

Sports Connection ApS

Kvaglundvej 89, 6705 Esbjerg Ø

CVR no. 18 13 38 81

Annual report 2021

Approved at the Company's annual general meeting on 6 April 2022

Chair of the meeting:

.....
Peter Jørgensen

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Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Sports Connection ApS for the financial year 1 January - 31 December 2021.

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

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2021 and of the results of the Company's operations for the financial year 1 January - 31 December 2021.

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

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

Esbjerg, 6 April 2022
Executive Board:

.....
Peter Jørgensen

Board of Directors:

.....
Johannes Adrianus de
Groot

.....
Peter Jørgensen

Independent auditor's report

To the shareholder of Sports Connection ApS

Opinion

We have audited the financial statements of Sports Connection ApS for the financial year 1 January - 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2021 and of the results of the Company's operations for the financial year 1 January - 31 December 2021 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Independent auditor's report

- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- ▶ Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

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

Esbjerg, 6 April 2022
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Morten Østergaard Koch
State Authorised Public Accountant
mne35420

Mads Klausen
State Authorised Public Accountant
mne46588

Management's review

Company details

Name	Sports Connection ApS
Address, Postal code, City	Kvaglundvej 89, 6705 Esbjerg Ø
CVR no.	18 13 38 81
Established	25 October 1994
Registered office	Esbjerg
Financial year	1 January - 31 December
Website	www.sportsconnection.dk
Telephone	+45 75 10 19 80
Board of Directors	Johannes Adrianus de Groot Peter Jørgensen
Executive Board	Peter Jørgensen
Auditors	EY Godkendt Revisionspartnerselskab Bavnehøjvej 5, 6700 Esbjerg, Denmark

Management's review

Financial highlights

DKK'000	2021	2020	2019	2018	2017
Key figures					
Gross profit	133,152	83,344	62,040	55,220	52,673
Profit before interest and tax (EBIT)	100,677	55,376	39,691	37,458	39,184
Net financials	97	-1,262	-1,755	3,269	-6,640
Profit for the year	78,589	42,144	29,191	31,741	25,323
Assets					
Fixed assets	4,037	4,291	4,297	4,558	1,171
Non-fixed assets	132,402	99,654	128,761	87,178	82,098
Total assets	136,439	103,945	133,058	91,736	83,269
Investments in property, plant and equipment	548	611	643	3,349	944
Equity	105,753	67,088	49,064	53,620	37,926
Financial ratios					
Current ratio	448.1%	278.8%	270.4%	234.6%	181.1%
Equity ratio	77.5%	64.5%	36.9%	58.5%	45.5%
Return on equity	90.9%	72.6%	56.9%	69.3%	67.1%
Average number of full-time employees					
Average number of full-time employees	55	50	42	33	24

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

Current ratio	$\frac{\text{Current assets} \times 100}{\text{Current liabilities}}$
Equity ratio	$\frac{\text{Equity, year-end} \times 100}{\text{Total equity and liabilities, year-end}}$
Return on equity	$\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}$

Management's review

Business review

The principal activities are wholesale trading of Skechers shoes and related activities.

Financial review

The income statement for 2021 shows a profit of DKK 78,589 thousand against a profit of DKK 42,144 thousand last year, and the balance sheet at 31 December 2021 shows equity of DKK 105,753 thousand.

The result for 2021 is negatively affected by the COVID-19 outbreak. The Company has managed to increase the level of activities and earnings without making use of governmental support packages.

Management considers the Company's financial performance in the year very satisfactory and higher than previous expectations.

Knowledge resources

The Company is continuously working to attract and maintain professionally qualified labour with expert knowledge of the Company's services and products.

Financial risks and use of financial instruments

Exchange rate risks

The company trades abroad and has the risk of exchange rate fluctuations. This risk is managed by hedging future transactions.

Statutory CSR report

The Company has not drawn up any CSR report, as the Parent Company has done so for the entire Group. The CSR-report for the Group is available and can be downloaded from the site: https://sportsconnection.dk/wp-content/uploads/2022/03/CSR_report_2021.pdf

Events after the balance sheet date

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

Outlook

For the financial year 2022, the Company expects significant growth in activities and a result in line with the financial year 2021.

Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2021	2020
	Gross profit	133,152	83,344
3	Staff costs	-30,803	-26,828
	Depreciation of property, plant and equipment	-1,673	-1,140
	Profit before net financials	100,676	55,376
	Financial income	898	97
4	Financial expenses	-801	-1,359
	Profit before tax	100,773	54,114
5	Tax for the year	-22,184	-11,970
	Profit for the year	78,589	42,144

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2021	2020
	ASSETS		
	Fixed assets		
6	Intangible assets		
	Acquired intangible assets	642	464
		<u>642</u>	<u>464</u>
7	Property, plant and equipment		
	Fixtures and fittings, other plant and equipment	861	809
	Leasehold improvements	1,768	2,253
		<u>2,629</u>	<u>3,062</u>
8	Investments		
	Deposits	766	765
		<u>766</u>	<u>765</u>
	Total fixed assets	<u>4,037</u>	<u>4,291</u>
	Non-fixed assets		
	Inventories		
	Finished goods and goods for resale	66,463	59,402
		<u>66,463</u>	<u>59,402</u>
	Receivables		
	Trade receivables	18,157	6,954
	Receivables from group enterprises	27,166	24,222
	Other receivables	7,632	237
9	Prepayments	537	836
		<u>53,492</u>	<u>32,249</u>
	Cash	12,447	8,003
	Total non-fixed assets	<u>132,402</u>	<u>99,654</u>
	TOTAL ASSETS	<u>136,439</u>	<u>103,945</u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2021	2020
	EQUITY AND LIABILITIES		
	Equity		
	Share capital	400	400
	Hedging reserve	5,956	-9,120
	Retained earnings	34,397	40,808
	Dividend proposed	65,000	35,000
	Total equity	<u>105,753</u>	<u>67,088</u>
	Provisions		
10	Deferred tax	238	107
	Other provisions	900	1,000
11	Total provisions	<u>1,138</u>	<u>1,107</u>
	Liabilities other than provisions		
	Current liabilities other than provisions		
	Bank debt	7,100	1,518
	Trade payables	6,864	5,155
	Payables to group enterprises	826	8,925
	Joint taxation contribution payable	7,936	560
	Other payables	6,822	19,592
		<u>29,548</u>	<u>35,750</u>
	Total liabilities other than provisions	<u>29,548</u>	<u>35,750</u>
	TOTAL EQUITY AND LIABILITIES	<u><u>136,439</u></u>	<u><u>103,945</u></u>

- 1 Accounting policies
- 2 Special items
- 13 Contractual obligations and contingencies, etc.
- 14 Collateral
- 15 Related parties
- 16 Appropriation of profit

Financial statements 1 January - 31 December

Statement of changes in equity

Note	DKK'000	Share capital	Hedging reserve	Retained earnings	Dividend proposed	Total
	Equity at 1 January 2021	400	-9,120	40,808	35,000	67,088
16	Transfer, see "Appropriation of profit"	0	0	-6,411	85,000	78,589
	Adjustment of hedging instruments at fair value	0	19,328	0	0	19,328
	Tax on items recognised directly in equity	0	-4,252	0	0	-4,252
	Dividend distributed	0	0	0	-35,000	-35,000
	Proposed extraordinary dividend recognised under equity	0	0	0	-20,000	-20,000
	Equity at 31 December 2021	400	5,956	34,397	65,000	105,753

The company's share capital has remained DKK 400,004 for the past 5 years.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Sports Connection ApS for 2021 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to medium-sized reporting class C entities.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Omission of a cash flow statement

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

Reporting currency

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

Foreign currency translation

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

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

Derivative financial instruments

On initial recognition, derivative financial instruments are recognised at cost in the balance sheet and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are presented as separate items in the balance sheet.

Fair value adjustments of derivative financial instruments designated and qualifying as hedging of future assets or liabilities are recognised as separate items in the balance sheet and in the hedging reserve under equity. If the forecast transaction results in the recognition of assets or liabilities, amounts previously recognised in equity are transferred to the cost of the asset or liability, respectively. If the forecast transaction results in income or expenses, amounts previously recognised in equity are transferred to the income statement in the period in which the hedged item affects the income statement.

Income statement

Revenue

Income from the sale of goods for resale is recognised in revenue when the most significant rewards and risks have been transferred to the buyer and provided the income can be measured reliably and payment is expected to be received.

The date of the transfer of the most significant rewards and risks is based on standardised terms of delivery based on Incoterms® 2010.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Gross profit

The items revenue, cost of sales, other operating income and external expenses have been aggregated into one item in the income statement called gross profit in accordance with section 32 of the Danish Financial Statements Act.

Other operating income

Other operating income comprise items of a secondary nature relative to the Company's core activities, including gains on the sale of fixed assets and governmental grants, etc.

Cost of sales

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

Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

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

Amortisation/depreciation

The item comprises amortisation/depreciation of intangible assets and property, plant and equipment.

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

Fixtures and fittings, other plant and equipment	3-5 years
Leasehold improvements	3-5 years
Intangible assets (software)	3-5 years

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that relate to the financial reporting period. The items comprise interest income and expenses, e.g. from group entities and associates, declared dividends from other securities and investments, financial expenses relating to finance leases, realised and unrealised capital gains and losses relating to other securities and investments, exchange gains and losses and amortisation of financial assets and liabilities.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The entity is jointly taxed with other group entities. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

Balance sheet

Intangible assets

Other intangible assets include acquired intangible rights, including software licences, etc.

Other intangible assets are measured at cost less accumulated amortisation and impairment losses.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Gains or losses are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses.

Leases

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

Investments

Deposits are measured at cost and represents rent deposits.

Impairment of fixed assets

The carrying amount of property, plant and equipment and investments is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

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

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

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and expenses required to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

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

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

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

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Cash

Cash comprise cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in value.

Equity

Hedging reserve

The hedging reserve comprises the cumulative net change in the fair value of hedging transactions that qualify for recognition as a cash flow hedge and where the hedged transaction has not yet been realised. The reserve is dissolved when the hedged transaction is realised, if the hedged cash flows are no longer expected to be realised or if the hedging relationship is no longer effective. The reserve does not represent a limitation under company law and may therefore be negative.

Proposed dividends

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Provisions

Provisions comprise anticipated expenses relating to warranty commitments, onerous contracts, restructurings, etc. Provisions are recognised when the Company has a legal or constructive obligation at the balance sheet date as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Provisions are measured at net realisable value or at fair value if the obligation is expected to be settled far into the future.

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carryforwards, are measured at the value at which they are expected to be utilised, either through elimination against tax on future earnings or through a set-off against deferred tax liabilities within the same legal tax entity. Any deferred net assets are measured at net realisable values.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Other payables

Other payables are measured at net realisable value.

2 Special items

Special items comprise significant income and expenses of a special nature relative to the Company's revenue-generating operating activities.

Special items for the year amount to DKK 0 thousand (2020: DKK 436 thousand) and comprise Governmental grants for payroll regarding the COVID-19 outbreak. Special items are recognized under other operating income, which is part of the gross profit.

Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	2021	2020
3 Staff costs		
Wages/salaries	26,463	22,963
Pensions	3,622	3,115
Other social security costs	718	750
	<u>30,803</u>	<u>26,828</u>
Average number of full-time employees	<u>55</u>	<u>50</u>
Remuneration for the Executive Board and the Board of Directors totalled DKK 1,634 thousand (2020: DKK 1,737 thousand).		
4 Financial expenses		
Interest expenses, group entities	239	408
Other financial expenses	562	951
	<u>801</u>	<u>1,359</u>
5 Tax for the year		
Estimated tax charge for the year	22,053	12,084
Deferred tax adjustments in the year	131	-114
	<u>22,184</u>	<u>11,970</u>
6 Intangible assets		
DKK'000		Acquired intangible assets
Cost at 1 January 2021		482
Additions		870
Disposals		-363
Cost at 31 December 2021		<u>989</u>
Impairment losses and amortisation at 1 January 2021		18
Amortisation for the year		692
Reversal of accumulated amortisation and impairment of assets disposed		-363
Impairment losses and amortisation at 31 December 2021		<u>347</u>
Carrying amount at 31 December 2021		<u>642</u>

Financial statements 1 January - 31 December

Notes to the financial statements

7 Property, plant and equipment

DKK'000	Fixtures and fittings, other plant and equipment	Leasehold improvements	Total
Cost at 1 January 2021	1,774	4,282	6,056
Additions	514	34	548
Cost at 31 December 2021	<u>2,288</u>	<u>4,316</u>	<u>6,604</u>
Impairment losses and depreciation at 1 January 2021	965	2,029	2,994
Depreciation	462	519	981
Impairment losses and depreciation at 31 December 2021	<u>1,427</u>	<u>2,548</u>	<u>3,975</u>
Carrying amount at 31 December 2021	<u>861</u>	<u>1,768</u>	<u>2,629</u>

8 Investments

DKK'000	Deposits
Cost at 1 January 2021	765
Additions	1
Cost at 31 December 2021	<u>766</u>
Carrying amount at 31 December 2021	<u>766</u>

9 Prepayments

Prepayments include accrual of expenses relating to subsequent financial years, including rent, insurance policies and other advances.

DKK'000	2021	2020
10 Deferred tax		
Deferred tax at 1 January	107	221
Deferred tax adjustment for the year	131	-114
Deferred tax at 31 December	<u>238</u>	<u>107</u>

Deferred tax mainly comprise deferred tax relating to property, plant and equipment and trade receivables.

11 Provisions

Other provisions comprise provisions for the committed return policy towards retail stores within the Group, totalling DKK 900 thousand.

Financial statements 1 January - 31 December

Notes to the financial statements

12 Derivative financial instruments and disclosure of fair values

Currency hedging

The Company hedges foreign currencies whereby the exchange rates from USD has been fixed towards DKK, NOK and SEK.

The Company has entered foreign currency contracts with a contractual value of DKK 202,220 thousand and a positive market value of DKK 7,515 thousand at 31 December 2021 (2020: negative DKK 11,812 thousand).

Fair value disclosures

The Company has the following assets and liabilities measured at fair value:

DKK'000	Currency hedging
Fair value at year end	7,515
Changes recognised in the hedging reserve	19,328
Fair value level	1

13 Contractual obligations and contingencies, etc.

Other contingent liabilities

The Company is jointly taxed with its ultimate parent, P&M Jørgensen Holding ApS, which acts as management company, and is jointly and severally liable with other jointly taxed group entities for payment of income taxes as well as withholding taxes on interest, royalties and dividends.

Other financial obligations

The company has entered rent agreements with remaining contract terms up to 2 years. The total rent obligation amounts to DKK 6,504 thousand, of which DKK 3,592 thousand falls due within one year.

The Company has entered operational leasing contracts related to cars and IT-equipment with remaining contract terms up to 5 years. The total lease liabilities amounts to DKK 1,970 thousand, of which DKK 986 thousands fall due within one 1 year.

The Company provided bank guarantees of DKK 8,602 thousand as collateral for rent obligations and towards suppliers.

14 Collateral

A company charge with a nominal value of DKK 13,000 thousand secured on trade receivables, inventories and operating equipment with at a carrying amount of DKK 87,891 thousand at 31 December 2021 has been put up as security for bank debt, totalling DKK 7,100 thousand.

The Company has provided an unlimited surety for bank debt in Sports Connection Holding ApS. The net bank debts totalled DKK 11,700 thousand at 31 December 2021.

Financial statements 1 January - 31 December

Notes to the financial statements

15 Related parties

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
Sports Connection Holding ApS	Esbjerg	www.cvr.dk
P & M Jørgensen Holding ApS	Bramming	www.cvr.dk

Related party transactions

Sports Connection ApS was engaged in the below related party transactions:

DKK'000	2021	2020
Sales of goods	190,993	141,889
Sales of retail equipment and other services, etc.	1,505	2,635
Management fees (income)	4,970	16,038
Staff costs	2,405	2,452
Interest expenses	239	408
Receivables from group enterprises	27,166	24,222
Payables to group enterprises	826	8,925
DKK'000	2021	2020
16 Appropriation of profit		
Recommended appropriation of profit		
Proposed dividend recognised under equity	65,000	35,000
Extraordinary dividend distributed in the year	20,000	0
Retained earnings/accumulated loss	-6,411	7,144
	78,589	42,144