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Cycle Service Nordic ApS

Emil Neckelmanns Vej 6
5220 Odense SØ
Central Business Registration
No 14412107

Annual report 2019

The Annual General Meeting adopted the annual report on 08.04.2020

Chairman of the General Meeting

Name: Bo Bækkelund

Contents

Entity details

Entity
Cycle Service Nordic ApS
Emil Neckelmanns Vej 6
5220 Odense SØ

Central Business Registration No (CVR): 14412107
Registered in: Odense
Financial year: 01.01.2019 - 31.12.2019

Phone: +4565992411
Fax: +4565992842
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E-mail: info@cycleservicenordic.com

Board of Directors
Christoph Mannel
Anthonie Hilbert Anbeek
Jasper Gerard Sundh

Executive Board
Bo Bækkelund

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
Tværkajen 5
Postboks 10
5100 Odense C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Cycle Service Nordic ApS for the financial year 01.01.2019 - 31.12.2019.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2019 and of the results of its operations and cash flows for the financial year 01.01.2019 - 31.12.2019.

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

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

Odense, 08.04.2020

Executive Board

Bo Bækkelund

Board of Directors

Christoph Mannel	Anthonie Hilbert Anbeek	Jasper Gerard Sundh

Independent auditor's report

To the shareholders of Cycle Service Nordic ApS

Opinion

We have audited the consolidated financial statements and the parent financial statements of Cycle Service Nordic ApS for the financial year 01.01.2019 - 31.12.2019, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2019, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2019 - 31.12.2019 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 financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the consolidated financial statements and the parent financial statements

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

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

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

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

Independent auditor's report

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 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 consolidated financial statements and the parent 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 Entity’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management’s use of the going concern basis of accounting in preparing the consolidated financial statements and the parent 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 Entity’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements and the parent 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 Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely 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.

Independent auditor's report

Statement on the management commentary

Management is responsible for the management commentary.

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

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

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

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

Odense, 08.04.2020

Deloitte

Statsautoriseret Revisionspartnerselskab

Central Business Registration No (CVR) 33963556

Heino Hyllested Tholsgaard

State Authorised Public Accountant

Identification No (MNE) mne34511

Management commentary

	2019 DKK'000	2018 DKK'000	2017 DKK'000	2016 DKK'000	2015 DKK'000
Financial highlights					
Key figures					
Gross profit	26,907	23,361	26,133	24,333	24,379
Operating profit/loss	(4,411)	1,713	7,267	6,380	7,382
Net financials	(2,456)	(1,241)	(927)	(1,206)	(993)
Profit/loss for the year	(5,385)	334	4,997	3,961	4,835
Total assets	144,459	88,372	74,362	67,174	61,866
Investments in property, plant and equipment	36,188	3,088	823	591	1,266
Equity	23,192	28,567	28,267	23,269	19,308
Cash flows from (used in) operating activities	(21,639)	1,278	953	(3,984)	3,921
Cash flows from (used in) investing activities	(2,571)	(4,506)	(603)	(966)	(995)
Cash flows from (used in) financing activities	(4,079)	-	-	-	-
Average numbers of employees	56	54	48	45	41
Ratios					
Return on equity (%)	(20.8)	1.2	19.4	18.6	28.6
Equity ratio (%)	16.1	32.3	38.0	34.6	31.2

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios" by the Danish Society of Financial Analysts.

Ratios	**Calculation formula**	**Calculation formula reflects**
Return on equity (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity x 100}}{\text{Total assets}}$	The financial strength of the entity.

Management commentary

Primary activities

As in previous years, the primary activities of the parent and the group are wholesaling in bicycle parts and accessories.

Development in activities and finances

The parent and the group continues to invest in a strong local setup in the Nordic region in order to become a One-Stop-Shopping supplier with local presence in all four Nordic countries. The growth in gross profit is considered sufficient, and the positive development is linked to a growth in sales on all four Nordic markets as well as on both new and existing brands. The negative net result in 2019 is affected by an increase in group related activities, extraordinary costs linked to a new Nordic logistical setup and a significant expansion in new brands. The parent and the group anticipated a limited positive result for 2019 and consider the result unsatisfactory.

Uncertainty relating to recognition and measurement

There have been no material uncertainties or unusual matters affecting recognition and measurement.

Outlook

The parent and the group expect to realize a growth in turnover and a net profit in 2020, but due to the ongoing COVID-19 pandemic, there is an obvious and significant uncertainty linked to this outlook. Risk management plans and procedures are implemented and are constantly being updated to meet the restrictions from local governments. The parent and the group estimate a net profit around 1-3 mill. DKK in 2020

Particular risks

The parent and the group is not exposed to any particular business or financial risks other than usual risks within the wholesaler segment of parts and accessories in the bicycle business. The COVID-19 pandemic is at the highest level of focus for the management and risk management plans and procedures are implemented in order to comply with restrictions from local governments and to reduce any significant financial consequences as much as possible.

Intellectual capital resources

The parent and the group have the ambition to be at the forefront of the technologies used in the wholesaler segment for parts and accessories in the bicycle business. In order to continuously improve products and services, it is crucial for the parent and the group to continue to attract, train and maintain highly qualified staff in all areas important for the parent and the group.

Staff

The parent and the group continuously prioritize to secure a good working environment, low sickness rate and a good mental working environment.

Management commentary

Environmental performance

The parent and the group monitors as many environmental aspects as possible. The objective is to carry out continuous improvements and minimize the environmental and work environment impacts that might exist around energy optimization, recycling etc.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date which would influence the evaluation of this annual report. The parent and the group is not exposed to any particular business or financial risks other than usual risks within the wholesaler segment of parts and accessories in the bicycle business. The COVID-19 pandemic is at the highest level of focus for the management and risk management plans and procedures are implemented in order to comply with restrictions from local governments and to reduce any significant financial consequences as much as possible.

Consolidated income statement for 2019

	Notes	2019 DKK	2018 DKK
Gross profit		**26,906,641**	**23,361,317**
Staff costs	2	(24,993,158)	(20,972,796)
Depreciation, amortisation and impairment losses		(6,324,288)	(675,419)
Operating profit/loss		**(4,410,805)**	**1,713,102**
Other financial income	3	17,735	133,875
Other financial expenses	4	(2,474,128)	(1,374,698)
Profit/loss before tax		**(6,867,198)**	**472,279**
Tax on profit/loss for the year	5	1,482,518	(137,823)
Profit/loss for the year	6	**(5,384,680)**	**334,456**

Consolidated balance sheet at 31.12.2019

	Notes	2019 DKK	2018 DKK
Acquired intangible assets		805,027	33,335
Intangible assets	7	**805,027**	**33,335**
Land and buildings		28,614,792	0
Other fixtures and fittings, tools and equipment		2,276,977	1,879,491
Leasehold improvements		2,955,732	2,067,823
Property, plant and equipment	8	**33,847,501**	**3,947,314**
Other receivables		1,769,150	1,769,150
Deferred tax	10	2,250,969	0
Fixed asset investments	9	**4,020,119**	**1,769,150**
Fixed assets		**38,672,647**	**5,749,799**
Manufactured goods and goods for resale		80,602,973	57,653,453
Prepayments for goods		708,578	1,560,766
Inventories		**81,311,551**	**59,214,219**
Trade receivables		16,114,684	16,388,486
Receivables from group enterprises		0	95,797
Deferred tax	10	0	332,793
Other receivables		1,286,039	1,188,679
Income tax receivable		16,949	610,599
Prepayments	11	143,354	1,054,790
Receivables		**17,561,026**	**19,671,144**
Cash		**6,914,048**	**3,736,792**
Current assets		**105,786,625**	**82,622,155**
Assets		**144,459,272**	**88,371,954**

Consolidated balance sheet at 31.12.2019

	Notes	2019 DKK	2018 DKK
Contributed capital		200,000	200,000
Retained earnings		22,991,543	28,366,842
Equity		**23,191,543**	**28,566,842**
Finance lease liabilities		26,205,481	0
Other payables		613,116	0
Non-current liabilities other than provisions	12	**26,818,597**	**0**
Current portion of long-term liabilities other than provisions	12	3,471,873	0
Bank loans		57,962,617	26,496,895
Trade payables		27,041,924	26,394,576
Payables to group enterprises		206,154	1,654,101
Income tax payable		263,358	189,691
Other payables		5,338,192	4,883,629
Deferred income	13	165,014	186,220
Current liabilities other than provisions		**94,449,132**	**59,805,112**
Liabilities other than provisions		**121,267,729**	**59,805,112**
Equity and liabilities		**144,459,272**	**88,371,954**
Events after the balance sheet date	1		
Contingent liabilities	15		
Assets charged and collateral	16		
Transactions with related parties	17		
Group relations	18		
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Consolidated statement of changes in equity for 2019

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	200,000	28,366,842	28,566,842
Exchange rate adjustments	0	9,381	9,381
Profit/loss for the year	0	(5,384,680)	(5,384,680)
Equity end of year	**200,000**	**22,991,543**	**23,191,543**

Consolidated cash flow statement for 2019

	Notes	2019 DKK	2018 DKK
Operating profit/loss		(4,410,805)	1,713,102
Amortisation, depreciation and impairment losses		6,324,288	675,419
Working capital changes	14	(21,328,541)	913,569
Cash flow from ordinary operating activities		**(19,415,058)**	**3,302,090**
Financial income received		240,235	133,875
Financial expenses paid		(2,696,628)	(1,374,697)
Income taxes refunded/(paid)		232,737	(783,615)
Cash flows from operating activities		**(21,638,714)**	**1,277,653**
Acquisition etc of intangible assets		(874,823)	0
Acquisition etc of property, plant and equipment		(1,819,101)	(3,087,742)
Sale of property, plant and equipment		122,968	131,640
Fixed asset investments additions		0	(1,550,000)
Cash flows from investing activities		**(2,570,956)**	**(4,506,102)**
Reduction of lease commitments		(4,691,912)	0
Holiday pay obligation		613,116	0
Cash flows from financing activities		**(4,078,796)**	**0**
Increase/decrease in cash and cash equivalents		**(28,288,466)**	**(3,228,449)**
Cash and cash equivalents beginning of year		(22,760,103)	(19,531,654)
Cash and cash equivalents end of year		**(51,048,569)**	**(22,760,103)**
Cash and cash equivalents at year-end are composed of:			
Cash		6,914,048	3,736,792
Short-term debt to banks		(57,962,617)	(26,496,895)
Cash and cash equivalents end of year		**(51,048,569)**	**(22,760,103)**

Notes to consolidated financial statements

1. Events after the balance sheet date

No events have occurred after the balance sheet date to this date which would influence the evaluation of this annual report. The parent and the group is not exposed to any particular business or financial risks other than usual risks within the wholesaler segment of parts and accessories in the bicycle business. The COVID-19 pandemic is at the highest level of focus for the management and risk management plans and procedures are implemented in order to comply with restrictions from local governments and to reduce any significant financial consequences as much as possible.

	2019 DKK	2018 DKK
2. Staff costs		
Wages and salaries	21,574,397	17,882,368
Pension costs	1,877,800	1,696,940
Other social security costs	1,230,856	1,260,435
Other staff costs	310,105	133,053
	24,993,158	**20,972,796**
Average number of employees	**56**	**54**

	Remuneration of management 2019 DKK	Remuneration of management 2018 DKK
Total amount for management categories	1,022,667	967,403
	1,022,667	**967,403**

	2019 DKK	2018 DKK
3. Other financial income		
Financial income arising from group enterprises	0	118,057
Other financial income	17,735	15,818
	17,735	**133,875**

	2019 DKK	2018 DKK
4. Other financial expenses		
Financial expenses from group enterprises	0	117,292
Other interest expenses	674,984	0
Other financial expenses	1,799,144	1,257,406
	2,474,128	**1,374,698**

Notes to consolidated financial statements

	2019 DKK	2018 DKK
5. Tax on profit/loss for the year		
Current tax	434,580	300,009
Change in deferred tax	(1,917,098)	(162,186)
	(1,482,518)	**137,823**

	2019 DKK	2018 DKK
6. Proposed distribution of profit/loss		
Retained earnings	(5,384,680)	334,456
	(5,384,680)	**334,456**

	Acquired intangible assets DKK
7. Intangible assets	
Cost beginning of year	400,000
Additions	874,824
Cost end of year	**1,274,824**
Amortisation and impairment losses beginning of year	(366,665)
Amortisation for the year	(103,132)
Amortisation and impairment losses end of year	**(469,797)**
Carrying amount end of year	**805,027**

Notes to consolidated financial statements

	Land and buildings DKK	Other fixtures and fittings, tools and equipment DKK	Leasehold improve-ments DKK
8. Property, plant and equipment			
Cost beginning of year	0	5,515,245	2,111,064
Exchange rate adjustments	0	3,390	0
Additions	33,034,909	1,573,540	1,579,917
Disposals	0	(155,906)	(5,891)
Cost end of year	**33,034,909**	**6,936,269**	**3,685,090**
Depreciation and impairment losses beginning of year	0	(3,635,754)	(43,241)
Exchange rate adjustments	0	(3,267)	0
Depreciation for the year	(4,420,117)	(1,053,209)	(692,008)
Reversal regarding disposals	0	32,938	5,891
Depreciation and impairment losses end of year	**(4,420,117)**	**(4,659,292)**	**(729,358)**
Carrying amount end of year	**28,614,792**	**2,276,977**	**2,955,732**
Recognised assets not owned by entity	**28,614,792**	**779,122**	**-**

	Other receivables DKK	Deferred tax DKK
9. Fixed asset investments		
Cost beginning of year	1,769,150	0
Additions	0	2,250,969
Cost end of year	**1,769,150**	**2,250,969**
Carrying amount end of year	**1,769,150**	**2,250,969**

	2019 DKK
10. Deferred tax	
Changes during the year	
Beginning of year	332,793
Recognised in the income statement	1,917,098
Recognised directly in equity	1,078
End of year	**2,250,969**

Notes to consolidated financial statements

11. Prepayments

Prepayments consist of prepaid costs.

	Due within 12 months 2019 DKK	Due after more than 12 months 2019 DKK	Outstanding after 5 years DKK
12. Liabilities other than provisions			
Finance lease liabilities	3,471,873	26,205,481	11,844,654
Other payables	0	613,116	0
	3,471,873	**26,818,597**	**11,844,654**

13. Short-term deferred income

Deferred income comprises contributions that are not recognised as income until in the subsequent financial year once the recognition criteria are satisfied.

	2019 DKK	2018 DKK
14. Change in working capital		
Increase/decrease in inventories	(22,097,332)	(1,978,402)
Increase/decrease in receivables	1,183,675	(9,577,577)
Increase/decrease in trade payables etc	(367,245)	12,557,629
Other changes	(47,639)	(88,081)
	(21,328,541)	**913,569**

15. Contingent liabilities

The Company participates in a Danish joint taxation arrangement with Accell Danmark ApS as administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable for income taxes etc for the jointly taxed companies and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies.

16. Assets charged and collateral

Bank debt is secured on a charge on receivables of a nominal amount of DKK 7,500,000.

Receivables comprise DKK 17,561,026 at 31.12.2019.

Notes to consolidated financial statements

	Parent DKK	Other related parties. DKK
17. Transactions with related parties		
Revenue	305,557	1,586,845
Cost of goods	255,384	10,428,544
Group interntal fee	0	5,404,306
Receivables	0	418,234
Liabilities other than provisions	121,385	4,585,025

18. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
Accell Group N.V., P.O. Box 435 8440 AK Industriweg 4, 8444 AR Heerenveen, The Netherlands
Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
Batavus B.V., P.O. Box 515 Industriweg 4, 8444 AR Heerenveen, The Netherlands

	Registered in	Equity interest %
19. Subsidiaries		
Cycle Service Nordic AS	Norge	100.0
Cycle Service Nordic OY	Finland	100.0
Cycle Service Nordic AB	Sverige	100.0

Parent income statement for 2019

	Notes	2019 DKK	2018 DKK
Gross profit		**18,140,371**	**16,628,788**
Staff costs	2	(19,278,523)	(15,674,170)
Depreciation, amortisation and impairment losses		(5,637,687)	(643,304)
Operating profit/loss		**(6,775,839)**	**311,314**
Income from investments in group enterprises		1,585,462	930,248
Other financial income	3	240,235	133,129
Other financial expenses	4	(2,384,099)	(1,185,492)
Profit/loss before tax		**(7,334,241)**	**189,199**
Tax on profit/loss for the year	5	1,949,561	145,257
Profit/loss for the year	6	**(5,384,680)**	**334,456**

Parent balance sheet at 31.12.2019

	Notes	2019 DKK	2018 DKK
Acquired intangible assets		805,027	33,335
Intangible assets	7	**805,027**	**33,335**
Land and buildings		28,234,393	0
Other fixtures and fittings, tools and equipment		1,910,524	1,711,230
Leasehold improvements		2,955,732	2,067,823
Property, plant and equipment	8	**33,100,649**	**3,779,053**
Investments in group enterprises		4,808,135	3,213,421
Other receivables		1,769,150	1,769,150
Deferred tax	10	2,199,126	0
Fixed asset investments	9	**8,776,411**	**4,982,571**
Fixed assets		**42,682,087**	**8,794,959**
Manufactured goods and goods for resale		80,602,973	57,653,453
Prepayments for goods		708,578	1,560,766
Inventories		**81,311,551**	**59,214,219**
Trade receivables		9,956,560	11,742,605
Receivables from group enterprises		3,316,146	2,952,861
Deferred tax	10	0	249,565
Other receivables		1,123,249	1,179,376
Income tax receivable		16,949	610,599
Prepayments	11	12,771	860,153
Receivables		**14,425,675**	**17,595,159**
Cash		**4,374,297**	**2,278,104**
Current assets		**100,111,523**	**79,087,482**
Assets		**142,793,610**	**87,882,441**

Parent balance sheet at 31.12.2019

	Notes	2019 DKK	2018 DKK
Contributed capital	12	200,000	200,000
Reserve for net revaluation according to the equity method		4,518,090	2,923,247
Retained earnings		18,473,453	25,443,595
Equity		**23,191,543**	**28,566,842**
Finance lease liabilities		26,009,475	0
Other payables		613,116	0
Non-current liabilities other than provisions	13	**26,622,591**	**0**
Current portion of long-term liabilities other than provisions	13	3,035,176	0
Bank loans		57,962,617	26,496,895
Trade payables		26,412,715	26,657,228
Payables to group enterprises		2,390,648	2,919,274
Other payables		3,013,306	3,055,982
Deferred income	14	165,014	186,220
Current liabilities other than provisions		**92,979,476**	**59,315,599**
Liabilities other than provisions		**119,602,067**	**59,315,599**
Equity and liabilities		**142,793,610**	**87,882,441**
Events after the balance sheet date	1		
Contingent liabilities	15		
Assets charged and collateral	16		
Related parties with controlling interest	17		
Transactions with related parties	18		

Parent statement of changes in equity for 2019

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Retained earnings DKK	Total DKK
Equity beginning of year	200,000	2,923,247	25,443,595	28,566,842
Exchange rate adjustments	0	9,381	0	9,381
Profit/loss for the year	0	1,585,462	(6,970,142)	(5,384,680)
Equity end of year	**200,000**	**4,518,090**	**18,473,453**	**23,191,543**

Notes to parent financial statements

1. Events after the balance sheet date

No events have occurred after the balance sheet date to this date which would influence the evaluation of this annual report. The parent and the group is not exposed to any particular business or financial risks other than usual risks within the wholesaler segment of parts and accessories in the bicycle business. The COVID-19 pandemic is at the highest level of focus for the management and risk management plans and procedures are implemented in order to comply with restrictions from local governments and to reduce any significant financial consequences as much as possible.

	2019 DKK	2018 DKK
2. Staff costs		
Wages and salaries	16,670,462	13,598,851
Pension costs	1,770,887	1,564,784
Other social security costs	527,069	377,482
Other staff costs	310,105	133,053
	19,278,523	**15,674,170**
Average number of employees	**45**	**43**

	Remuneration of management 2019 DKK	Remuneration of management 2018 DKK
Total amount for management categories	1,022,667	967,403
	1,022,667	**967,403**

	2019 DKK	2018 DKK
3. Other financial income		
Financial income arising from group enterprises	222,500	118,057
Other financial income	17,735	15,072
	240,235	**133,129**

	2019 DKK	2018 DKK
4. Other financial expenses		
Other interest expenses	651,688	0
Other financial expenses	1,732,411	1,185,492
	2,384,099	**1,185,492**

Notes to parent financial statements

	2019 DKK	2018 DKK
5. Tax on profit/loss for the year		
Change in deferred tax	(1,949,561)	(145,257)
	(1,949,561)	**(145,257)**

	2019 DKK	2018 DKK
6. Proposed distribution of profit/loss		
Retained earnings	(5,384,680)	334,456
	(5,384,680)	**334,456**

	Acquired intangible assets DKK
7. Intangible assets	
Cost beginning of year	400,000
Additions	874,824
Cost end of year	**1,274,824**
Amortisation and impairment losses beginning of year	(366,665)
Amortisation for the year	(103,132)
Amortisation and impairment losses end of year	**(469,797)**
Carrying amount end of year	**805,027**

Notes to parent financial statements

	Land and buildings DKK	Other fixtures and fittings, tools and equipment DKK	Leasehold improve-ments DKK
8. Property, plant and equipment			
Cost beginning of year	0	4,348,863	2,111,064
Additions	32,247,311	1,118,954	1,579,917
Disposals	0	(155,906)	(5,891)
Cost end of year	**32,247,311**	**5,311,911**	**3,685,090**
Depreciation and impairment losses beginning of year	0	(2,637,633)	(43,241)
Depreciation for the year	(4,012,918)	(796,692)	(692,008)
Reversal regarding disposals	0	32,938	5,891
Depreciation and impairment losses end of year	**(4,012,918)**	**(3,401,387)**	**(729,358)**
Carrying amount end of year	**28,234,393**	**1,910,524**	**2,955,732**
Recognised assets not owned by entity	**28,234,393**	**535,133**	**-**

	Invest-ments in group enterprises DKK	Other receivables DKK	Deferred tax DKK
9. Fixed asset investments			
Cost beginning of year	290,174	1,769,150	0
Additions	0	0	2,199,126
Cost end of year	**290,174**	**1,769,150**	**2,199,126**
Revaluations beginning of year	2,923,247	0	0
Exchange rate adjustments	9,252	0	0
Share of profit/loss for the year	1,585,462	0	0
Revaluations end of year	**4,517,961**	**0**	**0**
Carrying amount end of year	**4,808,135**	**1,769,150**	**2,199,126**

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

Notes to parent financial statements

	2019 DKK
10. Deferred tax	
Changes during the year	
Beginning of year	249,565
Recognised in the income statement	1,949,561
End of year	**2,199,126**

11. Prepayments

Prepayments consist of prepaid costs.

	Number	Par value DKK	Nominal value DKK
12. Contributed capital			
Shares	200	1000	200,000
	200		**200,000**

The Parent’s share capital has remained DKK 200,000 over the past 5 years.

	Due within 12 months 2019 DKK	Due after more than 12 months 2019 DKK	Outstanding after 5 years DKK
13. Liabilities other than provisions			
Finance lease liabilities	3,035,176	26,009,475	11,844,654
Other payables	0	613,116	0
	3,035,176	**26,622,591**	**11,844,654**

14. Deferred income

Deferred income comprises contributions that are not recognised as income until in the subsequent financial year once the recognition criteria are satisfied.

15. Contingent liabilities

The Company participates in a Danish joint taxation arrangement with Accell Danmark ApS as administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable for income taxes etc for the jointly taxed companies and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies.

Furthermore, the Company has provided a guarantee regarding the subsidiaries’ bank debt. The subsidiaries’ bank debt comprises DKK 0 as of 31.12.2019.

Notes to parent financial statements

16. Assets charged and collateral

Bank debt is secured on a charge on receivables of a nominal amount of DKK 7,500,000.

Receivables comprise DKK 11,425,675 at 31.12.2019.

17. Related parties with controlling interest

Parent Accell Danmark ApS, Tobaksgården 6, 8700 Horsens, Denmark, Participating interest.

Accell Group N.V., P.O. Box 435 8440 AK Industriweg 4, 8444 AF Heerenveen, The Netherlands

	Parent DKK	Subsidiaries DKK	Other related parties. DKK
18. Transactions with related parties			
Revenue	305,557	48,105,388	1,586,845
Cost of goods	255,384	0	10,428,544
Group internal fee	0	5,575,852	5,404,306
Other financial income	0	209,859	0
Other financial expenses	0	432,359	0
Receivables	0	3,316,146	418,234
Liabilities other than provisions	121,385	2,184,493	4,585,025

Accounting policies

Reporting class
This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

The accounting policies applied for these financial statements are consistent with those applied last year apart from the companys transitioning to comply with the rules of leasing in accordance with IFRS 16. Furthermore a reclassification has been made between other operating income and depreciation, amortisation and impairment losses.

Changes in accounting policies
The Entity has decided to change its accounting policy on recognition of leases.

To better achieve a fair presentation of the Entity's financial position and results, leases are recognised in accordance with the accounting principles of the International Financial Reporting Standard IFRS 16 *Leases*, effective 1 January 2019. IFRS 16 does not distinguish between operating leases and finance leases but requires the recognition of a lease asset (right-of-use asset) and a lease liability when entering into leases, except for leases with a lease term ending within 12 months (short-term leases) and contracts to lease assets of low value.

Application of transition requirements
According to the transition requirements of the Danish Financial Statements Act, the comparative figures are not restated, and the cumulative effect of the transition is recognised in equity at the beginning of the financial year. The change only includes leases stretching into the current financial year.

Moreover, the following transition requirements of IFRS 16 have been applied:

- Amounts previously recognised for leases classified and recognised as a finance lease have not been changed.
- For leases previously classified as an operating lease, the following is applicable:
  - Lease liabilities are measured at the present value of the remaining lease payments, discounted using the Entity's incremental borrowing rate at the date of initial application on 1 January 2019
  - Lease assets are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments.
  - Lease assets are written down to the lower of recoverable amount and carrying amount.
  - Leases for which the lease term ends within 12 months on 1 January 2019 are accounted for in the same way as short-term leases, despite the original lease term, thus not recognised as a lease asset or a lease liability.
  - Direct costs paid at the inception of a lease are excluded from the measurement of the lease assets.

Interpretation of changes in accounting policies due to the application of IFRS 16
Leases previously classified as operating leases
The application of IFRS 16 changes the treatment of leases previously classified as operating leases, thus not recognised in the balance sheet. Lease payments from operating leases were previously recognised on a straight-line basis in the income statement as ”Other external expenses” over the lease term.

Accounting policies

Lease payments from short-term leases (with a maximum lease term of 12 months and with no option to extend) and contracts to lease assets of low value (e.g. computers and office furniture) are still recognised on a straight-line basis over the term of the contract. The lease payments are recognised as "Other external expenses" in the income statement.

For all other leases:

a) Lease assets and lease liabilities are recognised in the balance sheet, initially measured at the present value of future lease payments.
b) Depreciation and impairment losses on lease assets and interest on lease liabilities are recognised in the income statement.
c) The total lease payment is separated into repayment of the lease liability (disclosed as cash flow from financing activities) and interest (disclosed as cash flow from operating activities).

If the lease contains non-lease components (e.g. a service agreement on the lease assets), such components are recognised separately from the lease payment based on the stand-alone price of the non-lease component.

Lease incentives (e.g. a rent-free period) are recognised as part of the measurement of lease assets and lease liabilities. They were previously recognised on a straight-line basis over the lease term as a reduction in rental expenses.

Lease assets are written down to the lower of recoverable amount and carrying amount, replacing the former requirement of recognising a provision for onerous leases.

Leases previously classified as finance leases

The biggest difference between IFRS 16 and the former practice of recognising assets held under a finance lease is the measurement of any residual value guarantees provided to the lessor by the lessee. In future, only the amount expected to be paid in connection with a residual value guarantee

Monetary effect of changes in accounting policies

The change has resulted in the profit/loss for the year in the consolidated financial statement being affected DKK (321,703) and in the parent financial statement being affected DKK (321,703).

The change has resulted in the equity in the consolidated financial statement being affected DKK (321,703) and in the parent financial statement being affected DKK (321,703).

The change has resulted in the assets amount in the consolidated financial statement being affected DKK 29,393,914 and in the parent financial statement being affected DKK 28,769,526.

The change has resulted in the liabilities amount in the consolidated financial statement being affected DKK 29,677,354 and in the parent financial statement being affected DKK 29,044,651.

Accounting policies

The change in accounting policies affects the cash flow statement as follows:

- Short-term lease payments, payments for leases of low-value assets, and variable lease payments not included in the measurement of the lease liability are presented similar to former practice within operating activities as part of the payment to suppliers.
- The interest element of a lease payment made is presented within operating activities.
- The portion of a lease payment reflecting repayment is presented within financing activities.

All lease payments from operating leases were previously presented within operating activities. Consequently, the change has a positive impact on the cash flows from operating activities by DKK 4,692 thousand and a negative impact on the cash flows from financing activities by the same amount.

IFRS 15

As a result of the implementation of IFRS 16, the company has also implemented IFRS 15. However, the implementation of IFRS 15 has no significant effect on the annual report.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence. Enterprises in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant, but not controlling influence are regarded as associates.

Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on

Accounting policies

transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements. Minority interests' pro rata shares of the profit/loss and the net assets are disclosed as separate items in the income statement and the balance sheet, respectively.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the takeover date, with net assets having been calculated at fair value.

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

The purchase method is applied at the acquisition of new enterprises, under which identifiable assets and liabilities of these enterprises are measured at fair value at the acquisition date. On acquisition of enterprises, provisions are made for costs relating to decided and published restructurings in the acquired enterprise. Allowance is made for the tax effect of restatements.

Positive differences in amount (goodwill) between cost of the acquired share and fair value of the assets and liabilities taken over are recognised under intangible assets, and they are amortised systematically over the income statement based on an individual assessment of their useful life, however, no more than 20 years. Negative differences in amount (negative goodwill), corresponding to an estimated adverse development in the relevant enterprises, are recognised in the balance sheet under deferred income, and they are recognised in the income statement when such adverse development is realised.

Profits or losses from divestment of equity investments
Profits or losses from divestment or winding-up of subsidiaries are calculated as the difference between selling price or settlement price and the carrying amount of the net assets at the time of divestment or winding-up, inclusive of non-amortised goodwill and estimated divestment or winding-up expenses.

Foreign currency translation
On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Income statement
Gross profit or loss
Gross profit or loss comprises revenue, changes in inventories of finished goods and work in progress, own

Accounting policies

work capitalised, other operating income, cost of raw materials and consumables and external expenses.

Revenue
Revenue from the sale of goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Cost of sales
Cost of sales comprises costs of sales for the financial year measured at cost, adjusted for ordinary inventory write-downs.

Other external expenses
Other external expenses include expenses relating to the Entity’s ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes write-downs of receivables recognised in current assets.

Staff costs
Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses
Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing.

Other financial income
Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses
Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year
Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Accounting policies

Balance sheet

Intellectual property rights etc

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement, but over no more than 20 years.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Other fixtures and fittings, tools and equipment and leasehold improvements are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	5 years

Property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity plus or minus unamortised positive, or negative, goodwill and minus or plus unrealised intra-group profits or losses.

Group enterprises with negative equity are measured at DKK 0, and any receivables from these enterprises are written down by the Parent's share of such negative equity value if it is deemed irrecoverable. If the negative equity value exceeds the amount receivable, the remaining amount is recognised under provisions if the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to Reserve for net revaluation according to the equity method under equity.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less write-downs for bad and

Accounting policies

doubtful debts.

Deferred tax
Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Inventories
Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost consists of purchase price plus delivery costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

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

Cash
Cash comprises cash in hand and bank deposits.

Leases
A lease asset (right-of-use asset) and a similar lease liability are recognised for all leases for which the Entity is a lessee. However, this policy does not apply to short-term leases (i.e. leases with a lease term ending within 12 months) and contracts to lease assets of low value. For such leases, lease payments are recognised as an expense on a straight-line basis over the lease term.

Finance lease liabilities
On initial recognition, lease liabilities are measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Entity's incremental borrowing rate shall be used.

Lease payments included in the measurement of the lease liability comprise the following payments:

- Fixed payments less any lease incentives provided by the lessor to the lessee.
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.
- Amounts expected to be payable under residual value guarantees.
- The exercise price of a purchase option if it is reasonably certain to exercise that option.
- Payments of penalties for terminating the lease if the lease term reflects the lessee exercising an option to terminate the lease.

Accounting policies

Variable lease payments that depend on an index or a rate are recognised in the income statement as “Other external expenses” in the period in which the event or the circumstance triggering the payments in question takes place.

On subsequent measurement, lease liabilities are adjusted for accrued interest and repayments made, calculated by the effective interest rate method.

Lease liabilities are remeasured and the corresponding lease assets are similarly adjusted when:

- There is a change in the lease term, e.g. as a result of a change in the assessment of whether an option to extend or to purchase will be exercised. Remeasurement takes place by discounting the revised lease payments using a discount rate revised at the time of changing the lease.
- There is a change in lease payments resulting from a change in an index or a rate, or in the amounts expected to be payable under a residual value guarantee. Remeasurement takes place by discounting the revised lease payments using the original discount rate. However, a revised discount rate is used if the change reflects a change in the floating interest rate.
- There is a lease modification that is not accounted for as a separate lease. Remeasurement takes place by discounting the revised lease payments using a revised discount rate.

If the remeasurement results in the reduction of a lease liability exceeding the carrying amount of the corresponding lease asset, the excess amount is recognised in the income statement.

Lease assets
On initial recognition, lease assets are measured at the amount of the initial measurement of the lease liabilities, any lease payments made before the commencement date less any lease incentives received, and any initial direct costs incurred by the lessee.

An estimate of costs to be incurred by the lessee in dismantling and removing the lease assets, or restoring the underlying assets, are recognised as a separate provision. The costs are added to the cost of the lease assets unless the liability is incurred to produce inventories in which case the costs are recognised in the cost of the manufactured goods. Subsequently, lease assets are measured at cost less accumulated depreciation and impairment losses.

Lease assets are depreciated over the lower of the lease term and the useful life of the underlying assets. If the lease transfers the ownership of the lease assets by the end of the lease term or if the exercise of a purchase option is expected, the lease assets are depreciated over their useful life. Depreciation begins at the commencement date.

Lease assets are written down to the lower of recoverable amount and carrying amount

Lease assets are adjusted upon remeasurement of the lease liabilities; see above in the lease liability section.

Lease assets are recognised as fixed assets within the asset item in which the underlying assets of the lease would be recognised if the Entity owned them.

Other financial liabilities
Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Accounting policies

Income tax receivable or payable

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

Deferred income

Deferred income comprises received income for recognition in subsequent financial years. Deferred income is measured at cost.

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, purchase of treasury shares, and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank debt.