

Sport Danmark A/S

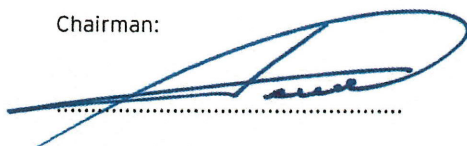
Baltorpbakken 5, DK-2750 Ballerup

CVR no. 12 55 94 96

Annual report 2019

Approved at the Company's annual general meeting on 15 September 2020

Chairman:

A handwritten signature in blue ink, consisting of a large, stylized 'S' followed by a smaller, more legible signature.



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Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Sport Danmark A/S for the financial year 1 January - 31 December 2019.

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

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 15 September 2020
Executive Board:



Andreas Høgdall Holm
CEO

Board of Directors:


Dmitry Barkov
Chairman
Janusz Gembarski
Leonid Strakhov

Independent auditor's report

To the shareholders of Sport Danmark A/S

Opinion

We have audited the financial statements of Sport Danmark A/S for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 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 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 Company 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 rules and requirements.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the 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 financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Independent auditor's report

- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- ▶ Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 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 Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

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

Copenhagen, 15 September 2020
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Henrik Kronborg Iversen
State Authorised Public Accountant
mne24687



Karsten Faurholt
State Authorised Public Accountant
mne41309

Management's review

Company details

Name	Sport Danmark A/S
Address, Postal code, City	Baltorpbakken 5, DK-2750 Ballerup
CVR no.	12 55 94 96
Established	1 January 1989
Registered office	Ballerup
Financial year	1 January - 31 December
Board of Directors	Dmitry Barkov, Chairman Janusz Gembarski Leonid Strakhov
Executive Board	Andreas Høgdall Holm, CEO
Auditors	EY Godkendt Revisionspartnerselskab Dirch Passers Allé 36, P.O. Box 250, 2000 Frederiksberg, Denmark

Management's review

Financial highlights

DKK'000	2019	2018	2017	2016	2015
Key figures					
Revenue	619,627	630,832	625,980	611,730	596,037
Gross profit	51,085	39,599	60,806	62,295	58,519
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	1,760	-15,029	10,265	8,103	10,622
Net financials	-1,691	-1,669	-1,672	753	430
Profit/loss for the year	-10,398	-25,948	735	2,104	106
Financial ratios					
Total assets	190,560	246,538	205,197	245,039	200,623
Equity	14,158	24,556	50,504	49,769	47,665
Operating margin	-1.0%	-4.5%	0.4%	0.0 %	0.1 %
Gross margin	8.2%	6.3%	9.7%	10.2%	9.8%
Equity ratio	7.4%	10.0%	24.6%	20.3%	23.8%
Return on equity	-53.7%	-69.1%	1.5%	4.3%	0.2%
Average number of employees	79	81	82	80	72

Financial ratios are calculated in accordance with the Danish Finance Society's recommendations on the calculation of financial ratios. For terms and definitions, please see the accounting policies.

Management's review

Business review

The primary activity of Sport Danmark A/S is to operate the retail banners SPORTMASTER and Rezet Sneaker Store.

As of 1 July 2012, SPORTMASTER was established as a vertical capital retail chain - a transformation from the voluntary chain that had been operating since 1979.

SPORTMASTER is a nationwide omni-channel retailer with more than 90 quality stores and the leading Danish sports online store. SPORTMASTER has an extensive and attractive range of products, including own brands and leading sports brands of shoes, clothing and equipment for sports and leisure activities.

Rezet Sneaker Store was acquired in May 2015 and is now the leading premium sneaker omni-channel retailer with a powerful offer of key brands' exclusive sneaker range.

At the end of 2019 Sport Nordic Holding ApS, with all of its subsidiaries, including Sport Danmark A/S, was sold by Nordic Capital to one of the biggest and most successful industrial retailers within sporting goods, Sportmaster Operations Pte. LTD.

Sportmaster Denmark has as a result at the end of December 2019 become a subsidiary to Sportmaster Operations Pte. LTD. who is among the biggest sporting goods retailers in the world, and who is operating in multiple countries, sharing the name of SPORTMASTER, which is also the primary retailer of sport in Denmark.

Financial review

Revenue for 2019 was DKK 619.6 million (2018: DKK 630.8 million). Gross profit was DKK 51.1 million (2018: DKK 39.6 million). Operating profit before depreciations and amortizations (EBITDA) was DKK 1.8 million (2018: DKK -15.0 million), whereas operating profit (EBIT) amounts to DKK -6.2 million (2018: DKK -28.2 million).

Operating profit has been negatively impacted by short-term initiatives of preparing the company for a sale.

The loss of the year amounts to DKK -10.4 million (2018: DKK -25.9 million).

Management considers the Company's financial performance in the year 2019 to be non-satisfactory.

Special risks

Risk management:

Sport Danmark A/S considers risk management an essential and natural in connection with the realisation of the Company's objectives and strategy. The daily activities, the implementation of the established strategy and continuous realisation of business opportunities involve a natural risk and, therefore, the company's handling of these issues are seen as a natural and integrated part of the daily work and a way to create a profitable Company with constant growth.

Commercial risks

The Group's most significant business risks concern general socioeconomic developments, including private consumption developments as well as the Group's capacity to maintain its strong market position. Accordingly, the Group aims to be at the forefront of market developments by constantly improving and developing its range of products and services with a view to always be the natural choice for Danes buying sports equipment.

Currency Risks

The company's revenue is invoiced in DKK, whereas part of the Company's purchases is made in USD related currencies. There is currently no hedging towards USD.

Management's review

Statutory CSR report

The statutory report regarding CSR, including human rights, environment and climate and Anti-corruption and competition cf. §99a in the Danish Financial Statements Act, is included in Sport Nordic Holding ApS' report, to which reference is made.

Account of the gender composition of Management

The Board of Directors of the Company consists of three persons, all male. Previously it was a goal to have a composition of minimum 25% female, but because of the Company transaction it was not possible to find a suitable female candidate as of yet. There is a goal to always hire the most qualified candidate regardless of gender, and a specific goal to elect one woman into the Board of Directors within 2022.

On other management levels the Company is seeking to increase the number of female managers. The company has established recruitment procedures ensuring that candidates of both genders are considered when hiring or promoting for management positions.

It is the policy of the Group always to appoint the best qualified candidates to leadership posts and at the same time support and enhance the qualifications of female leadership talents. In the Management team at the head office the proportion of women is 12,5%. The goal is, through increased use of networks, etc., to increase the proportion of women to a minimum of 25% by the end of 2021.

Events after the balance sheet date

After the balance sheet date, following the sale of the Group, the composition of the Executive Board was changed, and the CEO, CFO and COO of the Company has given their notice. Andreas Høgdall Holm has become the new CEO, coming from within the Company and with a strong background from all parts of the organization, and a strong new organization has been built with support from the corresponding competence centers within the ownership.

The effects of the pandemic Covid-19 will have a large impact on the revenue during Q2 and Q3, however it will not have material effect on the result in the Company as it operates as administrative Company with internal sales of goods and services for SPORTMASTER and Rezet Sneaker Store with no or low margin.

Outlook

Sport Danmark expects that the continuously increasing competition in the market over time will have consequences for the distribution in Denmark. Sport Danmark expects and believes in benefitting from our strong focus on continued digital development and Omni channel perspective in our offerings and in the ways, we address the market. This is also the view of our key global partners and suppliers who confirms and continues to see us as their preferred Danish partner and sales channel going into the future. In the shorter term, we - despite the above - expect profitability to be under pressure from the market, but the new ownership, a strong international sports-retailer, will improve professionalism and therefore give us the ability and strength to improve already short-term.

Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2019	2018
	Revenue	619,627	630,832
	Cost of goods sold	-630,010	-643,823
	Other operating income	105,798	116,421
	Other external costs	-44,330	-63,831
	Gross profit	51,085	39,599
4	Staff costs	-49,325	-54,628
	Depreciation, amortisation and impairment loss	-7,975	-13,130
	Profit/loss before net financials	-6,215	-28,159
5	Financial income	1	1,037
6	Financial expenses	-1,692	-2,706
	Profit/loss before tax	-7,906	-29,828
7	Tax on profit/loss for the year	-2,492	3,880
	Profit/loss for the year	-10,398	-25,948

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2019	2018
	ASSETS		
	Non-current assets		
8	Intangible assets		
	Other intangible assets	27,343	30,649
		<u>27,343</u>	<u>30,649</u>
9	Property, plant and equipment		
	Plant and machinery	1,666	2,732
	Fixture and fittings (Finance lease)	0	0
	Leasehold improvements	345	163
		<u>2,011</u>	<u>2,895</u>
	Financial assets		
	Deposits	760	586
10	Deferred tax assets	0	2,492
		<u>760</u>	<u>3,078</u>
	Total non-current assets	<u>30,114</u>	<u>36,622</u>
	Current assets		
	Inventories		
	Goods for resale	95,424	92,355
		<u>95,424</u>	<u>92,355</u>
	Receivables		
	Trade receivables	0	185
	Receivables from group enterprises	50,089	103,739
	Other receivables	12,008	11,045
	Prepayments	2,925	1,877
		<u>65,022</u>	<u>116,846</u>
	Cash	<u>0</u>	<u>715</u>
	Total current assets	<u>160,446</u>	<u>209,916</u>
	TOTAL ASSETS	<u>190,560</u>	<u>246,538</u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2019	2018
	EQUITY AND LIABILITIES		
	Equity		
11	Share capital	15,100	15,100
	Retained earnings	-942	9,456
	Total equity	14,158	24,556
12	Non-current liabilities		
	Other payables	1,375	0
	Total non-current liabilities	1,375	0
	Current liabilities		
	Bank debt	0	332
	Trade payables	134,451	172,032
	Corporation tax	409	409
	Other payables	39,074	44,584
	Prepayments from customers	1,093	4,625
	Total current liabilities	175,027	221,982
	Total liabilities	176,402	221,982
	TOTAL EQUITY AND LIABILITIES	190,560	246,538

- 1 Accounting policies
- 2 Going concern uncertainties
- 3 Events after the balance sheet date
- 13 Contractual obligations and contingencies, etc.
- 14 Related parties
- 15 Fee to the auditors appointed by the Company in general meeting
- 16 Appropriation of profit/loss

Financial statements 1 January - 31 December

Statement of changes in equity

Note	DKK'000	Share capital	Retained earnings	Total
	Equity at 1 January 2018	15,100	35,404	50,504
16	Transfer, see "Appropriation of profit/loss"	0	-25,948	-25,948
	Equity at 1 January 2019	15,100	9,456	24,556
16	Transfer, see "Appropriation of profit/loss"	0	-10,398	-10,398
	Equity at 31 December 2019	15,100	-942	14,158

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Sport Danmark A/S for 2019 has been prepared in accordance with the provisions applying to reporting class C large enterprises under the Danish Financial Statements Act.

The annual accounts have been prepared in accordance with the same accounting policies as last year.

Omission of a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are reflected in the consolidated cash flow statement for the higher-ranking parent company Sport Nordic Holding ApS.

Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate 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 most recent financial statements is recognised in the income statement as financial income or financial expenses.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Income statement

Revenue

The Company has chosen IAS 11/IAS 18 as interpretation for revenue recognition.

Revenue from the sale of goods for resale is recognised in the income statement provided that transfer of risk to the buyer has taken place before year end 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 taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Other operating income

Other operating income comprise items of a secondary nature relative to the Company's core activities, including management fee. Management fee include cost related to management, retail, teamsport, leasehold, advertising, human resources, logistic, it and finance.

Cost of sales

Cost of sales includes the cost of goods used in generating the year's revenue.

Cost of goods sold is recognised after deduction of supplier discounts and bonuses.

Other external expenses

Other external costs comprise administrative expenses and other costs for operations and maintenance.

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Amortisation/depreciation and impairment

The item comprises amortisation/depreciation and impairment of intangible assets, property, plant and equipment, fixture and fitting and lease improvements.

The basis of amortisation/depreciation, which is calculated as cost less any residual value, is amortised/depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Other intangible assets	3-7 years
Plant and machinery	3-5 years
Fixture and fittings (Finance lease)	1-2 years
Leasehold improvements	2-10 years

Financial income and expenses

Financial income and expenses comprise interest income and expense, gains and losses on payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Tax

The Company is covered by the Danish rules on compulsory joint taxation of the Sport Nordic Holding Group's subsidiaries. Subsidiaries form part of the joint taxation from the date on which they are included in the consolidation of the consolidated financial statements and up to the date on which they exit the consolidation.

Sport Nordic Holding ApS is the administrative company for the joint taxation and consequently settles all corporation tax payments with the tax authorities.

The current Danish corporation tax is allocated by settlement of joint taxation contribution between the jointly taxed companies in proportion to their taxable income. In this relation, companies with tax loss carryforwards receive joint taxation contribution from companies that have used these losses to reduce their own taxable profits.

Tax for the year comprises joint taxation contributions for the year and changes in deferred tax for the year – due to changes in the tax rate. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Balance sheet

Intangible assets

Other intangible assets, which comprise IT software, are measured at cost less accumulated amortisation and impairment losses.

The depreciation period is determined at the time of acquisition and is reassessed every year. In case of changes in the amortisation period, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Property, plant and equipment

Plant and equipment, fixtures and fittings and leasehold improvements 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.

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.

The basis of depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the time of acquisition and is 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 amortisation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other external costs.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Financial assets

Deposits are measured at amortised cost.

Leases

The Company has chosen IAS 17 as interpretation for classification and recognition of leases.

On initial recognition, leases for assets that transfer substantially all the risks and rewards incident to the ownership to the Company (finance leases) are measured in the balance sheet at the lower of fair value and the present value of the future lease payments. In calculating the net present value, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently accounted for in the same way as the Company's other assets.

The capitalised residual lease liability is recognised in the balance sheet as a liability, and the interest element of the lease payment is recognised in the income statement over the term of the lease.

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

Impairment of non-current assets

The carrying amount of intangible assets and property, plant and equipment is subject to an annual assesment of indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

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

Inventories

Inventories are measured at the lower of cost, measured by reference to the FIFO method, and net realisable value.

Goods for resale are measured at cost, which comprises the cost of acquisition plus delivery costs as well as other costs directly attributable to the acquisition.

The net realisable value of inventories is calculated as the sales amount less costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Receivables

Receivables are measured at amortised cost.

The Company has chosen IAS 39 as interpretation for impairment of financial receivables.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Impairment is made for bad debt losses where there is an objective indication that a receivable has been impaired. If there is an objective indication that an individual receivable has been impaired, a write-down is made based on an individual assessment.

Impairments are calculated as the difference between the carrying amount of receivables and the present value of the expected cash flows.

Cash-pool balance is included in Receivables from Group Entreprises.

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Equity

Proposed dividends

Proposed dividends are recognised as a liability at the date when they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

Income taxes

Joint taxation contribution payable and receivable is recognised in the balance sheet as corporation tax payable and corporation tax receivable.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where different tax rules can be applied to determine the tax base, deferred tax is measured based on Management's planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

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

Deferred tax is measured in accordance with the tax rules and at the tax rate applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities are measured at net realisable value.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Deferred income

Prepayments from customers comprise liabilities regarding issued gift vouchers, recognised at the date of issue, and the customer loyalty programme, Club SPORTMASTER, recognised at fair value at the date of recognition of the related sales.

Subsequently, prepayments from customers are measured at amortised cost.

Segment information

Sport Danmark A/S has only domestic revenue and only one segment. Consequently, the Company does not provide segment information.

Financial ratios

The financial ratios stated under "Financial highlights" have been calculated as follows:

Operating margin	$\frac{\text{Operating profit (EBIT)} \times 100}{\text{Revenue}}$
Gross margin ratio	$\frac{\text{Gross margin} \times 100}{\text{Revenue}}$
Equity ratio	$\frac{\text{Equity, year-end} \times 100}{\text{Total equity and liabilities, year-end}}$
Return on equity	$\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}$

2 Going concern uncertainties

The Company has generated a loss in 2019 and total current liabilities exceeds current assets at 31 December 2019. The Company is financed through the Sportmaster group and acts as the group's head quarter administration and central warehouse operator to provide the parent company, SDK Sport II ApS with the relevant goods. The parent company, SDK Sport II ApS, has issued a letter of support stating that they will support the Company with the necessary cash for the Company to continue its operations until at least 31 December 2021.

3 Events after the balance sheet date

After the balance sheet date, following the sale of the Group, the composition of the Executive Board was changed, and the CEO, CFO and COO of the Company has given their notice. Andreas Høgdall Holm has become the new CEO, coming from within the Company and with a strong background from all parts of the organization, and a strong new organization has been built with support from the corresponding competence centers within the ownership.

The effects of the pandemic Covid-19 will have a large impact on the revenue during Q2 and Q3 2020, however it will not have material effect on the result in the Company as it operates as administrative Company with internal sales of goods and services for SPORTMASTER and Rezet Sneaker Store with no or low margin.

Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	2019	2018
4 Staff costs		
Wages/salaries	45,388	50,868
Pensions	3,371	3,109
Other social security costs	566	651
	<u>49,325</u>	<u>54,628</u>
Average number of full-time employees	<u>79</u>	<u>81</u>
Remuneration to members of Management:		
Executive Board	6,498	9,826
Board of Directors	595	484
	<u>7,093</u>	<u>10,310</u>
5 Financial income		
Interest from group entities	0	209
Other interest income	0	29
Exchange gain	1	799
	<u>1</u>	<u>1,037</u>
6 Financial expenses		
Other interest expenses	1,360	174
Exchange losses	332	2,063
Interest expenses regarding finance leases	0	469
	<u>1,692</u>	<u>2,706</u>
7 Tax on profit/loss for the year		
Deferred tax adjustments in the year	2,492	-3,880
	<u>2,492</u>	<u>-3,880</u>

Deferred tax adjustments in the year consists of write-down of deferred tax assets to net realizable value of t.DKK 0. Management has assessed that it is unlikely that the deferred tax assets can be utilized within the next 3-5 years.

At 31 December 2019, the Company had an unrecognized deferred tax asset amounting to DKK 8,234 thousand.

Financial statements 1 January - 31 December

Notes to the financial statements

8 Intangible assets

DKK'000	Other intangible assets
Cost at 1 January 2019	65,406
Additions	2,460
Cost at 31 December 2019	67,866
Impairment losses and amortisation at 1 January 2019	34,757
Amortisation for the year	5,766
Impairment losses and amortisation at 31 December 2019	40,523
Carrying amount at 31 December 2019	27,343
Amortised over	3-7 years

9 Property, plant and equipment

DKK'000	Plant and machinery	Fixture and fittings (Finance lease)	Leasehold improvements	Total
Cost at 1 January 2019	17,591	2,647	868	21,106
Additions	1,072	0	253	1,325
Disposals	0	-2,647	0	-2,647
Cost at 31 December 2019	18,663	0	1,121	19,784
Impairment losses and depreciation at 1 January 2019	14,859	2,647	705	18,211
Impairment losses	478	0	40	518
Depreciation	1,660	0	31	1,691
Depreciation and impairment of disposals	0	-2,647	0	-2,647
Impairment losses and depreciation at 31 December 2019	16,997	0	776	17,773
Carrying amount at 31 December 2019	1,666	0	345	2,011
Property, plant and equipment include finance leases with a carrying amount totalling	0	0	0	0
Depreciated over	2-10 years	1-2 years	3-10 years	

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DKK'000	2019	2018
10 Deferred tax		
Deferred tax at 1 January	-2,492	2,054
Adjustment regarding prior years	0	-889
Adjustment of deferred tax	-2,836	-6,562
Write-down of deferred tax assets to net realizable value	5,328	2,905
Deferred tax at 31 December	0	-2,492

The company have a unrecognized tax assets amounting to DKK 8,234 thousand. As stated in note 6, management has not recognized deferred tax assets, as the management does not expect to utilize this within the next 3-5 years.

DKK'000	2019	2018
11 Share capital		
Analysis of the share capital:		
15,100 shares of DKK 1,000.00 nominal value each	15,100	15,100
	15,100	15,100

The Company's share capital has remained DKK 15,100 thousand over the past 5 years.

All shares rank equally.

12 Non-current liabilities

DKK'000	Total debt at 31/12 2019	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Other payables	1,375	0	1,375	0
	1,375	0	1,375	0

Long-term debt consist of vacation pay accrual (frozen vacation days according to the new holidays act) obtained in the period from 1 September 2019 to 31 December 2019.

13 Contractual obligations and contingencies, etc.

Contingent liabilities

The Company is jointly taxed with the Danish parent company Sport Nordic Holding ApS. The companies included in the joint taxation have joint and several unlimited liability for Danish corporation taxes. At 31 December 2019, the net taxes payable to the Danish Central Tax Administration by the companies included in the joint taxation amounted to DKK 0. Any subsequent corrections of the taxable income subject to joint taxation may entail that the companies' liability will increase.

The Group's Danish companies are jointly and severally liable for group VAT registration.

Other financial obligations

the Company has entered into operating leases with an annual payment of DKK 3,273 thousand (2018: DKK 3,047 thousand). The total nominal residual lease payment amounts to DKK 10,162 thousand (2018: DKK 8,802 thousand).

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Notes to the financial statements

14 Related parties

Sport Danmark A/S' related parties comprise the following:

Parties exercising control

Related party	Domicile	Basis for control
SDK Sport II ApS	Denmark	100 % ownership

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
Sport Nordic Holding ApS	Ballerup	Baltorpbakken 5, 2750 Ballerup, Denmark.

Related party transactions

Sport Danmark A/S was engaged in the below related party transactions:

DKK'000	2019	2018
Sale of goods and services to group companies	619,627	630,832
Management fee income from group companies	105,798	116,421
Receivables from group companies	50,089	103,739

Information on the remuneration to management

Information on the remuneration to Management appears from note 4, "Staff costs".

15 Fee to the auditors appointed by the Company in general meeting

Audit fees are not disclosed with reference to section 96(3) of the Danish Financial Statements Act. The fee is specified in the consolidated financial statements for Sport Nordic Holding ApS.

DKK'000	2019	2018
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16 Appropriation of profit/loss

Recommended appropriation of profit/loss

Retained earnings/accumulated loss	-10,398	-25,948
	-10,398	-25,948