BUUS JENSEN
Statsautoriserede Revisorer

Vernon Sport ApS

Vermundsgade 40 B, 2., 2100 København Ø

Company reg. no. 17 01 63 42

Annual report

1 July 2022 - 30 June 2023

The annual report was submitted and approved by the general meeting on the 13 December 2023.

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Morten Vernon Jørgensen
Chairman of the meeting

Contents

Notes:
- To ensure the greatest possible applicability of this document, IAS/IFRS English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

Management's statement

Today, the managing director has presented the annual report of Vernon Sport ApS for the financial year 1 July 2022 - 30 June 2023.

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

I consider the accounting policies appropriate and, in my opinion, the financial statements provide a fair presentation of the company's assets, equity and liabilities, and financial position at 30 June 2023 and of the company's results of activities in the financial year 1 July 2022 – 30 June 2023.

I am of the opinion that the management commentary presents a fair account of the issues dealt with.

We recommend that the annual report be approved at the Annual General Meeting.

Copenhagen, 13 December 2023

Managing Director

Morten Vernon Jørgensen

Independent auditor's report

To the Shareholders of Vernon Sport ApS

Opinion

We have audited the financial statements of Vernon Sport ApS for the financial year 1 July 2022 - 30 June 2023, which comprise income statement, balance sheet, statement of changes in equity, notes and a summary of significant accounting policies, for the Company. The financial statements are prepared under 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 30 June 2023, and of the results of the Company's operations for the financial year 1 July 2022 - 30 June 2023 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 are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's Responsibilities for the Financial Statements

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

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

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

- 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 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 Management’s Review

Management is responsible for Management’s Review.

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

Independent auditor's report

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether 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 Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that Management's Review is in accordance with the 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 Management's Review.

Copenhagen, 13 December 2023

BUUS JENSEN
State Authorised Public Accountants
Company reg. no. 16 11 90 40

Michael Markussen
State Authorised Public Accountant
mne34295

Company information

The company	Vernon Sport ApS Vermundsgade 40 B, 2. 2100 København Ø	
	Company reg. no.	17 01 63 42
	Established:	13 May 1993
	Domicile:	Copenhagen
	Financial year:	1 July 2022 - 30 June 2023
Managing Director	Morten Vernon Jørgensen	
Auditors	BUUS JENSEN, Statsautoriserede revisorer	
Parent company	Vernon Holding ApS	
Subsidiary	Kajen Drift ApS, Copenhagen	

Financial highlights

DKK in thousands.	2022/23	2021/22	2020/21	2019/20	2018/19
Income statement:					
Gross profit	29.366	29.322	16.422	14.417	14.506
Profit from operating activities	13.539	13.717	3.870	3.579	4.932
Net financials	1.651	-959	557	-174	167
Net profit or loss for the year	12.182	9.730	3.566	2.641	3.979
Statement of financial position:					
Balance sheet total	51.084	49.317	21.049	21.474	24.147
Investments in property, plant and equipment	577	499	0	767	546.249
Equity	24.547	21.200	8.091	7.264	8.715
Employees:					
Average number of full-time employees	28	29	29	31	28
Key figures in %:					
Acid test ratio	202,1	192,2	174,2	160,1	157,0
Solvency ratio	48,1	43,0	38,4	33,8	36,1
Return on equity	53,3	66,4	46,4	33,1	42,5

Calculations of key figures and ratios do, in all material respects, follow the recommendations of the Danish Association of Finance Analysts, only in a few respects deviating from the recommendations.

The company´s accounting policy for recognizing and measuring its inventory has been changed from the standard cost method to FIFO during the year. The management cannot quantify the financial impact on the comparative figures but estimates that the impact is immaterial.

The key figures and ratios shown in the statement of financial highlights have been calculated as follows:

Acid test ratio $\frac{\text{Current assets x 100}}{\text{Short term liabilities other than provisions}}$

Solvency ratio $\frac{\text{Equity, closing balance x 100}}{\text{Total assets, closing balance}}$

Return on equity $\frac{\text{Net profit or loss for the year x 100}}{\text{Average equity}}$

Management´s review

The principal activities of the company

The principal activity of the company consists of wholesale of footwear, sportswear and fashion items on the Nordic and Baltic markets.

Unusual circumstances

There has been no unusual circumstances during the financial year.

Uncertainties about recognition or measurement

There has been no uncertainty during recognition and measurement in the annual report.

Development in activities and financial matters

The gross profit for the year totals DKK 29.366.000 against DKK 29.322.000 last year. Income or loss from ordinary activities after tax totals DKK 12.182.000 against DKK 9.730.000 last year. Management considers the net profit or loss for the year satisfactory.

The development in 2022/23 is in line with the expectations.

Financial risks and the use of financial instruments

The company primarily sells in DKK, SEK, NOK, and EUR and buys in USD and EUR.

Foreign exchange risk is considered high, and the company has a policy of hedging currency risks by entering into currency forward agreements.

Environmental issues

As Vernon Sport is not a producer of goods, but solely act as distributer of goods, the company´s impact on environmental matters is limited. Vernon Sport does, however, consider the environmental profile of its suppliers before entering into agreements with them. And when we do, we inform our suppliers of the expectations that we face from our clients and that their production should meet the standards expected by consumers in the Nordic market.

Know how resources

The main asset of the company is the employees of the company.

In the past years, the company has invested in it organization to meet increasing digital customer demands. This is an ongoing process, and we will continue to do so.

Research and development activities

We are always on the lookout for new brands and trends but are not involved in research and development of new products.

Expected developments
For the coming year the company expect a decline in sales and result. The order portfolio going into 2023/24 was not as high as it were in the previous two years.

While several of our brands have outperformed the marked, customers have still been reluctant to place orders.

Growing inflation and the war in Ukraine have caused the customers to place smaller orders. The Swedish and Norwegian markets have been hit harder than the rest of Europe due to the weakness of SEK and NOK.

The company expects a positive resulta for the coming year 2023/24 of around DKK 5.000.000.

Events occurring after the end of the financial year
No events materially affecting the Group´s and Company´s financial position have occured subsequent to the financial year-end.

Branches abroad
The company has a branch in Sweden that employs swedish staff, and the company has a VAT registration in Norway.

Income statement 1 July - 30 June

All amounts in DKK.

Note		2022/23	2021/22
	Gross profit	**29.365.827**	**29.321.581**
1	Staff costs	-15.483.096	-15.346.107
	Depreciation and impairment of property, land, and equipment	-343.697	-258.365
	Operating profit	**13.539.034**	**13.717.109**
	Income from equity investments in subsidiaries	1.553.421	-935.136
	Other financial income	130.685	17.289
2	Other financial costs	-33.413	-41.200
	Pre-tax net profit or loss	**15.189.727**	**12.758.062**
3	Tax on net profit or loss for the year	-3.008.202	-3.027.893
4	**Net profit or loss for the year**	**12.181.525**	**9.730.169**

Balance sheet at 30 June

All amounts in DKK.

Assets

Note		2023	2022
	Non-current assets		
5	Other fixtures and fittings, tools and equipment	773.267	650.239
	Total property, plant, and equipment	773.267	650.239
6	Investments in group enterprises	2.330.350	776.929
7	Deposits	513.205	485.955
	Total investments	2.843.555	1.262.884
	Total non-current assets	**3.616.822**	**1.913.123**
	Current assets		
	Manufactured goods and goods for resale	24.406.540	22.767.263
	Prepayments for goods	455.612	4.539.047
	Total inventories	24.862.152	27.306.310
	Trade receivables	11.790.961	13.313.821
	Receivables from group enterprises	0	800.337
	Other receivables	439.511	2.139.351
8	Prepayments and accrued income	150.213	151.676
	Total receivables	12.380.685	16.405.185
	Cash on hand and demand deposits	10.223.916	3.692.571
	Total current assets	**47.466.753**	**47.404.066**
	Total assets	**51.083.575**	**49.317.189**

Balance sheet at 30 June

All amounts in DKK.

Equity and liabilities

Note		2023	2022
	Equity		
9	Contributed capital	250.000	250.000
	Reserve for net revaluation according to the equity method	1.994.350	440.929
	Other reserves	444.726	1.779.779
	Retained earnings	11.857.539	11.229.435
	Proposed dividend for the financial year	10.000.000	7.500.000
	Total equity	**24.546.615**	**21.200.143**
	Provisions		
10	Provisions for deferred tax	86.000	463.000
	Total provisions	**86.000**	**463.000**
	Liabilities other than provisions		
	Income tax payable to group enterprises	2.966.794	2.988.486
	Total long term liabilities other than provisions	2.966.794	2.988.486
	Trade payables	19.640.671	20.591.301
	Payables to group enterprises	112.089	0
	Income tax payable	84.112	55.976
	Other payables	3.647.294	4.018.283
	Total short term liabilities other than provisions	23.484.166	24.665.560
	Total liabilities other than provisions	**26.450.960**	**27.654.046**
	Total equity and liabilities	**51.083.575**	**49.317.189**

11 Contingencies

12 Financial risks

13 Related parties

Statement of changes in equity

All amounts in DKK.

	Contributed capital	Reserve for net revalua-tion according to the eq-uity method	Other reserves, currency hedging	Retained earnings	Proposed dividend for the financial year	Total
Equity 1 July 2021	250.000	1.376.065	365.299	8.064.130	7.900.000	17.955.494
Distributed dividend	0	0	0	0	-7.900.000	-7.900.000
Share of profit or loss	0	-935.136	0	3.165.305	7.500.000	9.730.169
Currency futures for hedging future purchases and sales in foreign currency	0	0	1.813.480	0	0	1.813.480
Deferred tax	0	0	-399.000	0	0	-399.000
Equity 1 July 2021	250.000	440.929	1.779.779	11.229.435	7.500.000	21.200.143
Distributed dividend	0	0	0	0	-7.500.000	-7.500.000
Share of profit or loss	0	1.553.421	0	628.104	10.000.000	12.181.525
Currency futures for hedging future purchases and sales in foreign currency	0	0	-1.712.053	0	0	-1.712.053
Deferred tax	0	0	377.000	0	0	377.000
	250.000	**1.994.350**	**444.726**	**11.857.539**	**10.000.000**	**24.546.615**

Notes

All amounts in DKK.

		2022/23	2021/22
1.	**Staff costs**		
	Salaries and wages	14.997.954	14.916.066
	Pension costs	257.086	215.893
	Other costs for social security	228.056	214.148
		15.483.096	**15.346.107**
	Average number of employees	28	29
2.	**Other financial costs**		
	Financial costs, group enterprises	31.050	0
	Other financial costs	2.363	41.200
		33.413	**41.200**
3.	**Tax on net profit or loss for the year**		
	Tax on net profit or loss for the year	3.008.202	3.029.893
	Adjustment of deferred tax for the year	0	-2.000
		3.008.202	**3.027.893**
4.	**Proposed distribution of net profit**		
	Reserves for net revaluation according to the equity method	1.553.421	-935.136
	Dividend for the financial year	10.000.000	7.500.000
	Transferred to retained earnings	628.104	3.165.305
	Total allocations and transfers	**12.181.525**	**9.730.169**

Notes

All amounts in DKK.

		30/6 2023	30/6 2022
5.	**Other fixtures and fittings, tools and equipment**		
	Cost 1 July 2022	2.079.919	1.708.673
	Additions during the year	576.725	499.246
	Disposals during the year	-384.000	-128.000
	Cost 30 June 2023	**2.272.644**	**2.079.919**
	Depreciation and writedown 1 July 2022	-1.429.680	-1.299.315
	Amortisation and depreciation for the year	-364.097	-258.365
	Reversal of depreciation, amortisation and impairment loss, assets disposed of	294.400	128.000
	Depreciation and writedown 30 June 2023	**-1.499.377**	**-1.429.680**
	Carrying amount, 30 June 2023	**773.267**	**650.239**
6.	**Investments in group enterprises**		
	Cost 1 July 2022	336.000	336.000
	Cost 30 June 2023	**336.000**	**336.000**
	Revaluations, opening balance 1 July 2022	440.929	1.376.065
	Net profit or loss for the year before amortisation of goodwill	1.553.421	-935.136
	Revaluation 30 June 2023	**1.994.350**	**440.929**
	Carrying amount, 30 June 2023	**2.330.350**	**776.929**

Financial highlights for the enterprises according to the latest approved annual reports

	Equity interest	**Equity**	**Results for the year**	**Carrying amount, Vernon Sport ApS**
Kajen Drift ApS, Copenhagen	100 %	2.330.350	1.553.421	2.330.350

Notes

All amounts in DKK.

		30/6 2023	30/6 2022
7.	**Deposits**		
	Cost 1 July 2022	485.955	448.448
	Additions during the year	27.250	37.507
	Cost 30 June 2023	**513.205**	**485.955**
	Carrying amount, 30 June 2023	**513.205**	**485.955**
8.	**Prepayments and accrued income**		
	Other prepayments	150.213	151.676
		150.213	**151.676**

9. Contributed capital

The share capital consists of 250.000 shares at 250.000 DKK each and multiples thereof.

		30/6 2023	30/6 2022
10.	**Provisions for deferred tax**		
	Provisions for deferred tax 1 July 2022	463.000	66.000
	Deferred tax relating to the net profit or loss for the year	0	-2.000
	Deferred tax recognised directly in equity	-377.000	399.000
		86.000	**463.000**

11. Contingencies

Contingent liabilities

	DKK in thousands
Lease liabilities	816
Total contingent liabilities	**816**

Joint taxation

With Vernon Holding ApS, company reg. no 20 87 40 07 as administration company, the company is subject to the Danish scheme of joint taxation and is proportionally liable for tax claims within the joint taxation scheme.

Notes

All amounts in DKK.

11. Contingencies (continued)

Joint taxation (continued)

The company is proportionally liable for any obligations to withhold tax on interest, royalties, and dividends of the jointly taxed companies.

The liabilities amount to a maximum amount corresponding to the share of the company capital, which is owned directly or indirectly by the ultimate parent company.

The jointly taxed enterprises' total known net liability to the Danish tax authorities emerges from the financial statements of the administration company.

Any subsequent adjustments of corporate taxes or withholding tax, etc., may result in changes in the company's liabilities.

12. Financial risks

Exchange rate risks

For currency hedging of the future purchase of goods in Euro and US dollars, the company has entered into forward exchange contracts of a total T.SEK 14.000. Compared to the forward price at the balance sheet date, the contracts have a positive value of approximately T.DKK 427. The capital gain is recognised in the equity.

13. Related parties

Controlling interest

Vernon Holding ApS, Vermundsgade 40B, 2., 2100 København Ø	Majority shareholder

Transactions

There is no information provided about transactions with related parties, as all transactions have been conducted on normal market terms.

Consolidated financial statements

The company is included in the consolidated financial statements of Vernon Sport ApS, Vermundsgade 40B, 2.

Accounting policies

The annual report for Vernon Sport ApS has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class C enterprises (medium sized enterprises).

No consolidated financial statements have been prepared pursuant to section 112 (1) of the Danish Financial Statements Act. The financial statements of Vernon Sport ApS and its group enterprises are included in the consolidated financial statements for Vernon Holding ApS, København, CVR nr. 20874007.

Pursuant to section 86 (4) of the Danish Financial Statements Act, no statement of cash flows for the enterprise has been prepared, as the relevant information is included in the consolidated financial statements of Vernon Holding ApS.

Changes in the accounting policies

The company´s accounting policy for recognizing and measuring its inventory has been changed from the standard cost method to FIFO during the year. The management cannot quantify the financial impact on the comparative figures but estimates that the impact is immaterial.

Except for the above, the accounting policies remain unchanged from last year.

Recognition and measurement in general

Income is recognised in the income statement concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs are recognised in the income statement, including depreciations amortisations, writedowns for impairment, provisions, and reversals due to changes in estimated amounts previously recognised in the income statement.

Assets are recognised in the statement of financial position when it seems probable that future economic benefits will flow to the company and the value of the asset can be reliably measured.

Liabilities are recognised in the statement of financial position when it is seems probable that future economic benefits will flow out of the company and the value of the liability can be reliably measured.

Assets and liabilities are measured at cost at the initial recognition. Hereafter, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost, allowing a constant effective interest rate to be recognised during the useful life of the asset or liability. Amortised cost is recognised as the original cost less any payments, plus/less accrued amortisations of the difference between cost and nominal amount. In this way, capital losses and gains are allocated over the useful life of the liability.

Upon recognition and measurement, allowances are made for such predictable losses and risks which may arise prior to the presentation of the annual report and concern matters that exist on the reporting date.

Foreign currency translation

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials. If currency positions are considered to hedge future cash flows, the value adjustments are recognised directly in equity in a fair value reserve.

Receivables, payables, and other foreign currency monetary items are translated using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or initial recognition in the latest financial statements of the receivable or payable is recognised in the income statement under financial income and expenses.

Fixed assets acquired and paid for in foreign currency are measured at the exchange rate prevailing at the date of the transaction.

Group enterprises abroad, associates, and equity investments are considered to be independent entities. The income statements are translated at an average exchange rate for the month, and the balance sheet items are translated at the closing rates. Currency translation differences, arising from the translation of the equity of group enterprises abroad at the beginning of the year to the closing rate and from the translation of income statements from average prices to the closing rate, are recognised directly in equity in the fair value reserve in the Consolidated Financial Statement. This also applies to differences arising from translation of income statements from average exchange rate to closing rate.

Translation adjustment of balances with group enterprises abroad that are considered part of the total investment in group enterprises are recognised directly in equity in the fair value reserve. Likewise, foreign exchange gains and losses on loans and derived financial instruments for currency hedging independent group enterprises abroad are recognised directly in equity.

When recognising foreign group enterprises which are integral units, the monetary items are translated using the closing rate. Non-monetary items are translated using the exchange rate prevailing at the time of acquisition or at the time of the subsequent revaluation or write-down for impairment of the asset. Income statement items are translated using the exchange rate prevailing at the date of the transaction. However, items in the income statement derived from non-monetary items are translated using historical prices.

Derivatives

At their initial recognition, derivatives are recognised at cost in the statement of financial position. Hereafter, they measured at fair value. Positive and negative fair values of derivatives are recognised under other receivables and payables, respectively.

Changes in the fair value of derived financial instruments classified as and meeting the criteria for hedging the fair value of a recognised asset or a recognised liability are recognised in the income statement together with changes in the fair value of the hedged asset or the hedged liability.

Changes in the fair value of derived financial instruments classified as hedging of future cash flows are recognised in other receivables or other payables, and in equity.

If the future transaction results in the recognition of assets or liabilities, amounts previously recognised in equity are transferred to the cost of the asset or the liability, respectively. If the future transaction results in income or costs, amounts recognised in equity on a continuing basis are transferred to the income statement for the period in which the hedged item affected the income statement.

Income statement

Gross profit

Gross profit comprises the revenue, changes in inventories of finished goods, and work in progress, own work capitalised, other operating income, and external costs.

The enterprise will be applying IAS 11 and IAS 18 as its basis of interpretation for the recognition of revenue.

Revenue is recognised in the income statement if delivery and passing of risk to the buyer have taken place before the end of the year and if the income can be determined reliably and inflow is anticipated. Revenue is measured at the fair value of the consideration promised exclusive of VAT and taxes and less any discounts relating directly to sales.

Cost of sales comprises costs concerning purchase of raw materials and consumables less discounts and changes in inventories.

Other external costs comprise costs incurred for distribution, sales, advertising, administration, premises, loss on receivables, and operational leasing costs.

Staff costs

Staff costs include salaries and wages, including holiday allowances, pensions, and other social security costs, etc., for staff members.

Depreciation, amortisation, and writedown for impairment

Depreciation, amortisation, and writedown for impairment comprise depreciation on, amortisation of, and writedown for impairment of intangible and tangible assets, respectively.

Financial income and expenses

Financial income and expenses are recognised in the income statement with the amounts concerning the financial year. Financial income and expenses comprise interest income and expenses, financial expenses from financial leasing, realised and unrealised capital gains and losses relating to securities, debt and transactions in foreign currency, amortisation of financial assets and liabilities as well as surcharges and reimbursements under the advance tax scheme, etc.

Results from investments in subsidiaries

After full elimination of intercompany profit or loss less amortised consolidated goodwill, the investment in the individual entities are recognised in the income statement as a proportional share of the entities' post-tax profit or loss.

Tax on net profit or loss for the year

Tax for the year comprises the current income tax for the year and changes in deferred tax and is recognised in the income statement with the share attributable to the net profit or loss for the year and directly in equity with the share attributable to entries directly in equity.

The company is subject to Danish rules on compulsory joint taxation of Danish group enterprises.

The current Danish income tax is allocated among the jointly taxed companies proportional to their respective taxable income (full allocation with reimbursement of tax losses).

Statement of financial position

Property, plant, and equipment

Property, plant, and equipment are measured at cost less accrued depreciation and write-down for impairment. Land is not subject to depreciation.

The depreciable amount is cost less any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, the depreciation is discontinued.

If the amortisation period or the residual value is changed, the effect on amortisation will, in future, be recognised as a change in the accounting estimates.

The cost comprises acquisition cost and costs directly associated with the acquisition until the time when the asset is ready for use.

The cost of a total asset is divided into separate components. These components are depreciated separately, the useful lives of each individual components differing, and the individual component representing a material part of the total cost.

Depreciation is done on a straight-line basis according to an assessment of the expected useful life and the residual value of the individual assets:

	Useful life	Residual value
Other fixtures and fittings, tools and equipment	3-5 years	0 %

Minor assets with an expected useful life of less than 1 year are recognised as costs in the income statement in the year of acquisition.

Profit or loss derived from the disposal of property, land, and equipment is measured as the difference between the sales price less selling costs and the carrying amount at the date of disposal. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Leases

All other leases are regarded as operating leases. Payments in connection with operating leases and other lease agreements are recognised in the income statement for the term of the contract. The company's total liabilities concerning operating leases and lease agreements are recognised under contingencies, etc.

Investments

Investments in subsidiaries

Investments in subsidiaries are recognised and measured by applying the equity method. The equity method is used as a method of consolidation.

Investments in subsidiaries are recognised in the statement of financial position at the proportionate share of the enterprise's equity value. This value is calculated in accordance with the parent's accounting policies with deductions or additions of unrealised intercompany gains and losses as well as with additions or deductions of the remaining value of positive or negative goodwill calculated in accordance with the acquisition method. Negative goodwill is recognised in the income statement at the time of acquisition of the equity investment. If the negative goodwill relates to contingent liabilities acquired, negative goodwill is not recognised until the contingent liabilities have been settled or lapsed.

Consolidated goodwill is amortised over its estimated useful life, which is determined on the basis of the management's experience with the individual business areas. Consolidated goodwill is amortised on a straight-line basis over the amortisation period, which represent 5-20 years. The depreciation period is determined on the basis of an assessment that these are strategically acquired enterpriseswith a strong market position and a long-term earnings profile.

In relation to material assets and liabilities recognised in subsidiaries but are not represented in the parent, the following accounting policies have been applied.

Investments in subsidiaries with a negative equity value are measured at DKK 0, and any accounts receivable from these enterprises are written down to the extent that the account receivable is uncollectible. To the extent that the parent has a legal or constructive obligation to cover an negative balance that exceeds the account receivable, the remaining amount is recognised under provisions.

To the extent the equity exceeds the cost, the net revaluation of equity investments in subsidiaries transferred to the reserve under equity for net revaluation according to the equity method. Dividends from subsidiaries expected to be adopted before the approval of this annual report are not subject to a limitation of the revaluation reserve. The reserve is adjusted by other equity movements in subsidiaries.

Newly acquired or newly established companies are recognised in the financial statement as of the time of acquisition. Sold or liquidated companies are recognised until the date of disposal.

On the acquisition of enterprises, the acquisition method, the uniting-of-interests method or the book value method is applied, cf. the above description under Business combinations.

Deposits

Deposits are measured at amortised cost and represent lease deposits, etc.

Impairment loss relating to non-current assets

The carrying amount of both tangible fixed assets as well as equity investments in subsidiaries are subject to annual impairment tests in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation respectively.

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets, respectively. Writedown for impairment is done to the recoverable amount if this value is lower than the carrying amount.

The recoverable amount is the higher value of value in use and selling price less expected selling cost. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the asset group and expected net cash flows from the sale of the asset or the asset group after the end of their useful life.

Previously recognised impairment losses are reversed when conditions for impairment no longer exist.

Inventories

Inventories are measured at cost according to the FIFO method. In cases when the net realisable value of the inventories is lower than the cost, the latter is written down for impairment to this lower value.

Costs of goods for resale, raw materials, and consumables comprise acquisition costs plus delivery costs.

Costs of manufactured goods and work in progress comprise the cost of raw materials, consumables, direct wages, and indirect production costs. Indirect production costs comprise indirect materials and wages, maintenance and depreciation of machinery, factory buildings, and equipment used in the production process, and costs for factory administration and factory management. Borrowing expenses are not recognised in cost.

The net realisable value for inventories is recognised as the estimated selling price less costs of completion and selling costs. The net realisable value is determined with due consideration of negotiability, obsolescence, and the development of expected market prices.

Receivables

Receivables are measured at amortised cost, which usually corresponds to nominal value.

In order to meet expected losses, impairment takes place at the net realisable value. The company has chosen to use IAS 39 as a basis for interpretation when recognising impairment of financial assets, which means that impairments must be made to offset losses where an objective indication is deemed to have occurred that an account receivable or a portfolio of accounts receivable is impaired.If an objective indication shows that an individual account receivable has been impaired, an impairment takes place at individual level.

Accounts receivable for which there is no objective indication of impairment at the individual level are evaluated at portfolio level for objective indication of impairment. The portfolios are primarily based on the debtors' domicile and credit rating in accordance with the company's and the group's credit risk management policy. Determination of the objective indicators applied for portfolios are based on experience with historical losses.

Impairment losses are calculated as the difference between the carrying amount of accounts receivable and the present value of the expected cash flows, including the realisable value of any securities received. The effective interest rate for the individual account receivable or portfolio is used as the discount rate.

Prepayments and accrued income

Prepayments and accrued income recognised under assets comprise incurred costs concerning the following financial year.

Cash on hand and demand deposits

Cash on hand and demand deposits comprise cash at bank and on hand.

Equity

Reserve for net revaluation according to the equity method

The reserve for net revaluation according to the equity method comprises net revaluation of equity investments in subsidiaries, associates and equity interests proportional to cost.

The reserve may be eliminated in the event of losses, realisation of equity investments, or changes in the accounting estimates.

The reserve cannot be recognised by a negative amount.

Dividend

Dividend expected to be distributed for the year is recognised as a separate item under equity.

Income tax and deferred tax

Current tax liabilities and current tax receivable are recognised in the statement of financial position as calculated tax on the taxable income for the year, adjusted for tax of previous years' taxable income and for tax paid on account.

The company is jointly taxed with consolidated Danish companies. The current corporate income tax is distributed between the jointly taxed companies in proportion to their taxable income and with full distribution with reimbursement as to tax losses. The jointly taxed companies are comprised by the Danish tax prepayment scheme.

According to the rules of joint taxation, Vernon Sport ApS is proportionally liable to pay the Danish tax authorities the total income tax, including withholding tax on interest, royalties, and dividends, arising from the jointly taxed group of companies.

Deferred tax is measured on the basis of temporary differences in assets and liabilities with a focus on the statement of financial position. Deferred tax is measured at net realisable value.

Adjustments take place in relation to deferred tax concerning elimination of unrealised intercompany gains and losses.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation prevailing in the respective countries on the reporting date when the deferred tax is expected to be released as current tax. Changes in deferred tax due to changed tax rates are recognised in the income statement, except for items included directly in the equity.

Deferred tax assets, including the tax value of tax losses allowed for carryforward, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit. Any deferred net tax assets are measured at net realisable value.

Liabilities other than provisions

Other liabilities concerning payables to suppliers, group enterprises, and other payables are measured at amortised cost which usually corresponds to the nominal value.