in the Board of Directors, cf. section 99b of the Danish Financial Statements Act

BESTSELLER A/S is subject the rules on target figures and policies for the gender composition of management. BESTSELLER A/S continues to be of the opinion that qualifications and experience should be the decisive factor behind any job position.

With this in mind, BESTSELLER intends to comply with the legislation, and hereby inform that the present Supervisory board of BESTSELLER A/S consists of 5 members – two women and three men. Thus there is a equal gender composition in the Supervisory board of BESTSELLER A/S.

At the other management levels, BESTSELLER A/S has an even gender composition at present.



## Accounting policies

The annual report of BESTSELLER A/S for 2018/19 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The accounting policies applied are consistent with those of last year.

The annual report for 2018/19 is presented in TDKK.

The company is included in the consolidated financial statements for HEARTLAND A/S, and with reference to the Danish Financial Statements Act section 96, 3 the fee for the auditors appointed at the general meeting is not presented.

### Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All costs, including amortisation, depreciation and impairment losses, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Group's and the Parent company's and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the Groups and the Parent company's and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost using the effective interest method. Amortised cost is calculated as the historic cost less any instalments and plus/less the accumulated amortisation of the difference between the cost and the nominal amount.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the annual report is presented and which confirm or invalidate matters existing at the balance sheet date.

### Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial costs. If foreign currency transactions are considered cash flow hedges, the value adjustments are taken directly to equity.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial costs.

Fixed assets acquired in foreign currencies are measured at the exchange rate at the transaction date.

## Accounting policies

Foreign subsidiaries and associates are considered separate entities. The income statements are translated at the average exchange rates for the individual month, and the balance sheet items are translated at the exchange rates at the balance sheet date. Foreign exchange differences arising on translation of such entities opening equity at closing rate and on translation of the income statements from the exchange rates at the transaction date to closing rate are taken directly to equity.

Foreign exchange adjustments of balances with separate entities which are considered part of the investment in the subsidiary are taken directly to equity. Correspondingly, foreign exchange gains and losses on loans and derivative financial instruments entered into to hedge net investments in such entities is taken directly to equity.

### Recognition and measurement of business combinations

Newly acquired or newly established subsidiaries are recognised in the consolidated financial statement from the date of acquisition or the date of establishment respectively. When subsidiaries are sold or liquidated, they cease to be recognised in the consolidated financial statement at the time of transfer or time of liquidation and earnings or losses at the time of sale or liquidation are recognised in the profit and loss account. The comparative figures are not adjusted for acquisitions or disposals.

Gains and losses on the disposal of subsidiaries and associates are calculated as the difference between the sales amount and the carrying amount of net assets at the date of disposal including any non-amortised goodwill and anticipated disposal costs.

Acquisitions of enterprises are accounted for using the purchase method, according to which the identifiable assets and liabilities acquired are measured at their fair value at the date of acquisition. Costs for restructuring recognised in the acquired entity before the date of acquisition and not an agreed part of the acquisition is part of the acquisition balance sheet and hence the calculation of goodwill. Costs relating to restructuring decided by the acquiring entity must be recognised in the income statement. The tax effect of the restatement of assets and liabilities is considered.

Any excess of the cost over the fair value of the identifiable assets and liabilities acquired (goodwill) is recognised as intangible assets and amortised on a systematic basis in the income statement based on an individual assessment of the useful life of the asset. Any excess of the fair values of the identifiable assets and liabilities acquired over the cost of the acquisition (badwill), representing an anticipated adverse development in the acquired enterprises is recognised in the income statement at the date of acquisition when the general revenue recognition criteria are met.

If, at the date of acquisition, the identification or measurement of acquired assets, liabilities and/or contingent liabilities or the size of the purchase consideration are associated with uncertainty, initial recognition will be based on preliminary calculated amounts. If it subsequently turns out that the identification or measurement of the purchase consideration, acquired assets, liabilities and/or contingent liabilities was not correct on initial recognition, the calculation will be adjusted with retrospective effect, including goodwill, until 12 months after the acquisition, and comparative figures will be restated. Subsequently, any adjustments made will be recognised as error.

## Accounting policies

The purchase consideration for an entity consists of the fair value of the agreed consideration in the form of assets transferred, liabilities assumed, and equity instruments issued. If part of the purchase consideration is contingent on future events or compliance with agreed terms, such part of the purchase consideration is recognised in the income statement.

Costs incurred to acquire entities are recognised in the income statement in the year in which they are incurred.

### Recognition and measurement of intra-group business combinations

The uniting of interests method is applied to business combinations such as acquisition and disposal of investments, mergers, demergers, additions of assets and share conversions, etc. in which entities controlled by the parent company are involved, provided the combination is considered final at the time of acquisition with restatement of comparative figures. Differences between the agreed consideration and the carrying amount of the acquired entity are recognised in the equity.

### Consolidated financial statements

The consolidated financial statements comprise the Parent company BESTSELLER A/S and subsidiaries in which the Parent company, directly or indirectly, holds more than 50% of the voting rights or otherwise has a controlling interest. Entities in which the Group holds between 20% and 50% of the voting rights and over which it exercises significant influence, but which it does not control, are considered associates, cf. the Group chart.

The consolidated annual accounts are prepared as a consolidation of the accounts of the Parent company and the individual subsidiaries. Adjustments are made for intercompany turnover and expenditure, shareholdings, intra-group balances and dividends, as well as unrealized internal income and loss. The accounts used for the consolidation are prepared in accordance with the Group's accounting policies.

Investments in subsidiaries are set off against the proportionate share of the subsidiaries' fair value of net assets and liabilities at the acquisition date.

Entities acquired or formed during the year are recognised in the consolidated financial statements from the date of acquisition. Entities disposed of are recognised in the consolidated income statement until the date of disposal. Comparative figures are not restated for acquisitions or disposals.

### Non-controlling interests

The annual accounts of the Group's subsidiaries are included 100% in the consolidated figures. The non-controlling interests proportionate share of the profit and loss as well as the equity in subsidiaries not 100% owned by the Group are included as a part of the Group's profit and loss but are disclosed separately.

On initial recognition, non-controlling interest are measured at the fair value of the non-controlling interests' proportionate share of the fair value of the acquired entity's identifiable assets, liabilities and contingent liabilities. Goodwill relating to the non-controlling interests' share of the acquire is thus recognised.

## **Accounting policies**

### **Income statement**

#### **Revenue**

Revenue from the sale of goods is recognised in the income statement when delivery is made, and risk has passed to the buyer and that the income can be reliably measured and is expected to be received.

Revenue is measured at the fair value of the agreed consideration, excluding VAT and other indirect taxes. Revenue is net of all types of discounts granted.

#### **Cost of sales**

Cost of sales comprises costs incurred in generating the revenue for the year. Cost of sales includes provisions for loss on returned goods.

#### **Other operating income**

Other operating income comprises items of a secondary nature relative to the Group's activities, including gains on the sale of intangible assets and property, plant and equipment.

#### **Other external costs**

Other external costs comprise costs for distribution, marketing and administration, including office costs, etc.

#### **Staff costs**

Staff costs include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. made to employees. The item is net of refunds made by public authorities.

#### **Amortisation, depreciation and impairment losses**

Amortisation, depreciation and impairment losses comprise the year's amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

#### **Development costs**

Development costs comprise costs relating to development project that do not qualify for the recognition in the balance sheet. Development costs are expensed in the income statement as other external costs and staff costs.

#### **Profit/loss from investments in subsidiaries and associates**

The proportionate share of the profit/loss for the year after tax of subsidiaries is recognised in the Parent company's income statement after full elimination of intra-group profits/losses and amortisation of goodwill. In situations of sales of subsidiaries gains/losses are recognised in the income statement.

The proportionate share of the profit/loss for the year of associates is recognised in both the consolidated and the Parent company's income statement after elimination of the proportionate share of intra-group profits/gains and amortisation of goodwill. In situations of sales of associates gains/losses are recognised in the income statement.

## Accounting policies

### Financial income and costs

Financial income and costs comprise interest income and costs, realized and unrealized gains and losses on securities, payables and transactions denominated in foreign currencies, dividends received on other investments, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme.

### Tax on profit for the year

The company is subject to the Danish rules on compulsory joint taxation of the Group's Danish subsidiaries. Subsidiaries participate in the joint taxation arrangement from the time when they are included in the consolidated financial statements and until the time when they withdraw from the consolidation.

On payment of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have been able to use tax losses to reduce their own taxable profits.

Tax for the year, which comprises the current tax charge for the year and changes in the deferred tax charge, is recognised in the income statement as regards the portion that relates to the profit for the year and directly in equity as regards the portion that relates to entries directly in equity.

## Balance sheet

### Intangible assets

Intangible assets are measured at cost less accumulated depreciation and impairment losses. Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. Interests are not included in the cost. Where individual components of an item of intangible assets have different useful lives, they are accounted for as separate items, which are depreciated separately. Non-current assets are depreciated on a straight-line basis, based on cost and on the following continually estimated useful lives:

Software is amortized according to the straight-line method over the expected useful life of 3 years.

Leasehold rights/key money is amortized according to the straight-line method of the non-terminable lease term. In case such term does not exist, the leasehold right/key money is amortized over 5 to 7 years.

Goodwill is amortised over the estimated useful life between 5-20 years. The estimated useful life is determined by management based on their experience within each area of business. The amortisation period is determined based on to what extent the purchase concerns a strategically acquired company with a strong market position and a long-term profitability and to what extent the goodwill includes temporary intangible resources which has not been able to spin off and recognise as individual assets.

Gains and losses on the disposal of intangible assets are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as other operating income or other operating costs.

## Accounting policies

### Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. Interests are not included in the cost.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

Non-current assets are depreciated on a straight-line basis, based on cost and on the following continually estimated useful lives:

	Useful life
Buildings	10-50 years
Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	5-10 years

The basis of depreciation is based on the residual value of the asset at the end of its useful life. The depreciation period and the residual value are determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In case of changes in the depreciation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Property, plant and equipment are written down to its recoverable amount if this is lower than the carrying amount.

Gains or losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating costs, respectively.

### Non-current investments

#### Investments in subsidiaries and associates

Investments in subsidiaries and associates are measured at the proportionate share of the net asset value of the entities, calculated on the basis of the Group's accounting policies, plus or less unrealised intra-group gains or losses and plus or less any remaining value of positive or negative goodwill stated according to the purchase method.

Investments in subsidiaries and associates with a negative net asset value are measured at DKK 0, and the carrying amount of any receivables from these entities is reduced to the extent that they are considered irrecoverable. If the Parent company has a legal or constructive obligation to cover a deficit that exceeds the receivable, the balance is recognised under provisions.

Net revaluations of investments in subsidiaries and associates are taken to the net revaluation reserve according to the equity method in so far as that the carrying amount exceeds the cost.



## Accounting policies

### Other non-current investments

Other non-current assets consist of deposits in leaseholds and securities, measured at cost, which the entity plans on holding until expiry.

### Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment is reviewed in general to determine whether there is any indication of impairment in addition to that expressed by amortisation or depreciation. The impairment test is performed for each individual asset or group of assets. The recoverable amount of the asset is calculated as the value in use or the fair value less disposal costs, whichever is higher.

Where there is indications of impairment, an impairment test is performed for each individual asset or group of assets, respectively. If it is not possible to determine the recoverable amount for individual assets, the assets are reviewed jointly in the smallest identifiable group of assets to determine a reliable recoverable amount.

The recoverable amount is the higher of the net selling price and the value in use. The value in use is determined as the present value of the anticipated net cash flows from the use of the asset or group of assets and the anticipated net cash flows from the disposal of the asset or group of assets after the end of their useful life.

Domicile properties and other assets, for which it is not possible to calculate an individual capital value as the asset, in itself, does not generate future cash flows, are subject to a test for indication of impairment together with the group of assets, to which they may be attributed.

Previously recognised impairment losses are reversed when the reason for recognition no longer exist. Impairment losses on goodwill are not reversed.

### Inventories

Inventories are measured at cost using the FIFO method. Where the net realisable value is lower than the cost, inventories are recognised at this lower value.

The cost of inventories comprises the purchase price plus delivery costs.

The net realisable value of inventories is calculated as the selling price less costs of completion and costs incurred to effect the sale. The net realisable value is determined taking into account marketability, obsolescence and expected selling price movements.

### Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable is impaired, an impairment loss for that individual asset is recognised.

## **Accounting policies**

### **Prepayments**

Prepayments recognised under 'Current assets' comprises costs incurred concerning subsequent financial years.

### **Cash at hand and in bank**

Cash at hand and in bank comprise cash at hand and in bank.

### **Equity**

#### **Reserve for net revaluation according to the equity method**

The reserve for net revaluation according to the equity method in the company's financial statements comprises net revaluation of investments in subsidiaries and associates relative to the cost.

### **Dividends**

Proposed dividends are disclosed as a separate item under equity. Dividends are recognised as a liability when declared by the annual general meeting of shareholders.

### **Provisions**

Provisions are measured at net realizable value or fair value. If the obligation is expected to be settled far into the future the obligation is measured at fair value. Provisions comprise anticipated costs for losses on returned goods, obligations concerning leases and other contractual liabilities. Provisions are recognised when the Group has a legal or constructive obligation at the balance sheet date and there is a probability of an outflow of resources required to settle the obligation.

### **Current tax and deferred tax**

Current tax liabilities and current tax receivables are recognised in the balance sheet as the estimated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and tax paid on account.

Deferred tax is measured according to the liability method in respect of temporary differences between the carrying amount of assets and liabilities and their tax base, calculated on the basis of the planned use of the asset and settlement of the liability, respectively.

Adjustment is made to deferred tax resulting from elimination of unrealised intra-group profits and losses.

Deferred tax assets, including the tax base of tax losses allowed for carry forward, are measured at the value to which the asset is expected to be realised, either as a set-off against tax on future income or as a set-off against deferred tax liabilities within the same legal tax entity. Any deferred net tax assets are measured at net realisable value.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax adjustments resulting from changes in tax rates are recognised in the income statement, with the exception of items taken directly to equity.

## **Accounting policies**

### **Liabilities other than provisions**

Financial liabilities are recognised on the raising of the loan at the proceeds received net of transaction costs incurred. On subsequent recognition, the financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest method. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities, which include trade payables, payables to group entities and other payables, are measured at amortised cost, which is usually equivalent to nominal value.

### **Deferred income**

Deferred income recognised under 'Current liabilities' comprises payments received concerning income in subsequent financial years.

### **Derivative financial instruments**

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Positive and negative fair values of derivative financial instruments are included in 'Other receivables' or 'Other payables', respectively.

Fair value adjustments of derivative financial instruments designated as and qualifying for recognition as a fair value hedge of recognised assets and liabilities are recognised in the income statement together with fair value adjustments of the hedged asset or liability.

Fair value adjustments of derivative financial instruments designated as and qualifying for hedging of future cash flows are recognised in other receivables or other payables and in equity. If the future transaction results in recognition of assets or liabilities, amounts previously recognised in equity are transferred to the cost of the asset or the liability, respectively. If the future transaction results in income or costs, amounts previously recognised in equity are transferred to the income statement in the period in which the hedged item affects the income statement.

As for derivative financial instruments that do not qualify for hedge accounting, fair value adjustments are recognised in the income statement on a current basis.

### **Cash flow statement**

The cash flow statement shows the Group's and the Parent company's cash flows for the year, broken down under cash flows from operating, investing and financing activities, the year's changes in cash and cash equivalents and the Group's and the Parent company's cash and cash equivalents at the beginning and at the end of the year.

The cash flow effect of additions and disposals of entities is shown separately under cash flows from investing activities. The cash flow statement includes cash flows from acquired entities from the time of acquisition, and cash flows from sold entities are included until the date of sale.

## Accounting policies

### Cash flows from operating activities

Cash flows from operating activities comprise cash flows presented according to the indirect method and are calculated as the Groups share of the profit/loss for the year adjusted for changes in the working capital, paid corporate taxes and non-cash income statement items such as depreciation, amortisation and impairment losses and provisions made. The working capital comprises current assets less current liabilities – exclusive of the financial statement items included in cash and cash equivalents.

### Cash flows from investing activities

Cash flows from investing activities comprise cash flows from payments associated with the purchase of sale of companies, activities and financial non-current assets as well as purchase, development, improvement and sale etc. of intangible assets and property, plant and equipment including the acquisition of financially leased assets.

### Cash flows from financing activities

Cash flows from financing activities comprise changes in the size or composition of the Group's and the Parent company's share capital and related costs, as well as the raising of loans, repayment of interest-bearing debt and payment of dividends to shareholders.

### Cash and cash equivalents

Cash and cash equivalents comprise cash.

### Financial highlights

Definitions of financial ratios.

Gross margin ratio*	$\frac{\text{Gross margin} \times 100}{\text{Revenue}}$
	<i>*Gross margin = Revenue - cost of sales</i>
Operating margin ratio	$\frac{\text{Profit before net financials} \times 100}{\text{Revenue}}$
Solvency ratio	$\frac{\text{Equity (at year end)} \times 100}{\text{Total assets}}$

## Income statement 1 August - 31 July

	Note	Group		Parent Company	
		2018/19 TDKK	2017/18 TDKK	2018/19 TDKK	2017/18 TDKK
<b>Revenue</b>	1	<b>25.817.348</b>	<b>24.157.451</b>	<b>14.188.772</b>	<b>13.859.805</b>
Other operating income		205.506	212.825	246.694	261.914
Cost of sales		-13.061.812	-11.901.345	-11.037.420	-9.496.469
Other external costs		-4.664.889	-4.590.024	-809.120	-1.292.070
<b>Gross profit</b>		<b>8.296.153</b>	<b>7.878.907</b>	<b>2.588.926</b>	<b>3.333.180</b>
Staff costs	2	-4.765.955	-4.365.248	-1.267.256	-1.354.495
Depreciation and amortisation of intangible assets and property, plant and equipment	7-8	-799.224	-766.591	-257.202	-148.210
<b>Profit before net financials</b>		<b>2.730.974</b>	<b>2.747.068</b>	<b>1.064.468</b>	<b>1.830.475</b>
Income from investments in subsidiaries		0	0	1.233.517	474.954
Income from investments in associates		-369	2.021	0	0
Financial income	3	227.186	329.925	151.984	119.372
Financial costs	4	-183.060	-224.325	-90.950	-98.884
<b>Profit before tax</b>		<b>2.774.731</b>	<b>2.854.689</b>	<b>2.359.019</b>	<b>2.325.917</b>
Tax on profit/loss for the year	5	-666.568	-747.431	-330.561	-366.285
<b>Group profit for the year</b>		<b>2.108.163</b>	<b>2.107.258</b>	<b>2.028.458</b>	<b>1.959.632</b>
Non-controlling interests' share of net profit of subsidiaries		-79.705	-147.626	0	0
<b>Shareholders of BESTSELLER'S share of net profit</b>		<b>2.028.458</b>	<b>1.959.632</b>	<b>2.028.458</b>	<b>1.959.632</b>
Distribution of profit	6				

**Balance sheet 31 July**

	Note	Group		Parent Company	
		2019 TDKK	2018 TDKK	2019 TDKK	2018 TDKK
Assets					
Software		25.766	33.555	0	0
Goodwill		240.587	215.791	0	0
Key money / leasehold rights		75.842	62.694	0	0
Intangible assets	7	342.195	312.040	0	0
Land and buildings		2.842.892	2.890.658	2.335.081	2.392.469
Other fixtures and fittings, tools and equipment		512.980	532.021	117.182	162.051
Leasehold improvements		810.506	624.341	16.397	16.148
Property, plant and equipment in progress		111.579	114.564	51.993	74.532
Property, plant and equipment	8	4.277.957	4.161.584	2.520.653	2.645.200
Investments in subsidiaries	9	0	0	5.357.897	4.272.492
Investments in associates	10	11.763	13.510	0	0
Securities		446	275	0	0
Deposits		89.794	75.345	1.126	1.054
Fixed asset investments		102.003	89.130	5.359.023	4.273.546
Total non-current assets		4.722.155	4.562.754	7.879.676	6.918.746
Inventories		3.275.170	3.236.128	1.818.471	1.985.928
Inventories		3.275.170	3.236.128	1.818.471	1.985.928
Trade receivables		2.769.710	2.473.580	29.635	70.523
Receivables from group enterprises		1.889.416	961.485	3.643.781	2.325.876
Other receivables		542.065	387.341	22.436	20.438
Deferred tax asset	13	99.771	133.268	0	0
Corporation tax		119.357	112.705	0	0
Prepayments	11	321.799	279.021	55.297	39.643
Receivables		5.742.118	4.347.400	3.751.149	2.456.480
Cash at bank and in hand		1.665.649	2.068.906	217.932	257.787
Total current assets		10.682.937	9.652.434	5.787.552	4.700.195
Total assets		15.405.092	14.215.188	13.667.228	11.618.941



## Balance sheet 31 July

		Group		Parent Company	
	Note	2019 TDKK	2018 TDKK	2019 TDKK	2018 TDKK
Equity and liabilities					
Share capital		110.000	110.000	110.000	110.000
Retained earnings		4.578.255	4.528.814	4.578.255	4.528.814
Proposed dividend for the year		2.000.000	1.900.000	2.000.000	1.900.000
Equity before non-controlling interests		6.688.255	6.538.814	6.688.255	6.538.814
Non-controlling interests		382.294	389.077	0	0
Equity	12	7.070.549	6.927.891	6.688.255	6.538.814
Deferred tax	13	9.939	41.802	5.032	36.972
Provisions relating to investments in group entities		0	0	473.513	388.550
Other provisions	14	1.377.612	1.407.898	413.169	380.579
Total provisions		1.387.551	1.449.700	891.714	806.101
Mortgage credit institutions		163.872	172.327	0	0
Total non-current liabilities	15	163.872	172.327	0	0
Credit institutions		2.344.157	608.056	1.989.900	245.702
Mortgage credit institutions	15	6.789	7.111	0	0
Trade payables		1.802.619	2.087.704	843.621	889.389
Payables to group enterprises		168.989	738.025	2.485.930	2.343.462
Corporation tax		475.799	511.858	286.638	292.917
Other payables		1.939.240	1.678.412	481.170	502.556
Deferred income	16	45.527	34.104	0	0
Total current liabilities		6.783.120	5.665.270	6.087.259	4.274.026
Total liabilities		6.946.992	5.837.597	6.087.259	4.274.026
Total equity and liabilities		15.405.092	14.215.188	13.667.228	11.618.941
Events after the balance sheet date	17				
Rent and lease liabilities	18				
Contingencies, etc.	19				
Financial instruments	20				
Related parties and ownership structure	21				

## Statement of changes in equity

### Group

	Share capital	Retained earnings	Proposed dividend for the year	Equity before non-controlling interests	Non-controlling interests	Total
Equity at 1 August 2018	110.000	4.606.392	1.900.000	6.616.392	389.076	7.005.468
Net effect from merger and acquisition under the uniting of interests method	0	-77.578	0	-77.578	0	-77.578
Adjusted equity at 1 August 2018	110.000	4.528.814	1.900.000	6.538.814	389.076	6.927.890
Exchange adjustments	0	45.993	0	45.993	-2.708	43.285
Ordinary dividend paid	0	0	-1.900.000	-1.900.000	0	-1.900.000
Purchase of minority shares	0	-8.141	0	-8.141	7.504	-637
Fair value adjustment of hedging instruments	0	1.156	0	1.156	0	1.156
Other equity movements	0	-2.137	0	-2.137	0	-2.137
Dividends	0	0	0	0	-91.283	-91.283
Net profit/loss for the year	0	2.028.458	0	2.028.458	79.705	2.108.163
Proposed dividend for the year	0	-2.000.000	2.000.000	0	0	0
Tax on transactions on equity	0	-254	0	-254	0	-254
Net effect from demerger	0	-103.108	0	-103.108	0	-103.108
Contribution from group	0	87.474	0	87.474	0	87.474
<b>Equity at 31 July 2019</b>	<b>110.000</b>	<b>4.578.255</b>	<b>2.000.000</b>	<b>6.688.255</b>	<b>382.294</b>	<b>7.070.549</b>

### Parent Company

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Proposed dividend for the year	Total
Equity at 1 August 2018	110.000	0	4.606.392	1.900.000	6.616.392
Net effect from merger and acquisition under the uniting of interests method	0	0	-77.578	0	-77.578
Adjusted equity at 1 August 2018	110.000	0	4.528.814	1.900.000	6.538.814
Ordinary dividend paid	0	0	0	-1.900.000	-1.900.000
Exchange adjustment, foreign investments	0	45.993	0	0	45.993
Fair value adjustment of hedging instruments	0	0	1.156	0	1.156
Other equity movements	0	-22.388	0	0	-22.388
Net profit/loss for the year	0	1.233.517	794.941	0	2.028.458
Proposed dividend for the year	0	0	-2.000.000	2.000.000	0
Tax on transactions on equity	0	0	-254	0	-254
Distributed dividends from investments in subsidiaries	0	-488.344	488.344	0	0
Transfer	0	-768.778	768.778	0	0
Net effect from demerger	0	0	-90.998	0	-90.998
Contribution from group	0	0	87.474	0	87.474
<b>Equity at 31 July 2019</b>	<b>110.000</b>	<b>0</b>	<b>4.578.255</b>	<b>2.000.000</b>	<b>6.688.255</b>

**Cash flow statement 1 August - 31 July**

	Note	Group		Parent Company	
		2018/19 TDKK	2017/18 TDKK	2018/19 TDKK	2017/18 TDKK
Net profit/loss for the year		2.108.163	2.107.258	2.028.458	1.959.632
Adjustments	22	1.368.773	1.416.515	-678.261	34.809
Change in working capital	23	-652.819	-1.237.624	346.811	-1.208.257
<b>Cash flows from operating activities before financial income and expenses</b>		<b>2.824.117</b>	<b>2.286.149</b>	<b>1.697.008</b>	<b>786.184</b>
Corporation tax paid		-644.977	-595.942	-302.579	-269.846
<b>Cash flows from operating activities</b>		<b>2.179.140</b>	<b>1.690.207</b>	<b>1.394.429</b>	<b>516.338</b>
Purchase of intangible assets		-98.532	-129.608	0	0
Purchase of property, plant and equipment		-922.041	-1.054.883	-150.858	-166.312
Purchase of financial assets		0	0	-288.186	-629.885
Disposal of financial assets		0	0	0	137.761
Sale of property, plant and equipment		85.619	107.606	18.003	9.177
Disposal of intangible assets		672	9.664	0	0
Dividends received from subsidiaries		0	0	488.344	632.169
Dividends received from associates		1.264	250	0	0
Other receivables		-14.449	2.420	-72	4
<b>Cash flows from investing activities</b>		<b>-947.467</b>	<b>-1.064.551</b>	<b>67.231</b>	<b>-17.086</b>

**Cash flow statement 1 August - 31 July (continued)**

Note	Group		Parent Company	
	2018/19 TDKK	2017/18 TDKK	2018/19 TDKK	2017/18 TDKK
Proceeds of loans from credit institutions	1.727.324	184.335	1.744.198	184.132
Changes in receivables/payables to group enterprises	-1.474.363	683.660	-1.433.187	603.586
Capital contribution from group	87.474	0	87.474	0
Dividend paid	-1.991.283	-1.696.034	-1.900.000	-1.600.000
<b>Cash flows from financing activities</b>	<b>-1.650.848</b>	<b>-828.039</b>	<b>-1.501.515</b>	<b>-812.282</b>
<b>Change in cash and cash equivalents</b>	<b>-419.175</b>	<b>-202.383</b>	<b>-39.855</b>	<b>-313.030</b>
Cash at bank and in hand	2.068.906	2.339.141	257.787	570.817
Currency translation adjustment of cash	15.918	-67.852	0	0
Cash and cash equivalents	2.084.824	2.271.289	257.787	570.817
<b>Cash and cash equivalents</b>	<b>1.665.649</b>	<b>2.068.906</b>	<b>217.932</b>	<b>257.787</b>
Analysis of cash and cash equivalents:				
Cash at bank and in hand	1.665.649	2.068.906	217.932	257.787
<b>Cash and cash equivalents</b>	<b>1.665.649</b>	<b>2.068.906</b>	<b>217.932</b>	<b>257.787</b>

## Notes

	Group		Parent Company	
	2018/19 TDKK	2017/18 TDKK	2018/19 TDKK	2017/18 TDKK
<b>1 Revenue</b>				
Revenue	25.817.348	24.157.451	14.188.772	13.859.805
<b>Total revenue</b>	<b>25.817.348</b>	<b>24.157.451</b>	<b>14.188.772</b>	<b>13.859.805</b>
Denmark	1.572.098	1.328.277	586.961	679.104
Rest of Europe	22.262.262	20.528.480	13.530.561	13.026.957
Rest of the world	1.982.988	2.300.694	71.250	153.744
<b>Total revenue</b>	<b>25.817.348</b>	<b>24.157.451</b>	<b>14.188.772</b>	<b>13.859.805</b>

The Company's and the Group's revenue is disclosed by geographical markets. The Company's and the Group's activities consists of one business segment why the revenue is only disclosed by geographical markets. The segment information is consistent with the Company's and the Group's applied accounting policies, risks and internal controlling.

<b>2 Staff costs</b>				
Wages and salaries	3.873.267	3.572.540	1.069.137	1.149.484
Pensions	223.330	203.321	103.337	108.593
Other social security costs	439.769	403.578	17.569	18.729
Other staff costs	229.589	185.809	77.213	77.689
	<b>4.765.955</b>	<b>4.365.248</b>	<b>1.267.256</b>	<b>1.354.495</b>
Average number of employees	19.393	18.559	2.270	2.552

Executive Board received remuneration of DKK 8.765 thousands (2017/18: DKK 17.309 thousands). The remuneration is dependent on the Group's profit/loss. The Supervisory Board received no remuneration.

<b>3 Financial income</b>				
Financial income, group enterprises	855	1.039	38.847	15.201
Other financial income	226.331	328.886	113.137	104.171
	<b>227.186</b>	<b>329.925</b>	<b>151.984</b>	<b>119.372</b>

## Notes

	Group		Parent Company	
	2018/19 TDKK	2017/18 TDKK	2018/19 TDKK	2017/18 TDKK
<b>4 Financial costs</b>				
Financial costs, group enterprises	401	507	8.374	3.944
Other financial costs	182.659	223.818	82.576	94.940
	<b>183.060</b>	<b>224.325</b>	<b>90.950</b>	<b>98.884</b>
<b>5 Tax on profit/loss for the year</b>				
Current tax for the year	627.238	697.403	319.614	379.381
Change in deferred tax for the year	-1.898	80.319	-31.940	77.455
Adjustment of tax concerning previous years	41.228	-30.291	42.887	-90.551
	<b>666.568</b>	<b>747.431</b>	<b>330.561</b>	<b>366.285</b>
<b>6 Distribution of profit</b>				
<b>Proposed distribution of profit</b>				
Proposed dividend for the year	2.000.000	1.900.000	2.000.000	1.900.000
Reserve for net revaluation under the equity method	0	0	1.233.517	474.954
Retained earnings	28.458	59.632	-1.205.059	-415.322
	<b>2.028.458</b>	<b>1.959.632</b>	<b>2.028.458</b>	<b>1.959.632</b>



## Notes

### 7 Intangible assets

#### Group

	Software	Goodwill	Key money / leasehold rights
Cost at 1 August 2018	90.202	531.787	174.084
Exchange adjustment	852	2.109	806
Additions for the year	8.597	66.374	23.561
Disposals for the year	-17.711	-433	-11.689
Cost at 31 July 2019	81.940	599.837	186.762
Impairment losses and amortisation at 1 August 2018	56.647	316.622	110.874
Exchange adjustment	460	3.807	225
Impairment losses for the year	0	-23	1.710
Amortisation for the year	16.616	39.277	9.290
Reversal of impairment and amortisation of sold assets	-17.549	-433	-11.179
Impairment losses and amortisation at 31 July 2019	56.174	359.250	110.920
<b>Carrying amount at 31 July 2019</b>	<b>25.766</b>	<b>240.587</b>	<b>75.842</b>

#### Parent Company

	Software
Cost at 1 August 2018	9.596
Disposals for the year	-659
Cost at 31 July 2019	8.937
Impairment losses and amortisation at 1 August 2018	9.596
Reversal of impairment and amortisation of sold assets	-659
Impairment losses and amortisation at 31 July 2019	8.937
<b>Carrying amount at 31 July 2019</b>	<b>0</b>

## Notes

### 8 Tangible assets

#### Group

	Land and buildings	Other fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment in progress
Cost at 1 August 2018	3.584.076	2.204.303	2.257.945	114.564
Exchange adjustment	2.471	-1.997	21.146	1.777
Additions for the year	40.207	258.748	469.898	153.188
Disposals for the year	-1.490	-177.820	-93.899	-40.436
Transfers for the year	117.994	0	480	-117.514
Cost at 31 July 2019	3.743.258	2.283.234	2.655.570	111.579
Impairment losses and depreciation at 1 August 2018	693.760	1.672.282	1.633.604	0
Exchange adjustment	3.450	-6.636	14.896	0
Impairment losses for the year	0	65.364	64.317	0
Depreciation for the year	203.880	190.688	208.105	0
Reversal of impairment and depreciation of sold assets	-724	-151.444	-75.858	0
Impairment losses and depreciation at 31 July 2019	900.366	1.770.254	1.845.064	0
<b>Carrying amount at 31 July 2019</b>	<b>2.842.892</b>	<b>512.980</b>	<b>810.506</b>	<b>111.579</b>

## Notes

### 8 Tangible assets (continued)

#### Parent Company

	Land and buildings	Other fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment in progress
Cost at 1 August 2018	2.974.625	512.787	19.967	74.532
Additions for the year	18.639	32.433	4.611	94.975
Disposals for the year	-1.205	-38.231	0	0
Transfers for the year	117.994	0	-480	-117.514
Cost at 31 July 2019	3.110.053	506.989	24.098	51.993
Impairment losses and depreciation at 1 August 2018	582.156	350.736	3.819	0
Depreciation for the year	193.081	60.066	4.055	0
Reversal of impairment and depreciation of sold assets	-438	-20.995	0	0
Transfers for the year	173	0	-173	0
Impairment losses and depreciation at 31 July 2019	774.972	389.807	7.701	0
<b>Carrying amount at 31 July 2019</b>	<b>2.335.081</b>	<b>117.182</b>	<b>16.397</b>	<b>51.993</b>

## Notes

	Parent Company	
	2019 TDKK	2018 TDKK
<b>9 Investments in subsidiaries</b>		
Cost at 1 August 2018	7.830.579	7.212.608
Additions for the year	288.186	629.885
Disposals for the year	-4.876	-11.914
Cost at 31 July 2019	<u>8.113.889</u>	<u>7.830.579</u>
Revaluations at 1 August 2018	-4.058.164	-3.479.111
Disposals for the year	4.876	-125.848
Exchange adjustment	45.993	-135.007
Net profit/loss for the year	1.233.517	474.954
Received dividend	-488.344	-692.169
Other equity movements, net	-22.388	-100.983
Equity investments with negative net asset value amortised over receivables and provisions	<u>528.518</u>	<u>500.077</u>
Revaluations at 31 July 2019	<u>-2.755.992</u>	<u>-3.558.087</u>
<b>Carrying amount at 31 July 2019</b>	<b><u>5.357.897</u></b>	<b><u>4.272.492</u></b>
Remaining positive difference included in the above carrying amount at 31 July 2019	<u>110.208</u>	

Ownership in subsidiaries, see group chart pages 6 - 8.

## Notes

	Group		Parent Company	
	2019 TDKK	2018 TDKK	2019 TDKK	2018 TDKK
<b>10 Investments in associates</b>				
Cost at 1 August 2018	27.211	27.211	0	0
Cost at 31 July 2019	27.211	27.211	0	0
Revaluations at 1 August 2018	-13.701	-15.252	0	0
Exchange adjustment	-114	-220	0	0
Net profit/loss for the year	-369	2.021	0	0
Received dividend	-1.264	-250	0	0
Revaluations at 31 July 2019	-15.448	-13.701	0	0
<b>Carrying amount at 31 July 2019</b>	<b>11.763</b>	<b>13.510</b>	<b>0</b>	<b>0</b>

Ownership in associates, see group chart pages 6 - 8.

## 11 Prepayments

Prepayments comprise prepaid costs regarding rent, insurance premiums, subscriptions and interest.

## 12 Equity

The share capital consists of 220.000 shares of a nominal value of TDKK 500. No shares carry any special rights.

## Notes

	Group		Parent Company	
	2019 TDKK	2018 TDKK	2019 TDKK	2018 TDKK
<b>13 Deferred tax</b>				
Deferred tax at 1 August 2018	-91.466	-157.867	36.972	-40.483
Exchange adjustment	-10	1.461	0	0
Adjustment of deferred tax for the year	1.898	80.319	-31.940	77.455
Other movements on deferred tax	-254	-5.418	0	0
Deferred tax concerning previous years	0	-9.961	0	0
<b>Deferred tax at 31 July 2019</b>	<b>-89.832</b>	<b>-91.466</b>	<b>5.032</b>	<b>36.972</b>
 Deferred tax liabilities	 9.939	 41.802	 5.032	 36.972
	<b>9.939</b>	<b>41.802</b>	<b>5.032</b>	<b>36.972</b>
 <b>Deferred tax asset</b>				
Calculated tax asset	99.771	133.268	0	0
<b>Carrying amount</b>	<b>99.771</b>	<b>133.268</b>	<b>0</b>	<b>0</b>

The Parent's and the Group's deferred tax assets consists primarily of temporary differences between the financial value and the tax value of certain assets and liabilities.



## Notes

	Group		Parent Company	
	2019 TDKK	2018 TDKK	2019 TDKK	2018 TDKK
<b>14 Other provisions</b>				
Balance at beginning of year at 1 August 2018	1.407.898	1.529.255	380.579	418.840
Exchange adjustment	849	-2.238	0	0
Provision in year	276.373	358.170	66.300	14.000
Applied in the year	-307.508	-477.289	-33.710	-52.261
<b>Balance at 31 July 2019</b>	<b>1.377.612</b>	<b>1.407.898</b>	<b>413.169</b>	<b>380.579</b>

The expected due dates of other provisions are:

Within one year	677.033	597.668	411.169	356.240
Between 1 and 5 years	692.318	799.940	2.000	24.339
Over 5 years	8.261	10.290	0	0
	<b>1.377.612</b>	<b>1.407.898</b>	<b>413.169</b>	<b>380.579</b>

Other provisions primarily compromise pending disputes, lease liabilities and other liabilities, etc.

## 15 Long term debt

### Mortgage credit institutions

After 5 years	137.410	144.269	0	0
Between 1 and 5 years	26.462	28.058	0	0
Non-current portion	163.872	172.327	0	0
Within 1 year	6.789	7.111	0	0
Current portion	6.789	7.111	0	0
	<b>170.661</b>	<b>179.438</b>	<b>0</b>	<b>0</b>

## 16 Deferred income

Deferred income consists of payments received in respect of income in subsequent financial years.

## 17 Events after the balance sheet date

No events materially affecting the financial position have occurred after the balance sheet date.

## Notes

	Group		Parent Company	
	2019 TDKK	2018 TDKK	2019 TDKK	2018 TDKK
<b>18 Rent and lease liabilities</b>				
Total future lease payments according to rent commitments:				
Within 1 year	1.808.022	1.622.326	20.140	20.556
Between 1 and 5 years	3.884.368	3.908.578	45.117	54.146
After 5 years	1.106.979	1.334.010	0	0
	<b>6.799.369</b>	<b>6.864.914</b>	<b>65.257</b>	<b>74.702</b>

## 19 Contingencies, etc.

### Guarantee commitments

The Parent and Group company has issued guarantee commitments for DKK 379.085 thousands and DKK 688.329 thousands respectively.

### Other contingent liabilities

The Parent and the Group company has other obligations amounting to a total of DKK 300 thousands and DKK 15.610 thousands respectively.

The Parent company and the Group are parties to a number of pending disputes that are not deemed to have any material effect on coming financial years.

The Group has provided collateral for mortgage debt and bank debt totalling DKK 170,6m (2017/18: DKK 179,4m) which is secured by land and buildings, with a carrying amount of DKK 284,2m (2017/18: DKK 289,3m)

The Parent company has issued letters of support for subsidiaries. Furthermore the Parent company has issued a guarantee of payment for the liabilities of a number of subsidiaries totalling DKK 186m pr. 31 July 2019.

### Contingent liabilities vis-à-vis the Parent company and group enterprises

The Company participates in a joint Danish taxation arrangement with HEARTLAND A/S serving as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore secondarily liable for income taxes etc for the jointly taxed entities as well as to the withholding of tax on interest, royalties and dividends 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 Financial instruments

### Recognised transactions

At 31 July 2019, BESTSELLER A/S has entered into foreign exchange forward contracts relating to the company's debt to suppliers of USD 7m.

### Expected future transactions

BESTSELLER A/S seeks to reduce foreign currency risks by hedging currency exposure on purchase of goods. At 31 July 2019, BESTSELLER A/S has entered into foreign exchange forward contracts relating to future transactions in foreign currency of USD 53,5m, DKK 36,4m and CNY 131m. At 31 July 2019, the value of the contracts is DKK 15,5m before tax, which is recognised in the income statement.

## Notes

### 21 Related parties and ownership structure

#### Controlling interest

BESTSELLER United A/S, Fredskovvej 5, 7330 Brande (Majority owner)

#### Transactions

##### Parent company

Sale of goods to subsidiaries - DKK 14.057.803 thousands

Sale of services to subsidiaries - DKK 290.519 thousands

Sale of goods to other related parties - DKK 7 thousands

Sale of services to other related parties - DKK 4.461 thousands

Purchase of goods from other related parties - DKK 145.965 thousands

Purchase of services from subsidiaries - DKK 498.856 thousands

Purchase of services from other related parties - DKK 123.452 thousands

Interest income from subsidiaries - DKK 37.992 thousands

Interest income from other related parties - DKK 856 thousands

Interest costs to subsidiaries - DKK 8.374 thousands

Interest costs to other related parties - DKK 0 thousands

Capital contribution - DKK 193.551 thousands

Capital contribution received - DKK 87.474 thousands

Paid dividend - DKK 1.900.000 thousands

Demerger to other related parties - DKK 90.998 thousands

Purchase of intergroup companies - DKK 697.659 thousands

Receivables from group companies - DKK 1.756.830 thousands

Payables to group enterprises - DKK -2.313.382 thousands

Receivables from other related parties - DKK 1.886.951 thousands

Payables to other related parties - DKK -172.548 thousands

##### Consolidated

Sale of goods to related parties - DKK 51.311 thousands

Sale of services to related parties - DKK 4.465 thousands

Purchase of goods from related parties - DKK 138.245 thousands

Purchase of services from related parties - DKK 467.149 thousands

Interest income from related parties - DKK 856 thousands

Interest costs to related parties - DKK 401 thousands

Capital contribution received - DKK 87.474 thousands

Paid dividend - DKK 1.900.000 thousands

Demerger to other related parties - DKK 103.108 thousands

Purchase of intergroup companies - DKK 697.659 thousands

Receivables from related parties - DKK 2.107.355 thousands

Payables to related parties - DKK -168.989 thousands

Besides distribution of dividend, no other transactions were carried through with shareholders in the year. Remuneration/fees to members of the Executive Board are reflected in note 2.

## Notes

### 21 Related parties and ownership structure (continued)

#### Ownership structure

According to the company's register of shareholders, the following shareholder holds at least 5% of the votes or at least 5% of the share capital:

The company is 100% owned by BESTSELLER United A/S, Fredskovvej, 7330 Brande. The consolidated financial statement of BESTSELLER A/S is included in the consolidated financial statement for HEARTLAND A/S, Inge Lehmanns Gade 2, 8000 Aarhus C being both the largest and smallest group.

	Group		Parent Company	
	2018/19 TDKK	2017/18 TDKK	2018/19 TDKK	2017/18 TDKK
<b>22 Cash flow statement - adjustments</b>				
Depreciation, amortisation and impairment losses	799.224	766.591	257.202	148.210
Income from investments in subsidiaries	0	0	-1.233.517	-474.954
Income from investments in associates	369	-2.021	0	0
Tax on profit/loss for the year	666.568	747.431	330.561	366.285
Change in other provisions	-96.486	-121.347	-33.610	-38.261
Exchange adjustment	-902	33.529	902	33.529
Other adjustments	0	-7.668	201	0
	<b>1.368.773</b>	<b>1.416.515</b>	<b>-678.261</b>	<b>34.809</b>
<b>23 Cash flow statement - change in working capital</b>				
Change in stocks	-39.042	-443.983	167.457	-315.916
Change in receivables	-519.006	-441.159	-329.131	-751.991
Change in trade payables, etc.	-94.771	-352.482	508.485	-140.350
	<b>-652.819</b>	<b>-1.237.624</b>	<b>346.811</b>	<b>-1.208.257</b>