

Sports Connection ApS

Kvaglundvej 89, 6705 Esbjerg Ø

CVR no. 18 13 38 81

Annual report 2022

Approved at the Company's annual general meeting on 30 March 2023

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 2022.

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 2022 and of the results of the Company's operations for the financial year 1 January - 31 December 2022.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

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

Esbjerg, 30 March 2023
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 2022, 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 2022 and of the results of the Company's operations for the financial year 1 January - 31 December 2022 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' 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.

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, 30 March 2023
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	2022	2021	2020	2019	2018
Key figures					
Gross profit	183,197	133,152	83,344	62,040	55,220
Profit before interest and tax (EBIT)	143,713	100,677	55,376	39,691	37,458
Net financials	-1,620	97	-1,262	-1,755	3,269
Profit for the year	110,751	78,589	42,144	29,191	31,741
Fixed assets					
Fixed assets	19,933	4,039	4,291	4,297	4,558
Non-fixed assets	269,154	132,402	99,654	128,761	87,178
Total assets	289,087	136,441	103,945	133,058	91,736
Investments in property, plant and equipment	464	548	611	643	3,349
Equity	142,434	105,753	67,088	49,064	53,620
Financial ratios					
Current ratio	187.3%	448.1%	278.8%	270.4%	234.6%
Equity ratio	49.3%	77.5%	64.5%	36.9%	58.5%
Return on equity	89.2%	90.9%	72.6%	56.9%	69.3%
Average number of full-time employees					
Average number of full-time employees	63	55	50	42	33

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 2022 shows a profit of DKK 110,751 thousand against a profit of DKK 78,589 last year, and the balance sheet at 31 December 2022 shows equity of DKK 142,434 thousand.

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/2023/03/CSR-rapport-2022.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 2023, the Company expects growth in activities and a result before tax between DKK 130 - 150 million.

Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2022	2021
	Gross profit	183,197	133,152
2	Staff costs	-37,717	-30,803
	Depreciation of property, plant and equipment	-1,749	-1,673
	Other operating expenses	-18	0
	Profit before net financials	143,713	100,676
	Financial income	13	898
3	Financial expenses	-1,633	-801
	Profit before tax	142,093	100,773
4	Tax for the year	-31,342	-22,184
	Profit for the year	110,751	78,589

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2022	2021
	ASSETS		
	Fixed assets		
5	Intangible assets		
	Acquired intangible assets	4,237	837
		<u>4,237</u>	<u>837</u>
6	Property, plant and equipment		
	Fixtures and fittings, other plant and equipment	984	1,339
	Leasehold improvements	784	1,097
		<u>1,768</u>	<u>2,436</u>
7	Investments		
	Receivables from group enterprises	12,879	0
	Deposits	1,049	766
		<u>13,928</u>	<u>766</u>
	Total fixed assets	<u>19,933</u>	<u>4,039</u>
	Non-fixed assets		
	Inventories		
	Finished goods and goods for resale	165,820	66,463
		<u>165,820</u>	<u>66,463</u>
	Receivables		
	Trade receivables	25,174	18,157
	Receivables from group enterprises	65,562	27,166
	Other receivables	122	7,632
8	Prepayments	1,387	537
		<u>92,245</u>	<u>53,492</u>
	Cash	11,089	12,447
	Total non-fixed assets	<u>269,154</u>	<u>132,402</u>
	TOTAL ASSETS	<u><u>289,087</u></u>	<u><u>136,441</u></u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2022	2021
	EQUITY AND LIABILITIES		
	Equity		
	Share capital	400	400
	Hedging reserve	-3,114	5,956
	Retained earnings	145,148	34,397
	Dividend proposed	0	65,000
	Total equity	<u>142,434</u>	<u>105,753</u>
	Provisions		
9	Deferred tax	889	238
	Other provisions	2,052	900
10	Total provisions	<u>2,941</u>	<u>1,138</u>
	Liabilities other than provisions		
	Current liabilities other than provisions		
	Bank debt	94,991	7,100
	Trade payables	9,642	6,866
	Payables to group enterprises	2,214	826
	Joint taxation contribution payable	23,506	7,936
	Other payables	13,359	6,822
		<u>143,712</u>	<u>29,550</u>
	Total liabilities other than provisions	<u>143,712</u>	<u>29,550</u>
	TOTAL EQUITY AND LIABILITIES	<u><u>289,087</u></u>	<u><u>136,441</u></u>

- 1 Accounting policies
- 12 Contractual obligations and contingencies, etc.
- 13 Collateral
- 14 Related parties
- 15 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 2022	400	5,956	34,397	65,000	105,753
15	Transfer, see					
	"Appropriation of profit"	0	0	110,751	0	110,751
	Adjustment of hedging instruments at fair value	0	-11,628	0	0	-11,628
	Tax on items recognised directly in equity	0	2,558	0	0	2,558
	Dividend distributed	0	0	0	-65,000	-65,000
	Equity at 31 December 2022	400	-3,114	145,148	0	142,434

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 2022 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

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

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 losses on the sale of fixed assets, 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

Other operating expenses

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

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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).

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

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

The Company has chosen IAS 39 as interpretation for impairment write-down of financial 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.

Fair value

The fair value measurement is based on the principal market. If no principal market exists, the measurement is based on the most advantageous market, i.e. the market that maximises the price of the asset or liability less transaction and/or transport costs.

All assets and liabilities which are measured at fair value, or whose fair value is disclosed, are classified based on the fair value hierarchy, see below:

Level 1: Value in an active market for similar assets/liabilities

Level 2: Value based on recognised valuation methods on the basis of observable market information

Level 3: Value based on recognised valuation methods and reasonable estimates (non-observable market information).

Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	2022	2021
2 Staff costs		
Wages/salaries	32,263	26,463
Pensions	4,297	3,622
Other social security costs	1,157	718
	<u>37,717</u>	<u>30,803</u>
Average number of full-time employees	<u>63</u>	<u>55</u>
Remuneration for the Executive Board and the Board of Directors totalled DKK 1,816 thousand (2021: DKK 1,634 thousand).		
3 Financial expenses		
Interest expenses, group entities	202	239
Other financial expenses	1,431	562
	<u>1,633</u>	<u>801</u>
4 Tax for the year		
Estimated tax charge for the year	30,692	22,053
Deferred tax adjustments in the year	650	131
	<u>31,342</u>	<u>22,184</u>
5 Intangible assets		
DKK'000		Acquired intangible assets
Cost at 1 January 2022		989
Additions		4,035
Disposals		-106
Cost at 31 December 2022		<u>4,918</u>
Impairment losses and amortisation at 1 January 2022		152
Amortisation for the year		617
Reversal of accumulated amortisation and impairment of assets disposed		-88
Impairment losses and amortisation at 31 December 2022		<u>681</u>
Carrying amount at 31 December 2022		<u>4,237</u>

Financial statements 1 January - 31 December

Notes to the financial statements

6 Property, plant and equipment

DKK'000	Fixtures and fittings, other plant and equipment	Leasehold improvements	Total
Cost at 1 January 2022	4,002	2,603	6,605
Additions	222	242	464
Cost at 31 December 2022	4,224	2,845	7,069
Impairment losses and depreciation at 1 January 2022	2,663	1,506	4,169
Depreciation	577	555	1,132
Impairment losses and depreciation at 31 December 2022	3,240	2,061	5,301
Carrying amount at 31 December 2022	984	784	1,768

7 Investments

DKK'000	Receivables from group enterprises	Deposits	Total
Cost at 1 January 2022	0	766	766
Additions	12,879	283	13,162
Cost at 31 December 2022	12,879	1,049	13,928
Carrying amount at 31 December 2022	12,879	1,049	13,928

8 Prepayments

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

DKK'000	2022	2021
9 Deferred tax		
Deferred tax at 1 January	238	107
Deferred tax adjustment for the year	651	131
Deferred tax at 31 December	889	238

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

10 Provisions

Other provisions comprise provisions for the committed return policy towards retail stores within the Group, totalling DKK 2,052 thousand.

Financial statements 1 January - 31 December

Notes to the financial statements

11 Derivative financial instruments

Currency hedging

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

The Company has entered foreign currency contracts with a contractual value of DKK 267,212 thousand and a negative market value of DKK 4,113 thousand at 31 December 2022 (2021: positive DKK 7,515 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	-4,113
Unrealised fair value adjustments for the year, recognised in hedging reserve	-11,628
Fair value level	1

12 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 4,995 thousand, of which DKK 4,343 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 3,535 thousand, of which DKK 1,561 thousands fall due within one 1 year.

The Company provided bank guarantees of DKK 9,093 thousand as collateral for rent obligations and towards suppliers.

13 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 196,215 thousand at 31 December 2022 has been put up as security for bank debt, totalling DKK 94,991 thousand.

The Company has provided an unlimited surety for bank debt in Sports Connection Holding ApS. The net bank debts totalled DKK 5,900 thousand at 31 December 2022.

Financial statements 1 January - 31 December

Notes to the financial statements

14 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	Esbjerg	www.cvr.dk

Related party transactions

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

DKK'000	2022	2021
Sales of goods	299,996	190,993
Sales of retail equipment and other services	3,709	1,103
Reinvoicing of marketing and other costs (cost-sharing)	1,216	401
Management fees (income)	5,418	4,970
Staff costs	2,631	2,405
Interest expenses	202	239
Receivables from group enterprises	78,441	27,166
Payables to group enterprises	2,214	826
DKK'000	2022	2021
15 Appropriation of profit		
Recommended appropriation of profit		
Proposed dividend recognised under equity	0	65,000
Extraordinary dividend distributed in the year	0	20,000
Retained earnings/accumulated loss	110,751	-6,411
	110,751	78,589