Sportmaster Danmark ApS

Baltorpbakken 5, DK-2750 Ballerup

CVR no. 34 48 56 0726

Annual report 2021

Approved at the Company's annual general meeting on 21 of July 2022

Chairman:

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Alastair Peter Orford Dick

Contents

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 Sportmaster Danmark ApS for the financial year 1 January – 31 December 2021.

The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of 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 and cash flows for the financial year 1 January – 31 December 2021 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

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

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

Copenhagen, 21 of July 2022
Executive Board:

Andreas Holm
CEO

Board of Directors:

Alastair Peter Orford Dick Chairman	Adedotun Ademola Adegoke	Daniel Mark Meenan

Independent Auditor's Report

To the Shareholder of Sportmaster Danmark ApS

Opinion
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 and cash flows for the financial year 1 January - 31 December 2021 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

We have audited the Financial Statements of Sportmaster Danmark ApS for the financial year 1 January - 31 December 2021, which comprise statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies ("financial statements").

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.

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.

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, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

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 International Financial Reporting Standards as adopted by the EU and further requirements in 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.

Hellerup, 21 of July 2022
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Thomas Baunkjær Andersen State Authorised Public Accountant mne35483	Jacob Dannefer State Authorised Public Accountant mne47886

Company details

Name	Sportmaster Danmark ApS
Address, zip code, city	Baltorpbakken 5, DK-2750 Ballerup
CVR no.	34 47 95 26
Established	20 April 2012
Registered office	Copenhagen
Financial year	1 January – 31 December
Board of Directors	Alastair Peter Orford Dick (Chairman) Adedotun Ademola Adegoke Daniel Mark Meenan
Executive Board	Andreas Høgdall Holm (CEO)
Auditor	Pricewaterhousecoopers (PWC), Statsautoriseret Revisionspartnerselskab Strandvejen 44, 2900 Hellerup

Management's review

Financial highlights for the Company

	2021	2020	2019	2018	2017
Key figures (DKK'000)					
Revenue	861,858	864,771	1,082,060	1,094,291	1,146,008
Gross profit	330,007	347,183	399,923	432,116	496,816
Operating profit before depreciation and amortisation (EBITDA)	82,706	96,032	60,355	62,387	21,479
Operating profit/loss (EBIT)	-51,367	-45,217	-453,802	-81,582	-3,488
Financial income and expense, net	-16,318	-14,603	-1,091	-33,911	-18,405
Profit/loss for the year	-67,685	-59,820	-470,179	-122,666	-17,535
Total assets	666,828	740,741	629,133	1,105,958	827,957
Investment in property, plant and equipment	6,463	2,380	9,040	27,952	13,889
Equity	**-66,608**	**1,077**	**60,944**	**434,394**	**396,870**
Cash flows from operating activities	79,628	85,618	15,088	75,674	47,186
Cash flows from investing activities	-5,651	-25,663	-16,613	-36,214	-43,204
Cash flows from financing activities	-34,534	-35,406	16,304	-38,605	-4,515
Total cash flows	**39,443**	**24,549**	**14,779**	**855**	**-533**
Financial ratios (%)					
Gross margin	38.3	40.1	37.0	39.5	43.4
EBITDA margin	9.6	11.1	5.6	8.2	2.9
Operating margin	-6.0	-5.2	-42.0	-7.5	-0.3
Solvency ratio	-15.4	0.2	14.5	51.8	47.9
Return on equity	207	-193	-189.8	-29.5	-4.3
FTE (employees)	493	491	556	596	632

* *The Company early adopted IFRS 16 at 1 January 2018 using the simplified approach; thus, comparative figures for 2017 have not been restated.*

Key figures and financial ratios are prepared in accordance with IFRS as adopted by EU.

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

Management's review

Primary activities
Sportmaster Danmark ApS is a Sport and Leisure retailer which operates the retail banners SPORTMASTER and Rezet Sneaker Store via online channels and in physical stores.

Sportmaster Danmark ApS is a subsidiary to one of the biggest and most successful sporting goods retailers in the world, Sportmaster Operations Pte LTD, who operates industrial sports retailing in numerous countries.

SPORTMASTER, which is the primary banner within Sportmaster Danmark ApS is a national wide omni-channel retailer with 75 stores and is the leading Danish destination for costumers when buying sport, both online and in stores. SPORTMASTER has a wide and attractive range of quality products from key global sport brands (e.g., NIKE, Adidas, Hummel, Asics etc.) as well as a long range of high-quality license brands and private label products.

SPORTMASTER has the leading position within online engagement from both sales and interaction with the Danish sports consumers. Since the launch of www.sportmaster.dk in the fall of 2013, the online share has developed to become an integrated part of the business model in being able to seamlessly serve the costumers at any time across Denmark.

SPORTMASTER is an award-winning retailer for both OMNI and ONLINE performance for the last many years and is the digital frontier within sporting goods in both Denmark and EMEA.

SPORTMASTER has a strong customer focus and is strongly integrated with the many consumers primarily through our loyalty club with approximately 1.500.000 members. The loyalty club serves as the heart of the business and is also the primary source of both interactions and turnover between customers and SPORTMASTER.

The Rezet Sneaker Store was acquired in May 2015 and is now the leading premium sneaker and apparel omni-channel brand with 5 stores and a powerful offer of key bands in the segment of exclusive sneakers.

Development in activities and financial matters

Total revenue of the Company for 2021 was DKK 861,9 million (2020: DKK 864,8 million) and the operating profit before depreciations and amortizations (EBITDA) was DKK 82,7 million (2020: DKK 96,0. million), whereas operating profit (EBIT) amounts to DKK -51,4 million (2020: Ebit DKK -45.2 million). Loss for the year totals DKK -67,7 million (2020: DKK -59,8 million).

During the first tertial of the year the covid pandemic made a significant impact to the turnover as the majority of the stores was closed until late April. As explained in the managements review, in the section below, the Company was highly impacted by the strategy of being primarily placed in malls, which was significantly harder impacted by lock-down and restrictions, whereas the street retail reopened on the 1st of March.
For all 4 months it resulted in a significant drop in the retail sales due to store closure and deliveries problems from important partners. A recovery plan was initiated during the first days of January initiating new business models to compensate for the lack of traffic in the stores, and the stock levels that were frozen in the closed stores. Ship from store and Click & Collect solution was launched during January offsetting the otherwise ultimate decline of turnover and ensuring rotation of the store stock levels.
The new business solutions initiated by the local management showed imperative to offset the decline of sales from the four months of having all of the company's Mall stores closed.
Furthermore, the stock level was successfully kept at a controllable level due to the new business model.

The second tertial of the year and after reopening of the stores a very positive uplift in the retail performance was achieved, with record high LFL sales over the summer.

The third tertial showed strong performance for the first two months, but the second half of November and December was disappointing in terms of budget realisation. The most significant impactors here were the fact that a few of the biggest brands were not able to fulfil the deliveries ordered for Christmas sale, directly related to Covid-logistics issues. And the second biggest impactor was the high contamination level identified in Denmark in the last weeks of November, and especially during December, where protective measures was once again reinstated to keep the pandemic under control.
It is under the belief that these measurements impacted our mall stores more that our street stores, and unfortunately the street stores and online could not compensate for the lack of traffic in the Malls.

Management's review (continue)

As the financial performance of 2021 ended with a negative result, the Company's management considers the result as non-satisfactory.
The ability to compensate for the covid impact and create several improvements to the business model which also resulted in significant improvements of the years financial result compared to previous years, is however recognized as an extraordinary effort by the entire team. Therefore 2021 came out as expected in the financial statement for 2020.

The Company has as a storeportfolio strategy of being located in the most consumer relevant areas. Besides from several stores in the city centers of the largest danish citys, the strategy also targeted being located in the best malls around Denmark.
This means that over 65% of the budgettet store turnover comes from malls. Being located in the best and most consumer relevant retail-areas led to competitive disadvantage in 2020 where the covid lock down in Q1, Q2 and the lock down before Christmas only impacted the mall doors, as the street stores remained open.
Due to Covid-19 the Company led a loss of turnover of close to 200M DKK against 2019. The remaining of the deduction in turnover can be isolated to the decision to permanantly close the non profitable stores.
The impact of Covid-19 was high on SPORTMASTERs store operation, due to the strategy of high mall share of both m2's and budgettet turnover. Hence the general strategy of being located in the best and most consumer relevant retail areas proved to be a significant downside in 2021, as it was primarily these areas that was forced closed by restrictions.
However the long term strategy of the store portfolio and the belief in physical store retail remains unchanged and an important part of the future strategy.

The 2021 result in total is seen as not being satisfactory. However, it is recognized that the company managed to minimize the impact of the malls being closed for 1/3 of the year, with the malls consisting of usually 65% of the store turnover. This would have been devastating for the Danish business had the new initiatives of Ship from store and Click & Collect not been developed and implemented in record time in the beginning of January.

The number of employees amounts to 493 (FTE) during the year (2020: 491).
The management finds it satisfactory that we due to governmental salary compensation during lock-down have been able to protect the majority of our employees, and as such have not gone into structural downsizing due to the pandemic.

The management of SPORTMASTER target is to ensure a healthy and constantly improving work environment for our employees, with explicit focus on employee retention and focus on individual development.
In terms of gender equality, the company is satisfied to note that women had a share of 33% in the work force in our stores (2020; 33% share of women), when both looking at store managers, assistant store managers and regional managers.

Events after the balance sheet date

The first two months of 2022 started with historically high contamination numbers of Covid-19. The impact of retail was less direct than previous years, but the costumer flow was prohibited by daily new cases of up towards 50.000 infected, effectively putting a large proportion of the customer base in quarantine any given day. The high exposure level of Corona also meant that we had to take extra precautions for our staff, in order to protect them and ensure operation in all stores. This was effectively done, and the company did not experience any forced-closed days, and in general successfully prevented larger outbreaks in the staff group, protecting their health and wellbeing.

The high inflation rate and increased interests we currently see in the Danish market, has a negative impact on the customers buying behaviour and can explain that sales performance runs behind budget. Furthermore, performance was impacted from delivery/production problems from the big brands.

In March the company was put in public interest, due to speculation of ownership structure, and in relation to the war in Ukraine. Ultimately the situation resulted in the board and owners deciding to put SPORTMASTER up for sale. A sale that was carried through on the 20th of May, where Sportmaster Danmark ApS was acquired by Fraser Group (European Holding) Ltd. During that period there was some restriction and prioritization which impacted the business.

Management's review (continue)

Following a turmoil start to the year, the new ownership gives stability to the company going forward and includes SPORTMASTER into Fraser Group's strategy of becoming the number 1 retailer in EMEA within sports and sporting goods.

The strategy for the Danish market will be developed along with the Danish management and the new owners during the second half of 2022 and through 2023.

Going concern

Management works actively and continuously with the Company's liquidity challenges and financial situation and position. By the time of the approval of the Annual Report for 2021, it is Management's expectation that Sportmaster Danmark ApS' will full fill the management approved budgets and the ultimate owner - Frasers Group plc - will provide the necessary funding and liquidity during the financial year 1 January 2022 – 30 April 30 2023. Frasers Group plc willingness to provide the company with the necessary liquidity has already been documented, where after the purchase of Sportmaster Danmark ApS in May 2022, Frasers Group plc - has transferred a substantial double-digit million amount to the Company to enable pay out of all overdue balances and interest-bearing debt.

The liquidity needed for the upcoming financial year, which extends from 1 January 2022 – 30 April 2023, is estimated to be MDKK 20 to finance daily operations. In addition, further investments in inventories are planned to support the sale, and other actions are planned to reduce external debt, etc.

Beside approving the budgets, Frasers Group plc has provided a letter of intent to Sportmaster ApS, confirming that it is their current intention to provide financial support to the Company by either capital increases, group grants or loans to the extent it is necessary to finance the Company's operations, investments and any other extraordinary costs. The letter of intent provided by the owner expires 11 July 2023.

Development for coming year

From a technical and development point of view, SPORTMASTER has continued seeking and developing new business areas and opportunities. In the beginning of 2022, a successful drop shipment/marketplace solution was launched allowing the Sportmaster-engine to show and sell products from supplier's inventory selections as well. This will allow the costumers to get a deeper and broader assortment online in the future, which is expected to be developed further during 2022.

A new loyalty program has over the last 6-9 months been developed with a complete make-over of the loyalty program and benefits for the many customers in our loyalty club. The launch of this project will await alignment with the new strategy.

In addition to the digital initiatives, SPORTMASTER find the local sport communities as an important element of its strategy. SPORTMASTER support +350 sport communities today and will continue to growth the amount of sport clubs in the local cities all around Denmark.

The consecutive approach to handle the crisis at hand was to create several different scenarios for impact during the crisis. The expected impact was close to actual, which gave a good foundation for creating a matching crisis-management-plan. The management decision was to first stop capital commitments, especially concerning purchasing of new goods. Thereafter it was to reach out to all partners and find agreed solutions for lowering the impact of the crisis. Furthermore, the company operated within all governmental instructions and made use of the government support package for sending employees home, rather than initiating lay-offs during the peak of Covid-19, hereby actively targeting to retain and secure jobs.

The Company has improved the balance sheet after Fraser Group bought the Company. First of all, a big part of the debt to the prior owner was forgiven when the Company was sold. The forgiven debt has a positive development especially because the Company came for a worse situation, especially the balance sheet impact on debt and equity of the Company has improved positively. Furthermore, the Company received a substantial amount in cash injection just after the take-over. The cash injection was used for paying all overdue balances, interest bearing-debt and other loan like COVID and VAT loan. Fraser Group has a policy of not having any external interest bearing-debt in the balance sheet and likewise focusing of utilize any potential cash discounts. At the end of June'2022, the Company has a historical low external debt in the balance sheet and is showing an extremely positive development. The new budgets which run from May'2022 until April'2023, show and extremely positive development in both Net Result and Cash flow.

Management's review (continue)

Management expects to comply with the management approved budgets for the period 1 January 2022 – 30 April 2023 and that Frasers Group plc will provide Sportmaster Danmark ApS with necessary liquidity. Therefore, as described in note 3, the Financial Statements presented are under the assumption of the Company being 'Going Concern'.

Outlook

SPORTMASTER expects that the continuously increasing competition in the market over time will have consequences for the distribution in Denmark. SPORTMASTER expects and believes in benefitting from our strong focus on continued digital development and Omni-channel perspective in our offerings and in the way we address the market. This is also the view of our key global partners and suppliers who confirms and continues to see us as their preferred Danish partner and sales channel going into the future.

A consolidation of sports retail in Europe/EMEA has begun and is accelerating in these years. To prevent an uncontrollable hyper-competition with inconsistent product offering to the consumer the brands are more so than ever before seeking to consolidate their focus on key-partners in Europe.

Therefor it was the optimal solution for SPORTMASTER to join the fastest expanding key partner of Sport in EMEA, namely Fraser Group.

This will allow SPORTMASTER to not only continue but also accelerate the goal to give the best product offering within global brand leaders to the Danish sports consumers. It is expected that we will and can initiate such a development already in the beginning of Q3 2022. The net sales expectation for Q4 2022 is therefore and increase on app 5% on last year. Q4 2022 has always been the best performed quarter of the year.

The Company expect to change financial year to align the financial year with the Group. This mean that the financial year going forward will change to April 30th. Next financial statement will then consist of 16 months for the period January 1st 2022 to April 30th 2023.

The Net sales expectation for the entire period expects to be an increase between 5%-8%. The Retained profit for the 16 months period expects to be a loss, but to be improved by approximately 20%. Especially the first 6 months of the period has been hard for the Company because of the market situation in general (high inflation, increased prices for gas and food and COVID restriction) and at the same time the Company was in a sales process. The expectation for the last 6 months of the new financial period expect the Company to go break even compared with last year where the loss for the same months was around 50M. The company expects to be profitable for the Financial year 2023/2024.

Risk management

SPORTMASTER considers risk management an essential and natural element in connection with the realisation of the company's objectives and strategy. The daily activities, the implementation of the strategy and continuous realisation of business opportunities involve an inherent risk, and therefore, the Companies handling of these issues is considered a natural and integrated part of the daily work and a way to create a profitable Company with constant growth.

The Executive Board develops, implements, and maintains internal control and risk management systems. These systems are approved by the Board of Directors, who holds the overall responsibility for risk management in the Company.

Management's review (continue)

Significant commercial risks

SPORTMASTER's most significant business risks concern general socio-economic developments, including private consumption developments as well as SPORTMASTER's and Rezet Sneaker Store's capacity to maintain their strong market positions. Accordingly, SPORTMASTER aims to be at the forefront of market developments by constantly improving and developing its range of products and services and the related delivery terms, with a view to always be the natural choice for Danes buying sports apparel, footwear, and equipment.

Cyclical development

SPORTMASTER has a nationwide shop network and a high market share in Denmark. The Company is thus affected by the cyclical trends in Denmark. Management monitors the development in consumer behaviour and sales closely daily and can therefore promptly respond to a sales slide, for example by initiating sales promotions.

Industry development

In later years, high competition for store traffic has characterised the Danish sports retail market, and many stores have had to close over the past 36 years. This also implied a concentration of the ownership of the Danish retail stores. Moreover, trade patterns of the customers have changed as they, to an increasing extent, do their shopping in web shops as well as physical shops. The Company's presence is massive on both platforms, and it succeeds in creating an integrated purchase experience – the omni-channel focus. The Company always strives at improving the customers' experience through a high level of service in the shops, local presence throughout the organisational environment, development of the network of shops, development of the assortment, marketing through the more traditional and new online media and the development of offers to the most loyal customers via an increasing level of customised offers.

During Covid-19 SPORTMASTER has experienced a big shift towards online buying options but have also seen high costumer preference for physical retail after ended lock down.

Products and suppliers

The industry is characterised by global players who constantly increase their market shares. Strong and true partnerships are essential to win with the leading brands, as well as attractive terms of trade. The Company has invested a lot of management power in building strong relations that are believed to be an asset in a highly competitive environment.

The Company is expected to benefit significantly from the position of our owner Fraser Group, in terms of the product offering that we will be able to provide to our customers going forward. Both of own owned brands but also from a wider selection of products from leading global brands.

Internal controls over financial reporting

Sportmaster Danmark ApS risk management and internal controls over financial reporting are focused on reducing the risk of material misstatements in the financial statements.

Management evaluates essential risks and internal controls related to SPORTMASTER’s financial reporting on an ongoing basis. The Company has established a central accounting function, which is responsible for managing the financial reporting process, as well as a controlling function, which is responsible for the detailed follow-up on the Company's shops.

During the Covid-crisis and the related impact on the company’s liquidity frequent liquidity control meetings were held with between the board of directors and the Danish management to ensure full overview on the development and impact of quickly changing retail performance. The purpose was to ensure that Sportmaster Danmark ApS at any time during the crisis had sufficient liquidity, which was successfully done.

Management's review (continue)

Corporate social responsibility

The Company is active in sports retailing both through physical stores and online in Denmark. SPORTMASTER is resellers of global brands like Nike, Adidas, Asics, Hummel, The North Face, Rains, On Clouds and many others.

At SPORTMASTER we are passionate about making active lifestyle a part of everyday life, starting from a simple bike ride and all the way to the dream of a sustainable world. We want to make that small difference that helps everyone and our environment to achieve a little more each time – no matter if measured in miles, carbon footprint or energy consumption. At SPORTMASTER we want to create a better world through sport.

SPORTMASTER developed a steering committee consisting of five person which together represent the essential areas for the CSR project (Vild med Bæredygtighed). The steering groups consist of members from retail, human resource, logistics, buying and marketing. During 2021, the committee has worked activity on defining areas where SPORTMASTER can make a true difference based on the 17 global goals. Based on the global goals SPORTMASTER has defined two key focus areas where several of initiatives will be implemented in the future. There are specifically, focus on two key initiatives: Supporting the earth with focus on responsible production chain and activate the world by driving partnership and community engagement in relation to exercise. SPORTMASTER put special emphasis on following global goals to support these initiatives:

- Good health and well-being; actively embracing sport communities through partnership and events
- Gender equality: Focus on inspiring women and girls to feel the power of being a team and expanding the scope of what sport can do
- Affordable and clean energy; Actively reduce carbon footprint in our daily business
- Decent work and economic growth; constantly developing the Sportmaster community with sustainable passion and energy
- Reduced inequalities; Actively promote everyone’s right to an active life, regardless of background or condition
- Responsible consumption & production; Focus on quality of products to pro-longing the lifetime of products and actively use sustainable material in connection with purchase
- Partnership for the goals; In cooperation with our partners, we take responsibility for all the products we sell

All the Company's employees are in Denmark, and we have adopted the collective agreement between the Danish Chamber of Commerce and HK.

The Company has adopted a CSR policy covering the following areas:

► Anti-corruption and competition

► Labour standards and human rights

► Environment and Clime

► Policy concerning the underrepresented gender

► Data ethics

Management's review (continue)

Anti-corruption and competition

The Company refuses to accept or retain business through bribery. Employees are not allowed directly or indirectly to offer, promise, grant or authorise the giving of money or anything of value to someone to unduly influence the recipient in the performance of professional duties or to obtain or retain an improper business advantage. Employees do not ask for or accept improper benefits from others for performance of their duties to the Company. Applicable anti-bribery laws are strictly followed.

The Company and its employees follow applicable competition law. Employees do not engage in discussions with competitors regarding market allocation, information exchange, production, and sales quotas.

During 2021, the company did not see any breaches of our policies. Therefore, going forward SPORTMASTER will continue to keep a clear monitoring to ensure compliance with the policies. In addition, SPORTMASTER will include these policies as an integrated part of The Talent and Leadership Academy which is an internal education programme which SPORTMASTER offer to ensure continuous emphasis in the area in the future.

The risk of violation of the above rules is considered limited, as invoice controls and invoice payments are separated from the procurement process, even with a four-eye control before settlements are released. Further, the procurement process of private labels is separated in a two-layer management model and with spend and volume analyses carried out independently from the actual procurement.

Late 2021 the company launched a whistle-blower scheme. The scheme is accessible for all staff via the internal communication SPORTMASTER employee app. The company has appointed three people within the organization who has access to the whistle blower scheme. The company has an internal process of how to handle potential cases reported via the whistle blower solution. For the short period in 2021 and until today there has only been reported one accident which the company has handled in a good and timely manner

Labour standards and human rights

The Company does not compromise on requirements set out in national law or international standards about worker safety and human rights. The Company takes responsibility for all people participating in the conduct of its business. Those whose work contributes to the Company's business success are not deprived of their human rights or subject to mental or bodily harm in their labour. The Company understands that its business may have an impact on human rights issues, in relation to people's working and living conditions.

Suppliers of the Company are required to adhere to the Company's Code of Conduct. The Company base their requirements mainly on internationally recognised standards such as the Universal Declaration of Human Rights, the UN Convention on the Rights of the Child, applicable International Labour Organisation ("ILO") Conventions and national legislation.

All new suppliers in 2021 have been informed about the Company’s Code of Conduct. The Company has not observed any breaches of the Company’s Codes of Conduct in 2021.

In terms of risk related to our employees, SPORTMASTER has identified the risk of stress, burnout and high turnover in general among our employees. All employees have had a dedicated one–to-one session to discuss work climate, development, wishes for the future as well as performance of the employee and the manager.

All employees that resigned during the year had an exit talk for SPORTMASTER to gain a deeper understanding on the reasons behind people leaving the Company.

An employee satisfaction survey was carried out in 2021 and is scheduled to be an annual returning event from now on, to be able to measure structural development over time.

Management's review (continue)

In 2021 our employees were put under extraordinary and additional pressure, both physically and mentally due to Covid-19, especially also during the first 4 months where most of our stores were closed. This called for concern and speculation in our employ base, but all staff showed incredible commitment, dedication, and flexibility when stores were opened and partially reopened. The management acknowledges this commitment as extraordinary and applaud the dedication towards the company from the employees.
In general, several protective schemes to protect the employees was initiated and a special Covid-employee taskforce was created. Their task was to secure rapid and efficient communication and translation on the recommendations and regulations set out by the Danish government. On all the company's location, but especially concerning the stores the company rapidly invested in protective equipment to ensure the health of the employees during the pandemic.
Furthermore, the new communication tool that was developed during the pandemic was used to efficiently communicate and update the entire staff on changes in regulations from the government. The management finds it satisfactory that SPORTMASTER several times during the pandemic by the public press has been highlighted as "a responsible retailer" with specific focus on our employees and customers health.
In our stores as well as our head quarter an escalation scheme was put in place to ensure automatic protocols, if Covid was detected. Along a management encouraged request to work remotely when possible was done both to ensure the health of the employees and to minimize the possibility to spread and thereby breaking the contamination chains (smittekæder).

The company did not experience a single day of closed stores due to contamination during the entire pandemic, and the management finds the measurements implemented to be sufficient and successful both in terms of the employees' health and for the operation of the company.

Environment and climate

At SPORTMASTER we understand the importance of collaborative actions toward the becoming a more environment friendly world.

SPORTMASTER find it important to find the key scalable solutions to become one of the leading responsible retailers in Denmark. We have concentrated our sustainable efforts around what we call "vild med bæredygtighed". The strategy focuses on following four areas: Operation, People, Partners and our selections. By making responsible choices in all these areas of the business, SPORTMASTER reduce the direct footprint of the operation while also engaging the partners, customers and people in the journey of becoming a more sustainable company.

To create the most significant impact, a dedicated group across department has been appointed to work strategically with "vild med bæredygtighed" to enable SPORTMASTER to lead the progress toward a more responsible industry.

In 2021, several key areas got improved within the four strategic focus areas, from handling of surplus products, reduction of in-store material to consolidation of online packages.

During 2021 a group will be dedicated to work even more strategically with decreasing the company's environmental and climate impacts.

Due to the business model of the Company, the most material risk of negatively impacting the environment and climate occurs in the supply chain. The main climate risk is emission of CO2 due to the transportation of the products and the main environmental risk is the use of resources in the production, including use of material, water, and chemicals.

Management's review (continue)

Policy concerning the underrepresented gender

It is the policy of the Company always to appoint the best qualified candidates to managerial positions and at the same time support and enhance the qualifications of female leadership talents. The company is still working with the implemented recruitment procedure, which must ensure that candidates of both genders are considered when hiring or promoting for management positions

As mentioned above the share of Women in a management position in Retail has increased to 33%. In the top management team at the head office, the share of women is currently at more than 42% The company has reached previous years targets regarding gender equality in the top management in 2021.

The Company's Board of Directors consists of 3 persons, of whom all is male and therefor no female is now included in the board of directors. It is the company's goal that the Board of Directors has minimum 1 female member by the end of 2022. During the past year, no changes have been made to the Board of Directors, which is why the target has not been achieved yet.

Data ethics
Data ethics is about responsible use of data. A large amount of data goes through the IT landscape. Data and information security is a key priority for SPORTMASTER, and it is important for us, that both our customers and employees always feel safe when entrusting us with their data.

• Security: To safeguard high ethical data standards SPORTMASTER ensures appropriate technical and organizational security measures are implemented to prevent the accidental or unlawful destruction, accidental loss, alteration or change and un-authorized disclosure of or access to data

• Fairness: Is about doing what is right, and only handling personal data in ways that people would reasonably expect and not using it in ways that have unjustified adverse effects on them. In that regard, SPORTMASTER considers whether the use of personal information can be justified, and that processing is compatible with what can be expected in a free and democratic society and in
accordance with human rights.

• Transparency: We are transparent about our data processing activities and being clear about how and why we use personal data.

During the cause of 2022 a formal Data Ethics Policy will be completed in conjunction with the Business Ethics Policy. A significant amount of the considerations is already part of our customer dialog before starting delivery. We do not sell any data to any third parties or profit from it in any way.

Financial statement for the period 1 January – 31 December

Statement of comprehensive income

Note	DKK'000	2021	2020
4	Revenue	861,858	864,771
	Cost of goods sold	-531,851	-517,588
	Gross profit	**330,007**	**347,183**
5	Other operating income	48,964	36,654
	Other external costs	-99,574	-94,683
7	Staff costs	-196,692	-181,087
11	Amortisation	-10,583	-10,722
13,14	Depreciation	-118,028	-131,706
12,13	Impairment of tangible and intangible assets	-5,462	-10,856
	Operating profit/loss	-51,368	-45,217
8	Financial income	516	204
9	Financial expenses	-16,833	-14,807
	Profit/loss before tax	-67,685	-59,820
10	Tax for the year	0	0
	Profit/loss for the year	-67,685	-59,820
	Other comprehensive income after tax	0	0
	Total comprehensive income	-67,685	-59,820

Financial statement for the period 1 January – 31 December

Balance sheet

Note	DKK'000	2021	2020
	ASSETS		
	Non-current assets		
11,12	**Intangible assets**		
	Goodwill	0	0
	Other intangible assets	23,941	27,616
		23,941	27,616
	Property, plant and equipment		
13	Plant and equipment	4,681	6,395
13	Leasehold improvements	40,316	47,558
14	Right-of-use assets	202,327	281,238
		247,324	335,191
	Other non-current assets		
	Deposits	32,737	40,457
10	Deferred tax	0	0
		32,737	40,457
	Total non-current assets	304,002	403,264
	Current assets		
15	Inventories	213,304	234,602
24	Trade receivables	21,879	14,154
	Right of return assets	1,411	1,449
	Prepayments	1,849	5,634
16	Other receivables	44,089	40,787
	Cash at bank and in hand	80,294	40,851
	Total current assets	362,826	337,477
	TOTAL ASSETS	666,828	740,741

Financial statement for the period 1 January – 31 December

Balance sheet

Note	DKK'000	2021	2020
	EQUITY AND LIABILITIES		
17	**Equity**		
	Share capital	10,111	10,111
	Retained earnings	-76,719	-9,034
	Total equity	-66,608	1,077
	Liabilities		
	Non-current liabilities		
18	Provisions	20,700	21,350
19	Bank loans	61,665	0
14	Lease liability	119,152	194,897
	Other payables	13,814	9,584
	Amounts owed to group companies	125,374	135,497
	Total non-current liabilities	340,705	361,328
	Current liabilities		
14	Lease liability	114,209	109,743
20	Contract liabilities	15,685	15,702
	Trade payables	146,449	145,631
21	Other payables	116,388	107,260
	Total current liabilities	392,731	378,336
	Total liabilities	733,436	739,664
	TOTAL EQUITY AND LIABILITIES	666,828	740,741

Financial statement for the period 1 January – 31 December

Cash flow statement

Note	DKK'000	2021	2020
	Profit/loss for the year	-67,685	-59,820
	Depreciation, amortisation, and impairment	134,073	153,284
23	Other adjustments of non-cash operating items, etc.	1,306	818
	Cash generated from operations (operating activities) before changes in working capital	67,694	94,282
24	Changes in working capital	28,768	6,143
	Cash generated from operations	96,462	100,425
	Interest paid	-8,263	-5,085
	Interest payments under IFRS 16	-8,571	-9,722
	Cash flows from operating activities	79,628	85,618
11	Acquisition of other intangible assets	-6,908	-5,929
13	Acquisition of property, plant and equipment	-6,463	-2,380
	Disposal of property, plant and equipment	0	282
	Acquisition of other non-current assets	7,720	-17,636
	Cash flows from investing activities	-5,651	-25,663
	External financing:		
	Loan from parent Company	-10,123	68,257
	Net change in short-term bank loans (cash-pool) before re-payment	61,665	0
	Repayment of bank loans	0	0
	Lease payments under IFRS 16	-86,076	-103,616
	Group contribution from owners	0	0
	Other transactions with owners	0	-47
	Cash flows from financing activities	-34,534	-35,406
	Net cash flows from operating, investing, and financing activities	39,443	24,549
	Cash and cash equivalents on 1 January	40,851	16,302
	Cash and cash equivalents on 31 December	80,294	40,851

Financial statement for the period 1 January – 31 December

Statement of changes in equity

DKK'000	Share capital	Retained earnings	Total equity
Equity 1 January 2021	10,111	-9,034	1,077
Comprehensive income in **2021**			
Profit for the year	0	-67,685	-67,685
Total comprehensive income for the period	0	-67,685	-67,685
Transactions with owners			
Other transactions with owners	0	0	0
Total transactions with owners	0	0	0
Equity 31 December 2021	10,111	-76,719	-66,608

The Company's current liabilities exceed the current assets, and the Company has lost more than half of its share capital as of 31 December 2021. Please refer to Note 25, where the liquidity position is described in further details.

DKK'000	Share capital	Retained earnings	Total equity
Equity 1 January 2020	10,111	50,833	60,944
Comprehensive income in **2020**			
Profit for the year	0	-59,820	-59,820
Total comprehensive income for the period	0	-59,820	-59,820
Transactions with owners			
Other transactions with owners	0	-47	-47
Total transactions with owners	0	-47	-47
Equity 31 December 2020	10,111	-9,034	1,077

Financial statement for the period 1 January – 31 December

Summary of notes to the financial statements

Financial statement for the period 1 January – 31 December

Notes

1 Accounting policies

Sportmaster Danmark ApS is a limited liability company registered in Denmark. The financial statements section of the annual report for the period 1 January – 31 December 2021 comprises financial statements of Sportmaster Danmark ApS.

The financial statements for Sportmaster Danmark ApS for 2021 have been prepared in accordance with International Financial Reporting Standards issued by the IASB as adopted by the EU and additional requirements in the Danish Financial Statements Act for large class C companies.

Basis of preparation

The financial statements have been presented in Danish kroner, rounded to the nearest DKK thousand.

The accounting policies set out below have been applied consistently in respect of the financial year and to comparative figures. Summary of significant accounting policies

Foreign currency translation

On initial recognition, foreign currency transactions are translated to the functional currency at the exchange rates at the transaction date. Foreign exchange differences arising between the rate at the transaction date and the rate at the date of payment are recognised in profit or loss as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated to the functional currency at the exchange rates at the balance sheet date.

The difference between the exchange rates at the end of the reporting period and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised in profit or loss as financial income or financial expenses.

Revenue

Revenue from sale of goods is recognized at the point in time when control of the asset is transferred to the customer, generally on the time of sale in the stores or delivery from the website.

The Company considers whether there are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., customer loyalty points).

The recognized revenue is measured at the fair value of the agreed price exclusive of VAT and fees collected on behalf of third parties. All forms of discounts are recognised in revenue.

Financial statement for the period 1 January – 31 December

Notes

Accounting policies (continued)

Right of return

The customers hold a right to return the goods within a specified period. The Company uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Company will be entitled. For goods that are expected to be returned, instead of revenue, the Company recognises a refund liability. A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

Loyalty points programme

The Company has a loyalty points programme, "Klub SPORTMASTER", which allows customers to accumulate points that can be redeemed for free products. The loyalty points give rise to a separate performance obligation as they provide a material right to the customer. A portion of the transaction price is allocated to the loyalty points awarded to customers based on relative stand-alone selling price and recognised as a contract liability until the points are redeemed. Revenue is recognised upon redemption of products by the customer.

When estimating the stand-alone selling price of the loyalty points, the Company considers the likelihood that the customer will redeem the points. The Company updates its estimates of the points that will be redeemed on a yearly basis and any adjustments to the contract liability balance are charged against revenue. The methods are also applied regarding gift cards. Loyalty programme points and gift vouchers are valid 2 years from the grant date.

Cost of goods sold

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

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

Other operating income

Other operating income consist primarily of COVID19 government compensation program.

Other external costs

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

Staff costs

Staff costs comprise wages, salaries, including compensated absence, pensions, and other staff costs to the Company's employees, as well as other social security contributions, etc. The items are net of refunds from public authorities.

Financial income and expenses

Finance income and expenses comprise interest income and expenses as well as exchange gains and losses on transactions denominated in foreign currencies, remissions of debt, etc. Furthermore, amortisation of financial assets and liabilities as well as surcharges and allowances under the on-account tax scheme and fair value adjustments of derivative financial instruments which are not designated as hedging instruments are included.

Corporation tax

Tax for the year

Tax for the year comprises the year's current tax charge and deferred tax adjustments. The tax expense is recognised in profit or loss, other comprehensive income or directly in equity.

Financial statement for the period 1 January – 31 December

Notes

1 Accounting policies (continued)

Current and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on prior-year taxable income and tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income.

Where 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 value of tax loss carry-forwards, are recognised under other non-current assets at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Deferred tax assets are subject to annual impairment tests and are recognised only in so far as it is probable that the assets will be utilised.

Deferred tax assets and liabilities are offset if the Company has a legally enforceable right to set off current tax liabilities and tax assets or intends either to settle current tax liabilities and tax assets on a net basis or to realise the assets and settle the liabilities simultaneously.

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. The change in deferred tax as a result of changes in tax rates is recognised in the comprehensive income for the year.

Intangible assets

Goodwill

Goodwill is initially recognised in the balance sheet at cost. Subsequently, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised.

The carrying amount of goodwill is allocated to the Company's cash-generating units at the date of acquisition. Identification of cash-generating units is based on the management structure and internal financial control.

Other intangible assets

Other intangible assets, which comprise IT software and payment regarding tenancy takeover, are measured at cost less accumulated amortisation and impairment losses. Other intangible assets are amortised at a straight-line basis over 2-7 years.

Financial statement for the period 1 January – 31 December

Notes

1 Accounting policies (continued)

Property, plant and equipment

Plant and machinery and leasehold improvements are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. Further, cost includes the present value of the estimated costs for dismantling and removing the asset and restoring the site on which the asset was located.

Subsequent costs, e.g., in connection with replacement of components of property, plant and equipment, are recognised in the carrying amount of the asset if it is probable that the costs will result in future economic benefits for the Company. The replaced components are de-recognised in the balance sheet, and the carrying amount is recognised in the income statement. All other expenses relating to ordinary repairs and maintenance are recognised in profit or loss as incurred.

Where individual components of an item of property, plant and equipment have different useful lives, they are depreciated separately. Depreciation is provided on a straight-line basis over the expected useful lives of the assets/components. The expected useful lives are as follows:

Plant and equipment	3-5 years
Leasehold improvements	3-10 years

Depreciation is calculated based on the residual value and impairment losses, if any. The depreciation period and the residual value are determined at the acquisition date and are reassessed annually. If the residual value exceeds the carrying amount, depreciation is discontinued.

When the depreciation period or the residual value is changed, the effect on depreciation is recognised prospectively as a change in accounting estimates.

Impairment testing of non-current assets

Other non-current assets

The carrying amount of other non-current assets is tested annually for evidence of impairment. When there is evidence that assets may be impaired, the recoverable amount of the asset is calculated. The recoverable amount is the higher of an asset's fair value less expected costs to sell and its value in use.

Value in use is the present value of the future cash flows expected to be derived from an asset or the cash-generating unit to which the asset belongs.

Recognition of impairment losses in the income statement

An impairment loss is recognised if the carrying amount of an asset or a cash-generating unit, respectively, exceeds the recoverable amount of the asset or the cash-generating unit. The impairment loss is recognised in a separate line item in the income statement.

Impairment of goodwill is not reversed. Impairment losses recognised in respect of other assets are reversed in so far as the assumptions and estimates underlying the impairment losses have changed. Impairment losses are reversed only in so far as the new carrying amount of the asset does not exceed the carrying amount that would have resulted (net of amortisation or depreciation) had no impairment loss been recognised in respect of the asset in prior years.

Financial statement for the period 1 January – 31 December

Notes

Leasing

Whether a contract contains a lease is assessed at contract inception. For identified leases a right-of-use asset and corresponding lease liability are recognised at the lease commencement date. At initial recognition, the right-of-use asset is measured at cost corresponding to the lease liability recognised, adjusted for any lease prepayments, or directly related costs including dismantling and restoration costs. The lease liability is measured at the present value of lease payments discounted using the interest rate implicit in the lease. In cases where the implicit interest rate cannot be determined an appropriate incremental borrowing rate is used instead.

At subsequent measurement, the right-of-use asset is measured less accumulated depreciations and impairment losses and adjusted for any remeasurements of the lease liability. Depreciations are done following the straight-line method over the lease term or the useful life of the right-of-use asset, whichever is shortest. The lease liability is measured at amortised cost using the effective interest method and adjusted for any remeasurements or modifications made to the contract.

Right-of-use assets and lease liabilities are not recognised for low value lease assets or leases with a lease term of 12 months or less. These are recognised as an expense on a straight-line basis over the term of the lease. Any service elements separable from the lease are also accounted for following same principle.

Right-of-use assets classified as buildings mainly relate to leases of stores and office buildings. All other leases regarding other property, plant and equipment have been assessed as either short-term or low value leases and hence is not recognized as right-of-use assets.

Buildings leases normally have an estimated lease term of 15-51 months.

Inventories

Inventories are measured at moving average cost prices and the net realisable value.

Goods for resale are measured at cost, comprising purchase price plus delivery costs.

The net realisable value of inventories is determined as the selling price less costs of completion and costs incurred to affect the sale, considering marketability, obsolescence, and developments in the expected selling price.

Receivables

Receivables are measured at amortized cost. A credit loss allowance is made upon initial recognition based on historical observed default rates adjusted for forward looking estimates (simplified 'expected credit loss' model). The cost of the credit loss allowances is included in other external costs. A loss is considered realized when it is certain that we will not recover the receivable, e.g., in case of bankruptcy or similar.

Prepayments

Prepayments recognised as an asset comprise prepaid expenses regarding subsequent financial reporting years.

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances.

Equity

Company contributions

Contributions from owners without consideration are recognized as Company contributions directly in retained earnings when there are no obligations of repayment.

Financial statement for the period 1 January – 31 December

Notes

1 Accounting policies (continued)

Provisions

Provisions are recognised when, because of past events, the Company has a legal or a constructive obligation and it is probable that there will be an outflow of resources embodying economic benefits to settle the obligation.

The amount recognised as a provision is Management's best estimate of the expenses required to settle the obligation.

On measurement of provisions, the costs required to settle the liability are discounted if the effect is material to the measurement of the liability. A pre-tax discount factor is used that reflects the current market interest rate level plus risks specific to the liability. Changes to the discount factor during the year are recognised as financial expenses.

Restructuring costs are recognised as liabilities once a detailed, formal restructuring plan has been published no later than on the balance sheet date to the persons affected by the plan. On acquisition of businesses, restructuring provisions in the acquired business are included in goodwill only when the acquired business had a restructuring liability at the acquisition date.

A provision for onerous contracts is recognised when the expected benefits to be obtained by the Company from a contract are lower than the unavoidable costs of meeting its obligations under the contract. Provisions for onerous contracts relating to leases under IFRS 16 are recognized in the respective right-of-use-assets.

Provisions for restoration of leasehold improvements, etc., are measured at the present value of the expected future restoration costs at the end of the reporting period. The provision is calculated based on current public authority orders and estimated costs that are discounted at present value. Specific risks associated with the provision are included in the estimated costs. A discount factor reflecting the general interest rate levels is used. Provisions are recognised as they arise and are adjusted on an ongoing basis to reflect changes in requirements and prices, etc. The present value of the costs is recognised in the cost of the property, plant and equipment in question and is depreciated with these assets. The increase of the present value due to the passage of time is recognised in the income statement as financial expenses.

Prepayments from customers

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

Subsequently, prepayments from customers are measured at amortised cost.

Financial liabilities

Amounts owed to credit institutions, etc. are recognised at the date of borrowing at fair value less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost using the effective interest method. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement under financial expenses over the term of the loan.

Other financial liabilities are measured at amortised cost.

Financial liabilities which are written-off by the lender are recognized as income in the profit and loss statement if they are carried out on arms-length basis with no consideration in relation to shares, warrants, earn-outs, etc. If a loan is written off and the lender retains a right to proceeds from a future sale, liquidation, or distribution of dividends, etc. the income is recognized directly in retained earnings under equity.

Financial statement for the period 1 January – 31 December

Notes

1 Accounting policies (continued)

Fair value measurement

The Company uses the fair value concept in connection with certain disclosure requirements and for recognition of financial instruments. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants ("exit price").

The fair value is a market-based and not an entity-specific measurement. The entity uses the assumptions that the market participants would use for the pricing of the asset or liability based on the current market conditions, including risk assumptions. The entity's purpose of holding the asset or settling the liability is thus not considered when the fair value is determined.

The fair value measurement is based on the principal market. If a principal market does not exist, 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 transport costs.

All assets and liabilities measured at fair value, or in respect of which the 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 recognized valuation methods on the basis of observable market information
- Level 3: Value based on recognised valuation methods and reasonable estimates (non-observable market information).

Cash flow statement

The cash flow statement shows the cash flows from operating, investing, and financing activities for the year, the year's changes in cash and cash equivalents as well as cash and cash equivalents at the beginning and end of the year.

The cash flow effect of acquisitions and disposals of enterprises is shown separately in cash flows from investing activities. Cash flows from acquired businesses are recognised in the cash flow statement from the date of acquisition. Cash flows from disposals of businesses are recognised up until the date of disposal.

Cash flows from operating activities are calculated according to the indirect method as the profit/loss after tax adjusted for non-cash operating items, changes in working capital, interest income and expenses, dividends received and corporation tax paid.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of businesses and activities, addition and disposal of intangible assets, property, plant and equipment and other non-current assets as well as securities not classified as cash and cash equivalents.

Cash flows from financing activities comprise changes in the size and composition of the share capital and associated expenses as well as borrowings, repayment of interest-bearing debt, lease payments under IFRS 16, purchase and sale of treasury shares and distribution of dividends to shareholders.

Cash and cash equivalents comprise cash which are subject to an insignificant risk of changes in value.

Cash flows in currencies other than the functional currency are translated using average exchange rates unless these deviates significantly from the rates ruling at the transaction date.

Financial statement for the period 1 January – 31 December

Notes

1 Accounting policies (continued)

Financial ratios

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios.

The financial ratios stated in the survey of financial highlights have been calculated as follows:

Gross margin	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
Operating margin	$\frac{\text{Operating profit x 100}}{\text{Revenue}}$
Adjusted EBITDA margin	$\frac{\text{Adjusted EBITDA x 100}}{\text{Revenue}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total equity and liabilities at year end}}$
Solvency ratio (excluding lease liabilities under IFRS 16)	$\frac{\text{Equity at year end x 100}}{\text{Total equity and liabilities, excluding lease liabilities at year end}}$
Return on equity	$\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$

Adjusted EBITDA is calculated as EBITDA +/- special items.

Financial statement for the period 1 January – 31 December

Notes

2 Significant estimation uncertainty, assumptions, and assessments

Significant estimation uncertainty and assumptions

The calculation of the carrying amount of certain assets and liabilities requires judgements, estimates and assumptions concerning future events.

The estimates and assumptions made are among other things based on historical experience and other factors that Management finds reasonable in the circumstances, but which are inherently uncertain and unpredictable. The assumptions may be incomplete or inaccurate, and unexpected events or circumstances may arise. The Company is subject to risks and uncertainties which may mean that the actual outcome may differ from the estimates made. Special risks for the Company are mentioned in the Management's review under "Risk management" and in note 24 to the financial statements.

It may be necessary to change previously made estimates due to changes in the facts on which these estimates were based or due to new knowledge or subsequent events.

Estimates particularly material to the financial reporting are made, e.g., by way of impairment testing of intangible and tangible assets, including right-of-use-assets and an assessment of the recoverability of deferred tax assets and impairment write-down in respect of inventories.

Furthermore, COVID compensation packages has been included, based on the compensation received, but also taken into consideration that there might be additional payment or pay-back when the final application has to submitted during 2022. The compensation included in the financial statement 2022 is therefore an estimate based on detailed calculations.

Recoverability of deferred tax assets

The expected recoverable amount of deferred tax assets is based on an estimate for the expected development in the Company’s earnings capacity and the possibilities of applying the tax asset to recoverable amount to reduce expected future tax payments. If the expected earnings development is not realised, the carrying amount of deferred tax therefore cannot be maintained.

Based on last years’ losses and uncertainties about the timing of future positive earnings, Management wrote down the full carrying amount on deferred tax assets in 2019. Due to loss generated in 2020 and COVID-19 related close-down of stores beginning of 2021 and restrictions end of 2021. Management has assessed that it is unlikely that deferred tax assets can be utilized and recovered within the next 2-3 years and therefore deferred tax assets have not been recognized on 31 December 2021.

Assessment of the need for impairment write-down in respect of inventories

The Company has inventories in all its stores and in the central warehouse. As the net realisable value of some of these inventories is expected to be lower than cost, the inventories have been written down to such expected lower value. The write-down is based on an estimate of the net realisable value based on actual, historical sales and Management's assessment. The write-down on inventories is between 2%-5% of the total inventory.

Financial statement for the period 1 January – 31 December

Notes

2 Significant estimation uncertainty, assumptions, and assessments (continued)

Leases

The Company has entered leases regarding its stores, head quarter and central inventory buildings.

Lease period

The lease term includes the non-cancellable period of the lease, periods covered by an extension clause that the Company with reasonable probability expects to use and periods covered by a termination clause that the Company with reasonable probability does not expect to use.

Provisions for restoration of leaseholds

As stated in note 1 *Accounting policies*, an obligation to restore the Company's leaseholds has been recognised. The amount is determined using the expected costs at the time of vacating the leaseholds.

Discount rate

The Company uses its incremental borrowing rate to measure the future lease payments at present value. Management has assessed its incremental borrowing rate to range from 2.9%-3.4% on 31 December 2021.

Assessment of impairment on Right-of-use-assets

The Company leases its premises, which in accordance with IFRS16 are recognized as lease liabilities and Right-of-use-assets. Management has assessed the need for impairment for each cash generating unit being the individual stores. As indicators of impairment have been identified due to continued COVID-19 restrictions and close of stores, impairment tests have been performed at year-end, which is the base for recognition of impairment. Write-downs have been recognized if the recoverable amount is assessed lower than the carrying amount of the Right-of-use-assets. The budget periods in the impairment tests equals periods used for the IFRS16 recognition of the lease liabilities.

Significant accounting judgements in applying the chosen accounting policies

As part of the application of the Company’s accounting policies, Management performs judgements, based on estimations, which may materially impact the amounts recognised in the financial statements.

In 2021, Management has performed such assessments regarding leases. All leases, except from low-value leases and short-term leases, have been recognised as finance leases in accordance with IFRS 16. The practical expedient relating COVID-19 related to rent-free periods have been applied resulting in periods with an income corresponding to the recognized lease costs (depreciation and interests)

Financial statement for the period 1 January – 31 December

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3 Going concern

Management works actively and continuously with the Company's liquidity challenges and financial situation and position. By the time of the approval of the Annual Report for 2021, it is Management's expectation that Sportmaster Danmark ApS' will full fill the management approved budgets and the ultimate owner - Frasers Group plc - will provide the necessary funding and liquidity during the financial year 1 January 2022 – 30 April 30 2023. Frasers Group plc willingness to provide the company with the necessary liquidity has already been documented, where after the purchase of Sportmaster Danmark ApS in May 2022, Frasers Group plc - has transferred a substantial double-digit million amount to the Company to enable pay out of all overdue balances and interest-bearing debt.

The liquidity needed for the upcoming financial year, which extends from 1 January 2022 – 30 April 2023, is estimated to be MDKK 20 to finance daily operations. In addition, further investments in inventories are planned to support the sale, and other actions are planned to reduce external debt, etc.

Beside approving the budgets, Frasers Group plc has provided a letter of intent to Sportmaster ApS, confirming that it is their current intention to provide financial support to the Company by either capital increases, group grants or loans to the extent it is necessary to finance the Company's operations, investments and any other extraordinary costs. The letter of intent provided by the owner expires 11 July 2023.

Management expects to comply with the management approved budgets for the period 1 January 2022 – 30 April 2023 and that Frasers Group plc will provide Sportmaster Danmark ApS with necessary liquidity. Therefore, the Financial Statements presented under the assumption of the Company being 'Going Concern'.

4 Revenue

The company's activities are based in Denmark, and revenue derives from the sale of sports consumer products in its 81 physical stores (bricks and mortar) and through the Company's websites. A minor part of the revenue consists of sales to soccer clubs and sporting associations.

All revenue transactions are recognised at a point in time.

Revenue is specified on the two segments below: brick and mortar and web shop:

DKK'000	2021	2020
Revenue		
Brick and mortar	552,283	634,415
Web shop (incl. omni channel sales)	309,575	230,356
	861,858	864,771

5 Other operating income

Government subsidies, Covid-19	44,057	22,869
Rent concessions (IFRS16 – practical expedient)	3,697	6,229
Other operating income	1,210	1,750
	48,964	30,848

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6 Fees paid to auditor appointed at the annual general meeting

Fee regarding statutory audit	450	680
Assurance engagements	64	130
Tax assistance	50	110
Other assistance	36	589
Reverse accrual from last year	-142	0
	600	1,509

Thereof, PWC total fee	600	0
Thereof, EY total fee	-142	1.509
	458	1,509

7 Staff costs		
Wages and salaries	181,443	166,488
Defined contribution plans	11,405	11,142
Other social security costs	3,844	3,457
	196,692	181,087
FTE (employees)	493	491

Remuneration of the Board of Directors, Executive Board, and executive employees

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

Members of the Executive Board and other executive officers (executive officers) are eligible for bonus depending on the financial performance for the year in question.

Executive officers consist of an average of 10 persons during the year. The total remuneration of the executive officers is 13,088 DKK.

The Board of Directors has not received any compensation or their work from the Company. The remuneration of the Board of Directs has been paid by the parent or sister company and amounts to 100.000 DKK.

DKK'000	2021	2020
8 Financial incomes		
Foreign exchange gain	516	204
	516	204

Financial statement for the period 1 January – 31 December

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9 Financial expenses

Interest expense, banks	206	377
Interests on leases	8,571	9,722
Foreign exchange loss	1,524	0
Interest expense to group companies	3,227	2,323
Other interest expenses (16,833	3,305	2,385
	16,833	14,807
Interest on financial liabilities measured at amortised costs	0	0

10 Tax for the year

Tax for the year can be specified as follows:		
Current tax	0	0
Changes of tax from prior year	1,659	0
Deferred tax	14,891	13,160
Write-down of deferred tax assets to net realisable value	-16,550	-13,160
	0	0

Tax for the year can be explained as follows:

	2021 DKK'000	2021 %	2020 DKK'000	2020 %
Computed tax of profit/loss before tax	14,891	22.0	13,160	22.0
Tax effect of:				
Non-deductible expenses	0	0	0	0
Write-down of deferred tax assets	-14,891	-22.0	-13,160	-22.0
	0	0%	0	0%

Deferred tax

DKK'000	**2021**	**2020**
Deferred tax, recognised in profit/loss for the year	14,891	13,160
Deferred tax, write-down to net realisable value through profit/loss for the year	-14,891	-13,160
Deferred tax assets 31 December	0	0

Deferred tax assets relate to:		
Intangible assets	13,367	9,622
Property, plant and equipment	34,668	21,261
Inventories	3,303	752
Provisions and contract liabilities	6,788	9,946
Tax losses carry forward, etc.	32,656	33,492
Deferred tax before write-down to net realisable value	-90,782	75,073
Write-down to net realisable value	-90,782	-75,073
	0	0

Financial statement for the period 1 January – 31 December

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10 Tax for the year (continued)

Changes in temporary differences during the year

	2021		
DKK'000	**Balance at 1/1**	**Recognised in profit/loss for the year, net**	**Balance at 31/12**
Intangible assets	10,795	2,572	13,367
Property, plant, and equipment	29,826	4,843	34,669
Inventories	3,141	162	3,303
Provisions	8,362	-1,575	6,787
Tax losses carry forwards	22,949	9,707	32,656
Write-down to net realisable value	-75,073	-15,709	-90,782
	0	0	0

The Companies losses carried forward is all unlimited

Changes in temporary differences during the year

	2020		
DKK'000	**Balance at 1/1**	**Recognised in profit/loss for the year, net**	**Balance at 31/12**
Intangible assets	9,622	0	9,622
Property, plant, and equipment	21,261	0	21,261
Inventories	752	0	752
Provisions	9,946	0	9,946
Tax losses carry forwards	20,332	13,160	33,492
Write-down to net realisable value	-61,913	-13,160	-75,073
	0	0	0

Financial statement for the period 1 January – 31 December

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11 Intangible assets

DKK'000	Goodwill	Other intangible assets	Total
Cost at 1 January 2021	367.805	104,929	472,734
Additions	0	6,908	6,908
Disposal	0	-1,650	-1,650
Cost at 31 December 2021	367,805	110,187	477,992
Amortisation at 1 January 2021	367,805	77,313	445,118
Amortisation	0	10,583	10,583
Disposal	0	-1,650	-1,650
Amortisation at 31 December 2021	367,805	86,246	454,051
Carrying amount at 31 December 2021	0	23,941	23,941
Cost at 1 January 2020	367,805	99,000	466,805
Additions	0	5,929	5,929
Cost at 31 December 2020	367,805	104,929	472,734
Amortisation at 1 January 2020	367,805	66,591	434,396
Amortisation	0	10,722	10,722
Amortisation at 31 December 2020	367,805	77,313	445,118
Carrying amount at 31 December 2020	0	27,616	27,616

Other intangible assets comprise IT Software.

Financial statement for the period 1 January – 31 December

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12 Impairment test

Other intangible assets

Management has not identified any factors that indicate impairment of other intangible assets and other intangible assets in progress.

Right-of-use assets

As mentioned in note 2, indicators of impairment were identified at year-end due to COVID-19 restrictions and not performing stores. Therefor impairment tests were carried out on each of the store leases (cash generating units). The impairment tests resulted in a total impairment of DKK 5,462 thousand as disclosed in note 13.

13 Property, plant, and equipment

DKK'000	Plant and equipment	Leasehold improvements	Total
Cost at 1 January 2021	60,834	135,015	195,849
Additions	1,092	5,371	6,463
Disposals	-8,507	-14,786	-23,293
Cost at 31 December 2021	53,419	125,600	179,019
Depreciation at 1 January 2021	54,439	87,457	141,896
Depreciation	2,806	12,613	15,419
Disposals	-8,507	-14,786	-23,293
Impairment loss for the year	0	0	0
Depreciation at 31 December 2021	48,738	85,284	134,022
Carrying amount at 31 December 2021	4,681	40,316	44,997

Financial statement for the period 1 January – 31 December

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13 Property, plant, and equipment (continued)

DKK'000	Plant and equipment	Leasehold improvements	Total
Cost at 1 January 2020	59,526	135,975	195,501
Additions	1,308	1,072	2,380
Disposals	0	-2,032	-2,032
Cost at 31 December 2020	60,834	135,015	195,849
Depreciation at 1 January 2020	50,163	77,784	127,947
Depreciation	4,111	11,205	15,316
Disposals	0	-1,750	-1,750
Impairment loss for the year	165	218	383
Depreciation at 31 December 2020	54,439	87,457	141,896
Carrying amount at 31 December 2020	6,395	47,558	53,953

14 Leases

Leased assets

DKK'000	**Stores**	**Total**
Opening balance on 1 January 2021	281,238	281,238
Adjustment to opening balances	84	84
Additions in the year	54,267	54,267
Disposals in the year	-42,734	-42,734
Remeasurement of lease liabilities during the year	14,789	14,789
Depreciation in the year	-102,610	-102,610
Reversal of depreciation for disposed assets	2,755	2,755
Impairment loss for the year	-5,462	-5,462
Carrying amount at 31 December 2021	202,327	202,327

DKK'000	Stores	Total
Opening balance on 1 January 2020	197,594	197,594
Additions in the year	7,428	7,428
Disposals in the year	-7,539	-7,539
Remeasurement of lease liabilities during the year	195,654	195,654
Depreciation in the year	-104,355	-104,355
Reversal of depreciation for disposed assets	2,929	2,929
Impairment loss for the year	-10,473	-10,473
Carrying amount at 31 December 2020	281,238	281,238

Reference is made to note 2 for descriptions regarding

- ► the extent of the Company's lease arrangements
- ► process for determination of the discount rate.

Financial statement for the period 1 January – 31 December

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14 Leases (continued)

Impairment of lease liability is based on the current market situation and the effect of the COVID. In general, the stores has been individual evaluated on the performance, cost structure and potential impacts form outside.

Assumptions at 1st of September 2021

	WACC (%)	Cost of equity (%)	Average market share of equity (%)	Cost of debt (%)	Average market share of Debt (%)	Marginal tax rate (%)
Denmark	6.15	6.81	88.86	1.15	11.2	22

Assumptions at 1st of September 2020

	WACC (%)	Cost of equity (%)	Average market share of equity (%)	Cost of debt (%)	Average market share of Debt (%)	Marginal tax rate (%)
Denmark	5.9	6.47	89.94	1.03	10.06	22

Lease liabilities

DKK'000	2021	2020
Maturity of lease liabilities		
Within 1 year	110.848	104,805
Between 1-5 years	312.199	207,361
Over 5 years	6.392	0
Total non-discounted lease liabilities on 31 December	429,439	312,166
Lease liabilities recognised in the balance sheet	233,361	304,640
Current liabilities	-119,152	-109,743
Non-current liabilities	114,209	194,897

Amounts recognised in the statement of comprehensive income		
Interest expenses relating to leases	8,571	9,722
Depreciation on leased assets	102,610	104,355
Impairment on leased assets	5.462	10,473
	116,643	124,550

For 2021, the Company has paid DKK 94,647 thousand (2020: DKK 113,338 thousand) regarding leases, of which interest expenses amounted to DKK 8,571 thousand (2020: DKK 9,722 thousand) and repayment of lease liabilities amounted to DKK 86,076 thousand (2020: DKK 103,616 thousand).

Variable lease costs regarding revenue-based lease contracts, which are not in scope for IFRS 16 amounts to DKK 3,191 thousand in 2021 (2020: DKK 10,598 thousand).

Financial statement for the period 1 January – 31 December

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DKK'000	2021	2020
15 Inventories		
Goods for resale	213,304	234,602
Cost value	11,290	13,950
Impairment of inventories	-5,000	-6,530
Carrying amount of inventories, recognised at net sales value	6,290	7,420

DKK'000	2021	2020
16 Other receivables		
Supplier bonuses	9,390	6,473
VAT receivables	16,258	9,049
Other receivables	18,441	25,265
	44,089	40,787

17 Equity

Capital management

Management continually assesses the need to adjust the capital structure to weigh the higher yield requirement applicable to equity against the increased uncertainty associated with loan capital. The equity shares of total assets amounted to -15% at the end of 2021 (2020: 0%). The decrease is due to the loss for the year. The equity is expected to be restored within the next couple of years from profit for the upcoming years.

It is the Company's policy to use cash flows from operating activities to invest in developing the Company's revenue and earnings and to repay long-term liabilities.

Share capital

The share capital comprises 10,111,100 shares of DKK 1 each.

Changes in share capital since the establishment can be specified as follows:

DKK'000	2021	2020	2019	2018	2017
Opening balance	10,111	10,111	10,101	10,101	10,101
Capital increase	0	0	10	0	0
	10,111	10,111	10,111	10,101	10,101

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18 Provisions

DKK '000	2021	2020
Provisions 1 January	21,350	23,100
Reclassified to contract liabilities	0	0
Provided during the year	560	281
Provisions used during the year	-1,056	-1,481
Reversal of provisions in connection with closing of stores	-154	-550
Provisions on 31 December	20,700	21,350
Specification of provisions:		
Restoration costs in connection with vacation of premises	20,700	21,350
Provisions on 31 December	20,700	21,350

Provisions include liabilities for restoration upon vacation of premises. The liability accumulates as wear and tear increase on the premises and is reassessed annually to determine the state of the premises at the balance sheet date. Costs regarding restoration of vacated premises are expected to be incurred upon the expected termination of the premises, which depends on a potential extension of the leases.

19 Bank Loans

DKK '000	2021	2020
Bank loans on 1 January	0	0
Change in short-term bank loans (	61,665	0
Repayment of bank loans	0	0
Debt relief	0	0
Carrying amount	61,665	0

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20 Contract liabilities

Contract liabilities can be specified as follows:

DKK '000	2021	2020
Loyalty programme liability	591	663
Gift vouchers	13,739	12,005
Refund liabilities	1.355	2,824
Other	0	210
Contract liabilities on 31 December	15,685	15,702

Loyalty program liability and gift vouchers are in all material aspects expected to be recognized as income during 2022 as the utilization of gift vouchers and loyalty program points in all material aspects happens within 12 months.

Refund liabilities are based on sales activities, returns percentages and the period for returning sold goods. Refund liabilities are short-term as they relate to returns in the beginning of 2022.

21 Other payables

DKK' 000	2021	2020
Holiday pay obligations and salary related liabilities	19,957	33,899
VAT payable	53,600	48,502
Covid loan payable	25,526	0
Other payables	7,153	8,199
Deferred income	10,152	16,660
	116,388	107,260

22 Contractual obligations and contingencies, etc.

Contingent assets and liabilities

The Company has issued bank guarantees towards landlords regarding leased premises amounting to DKK 9.792 thousand (2020: DKK 0).

Financial statement for the period 1 January – 31 December

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23 Other adjustments of non-cash operations items, etc.

DKK'000	2021	2020
Financial income	-516	-204
Financial expenses	16,834	14,807
Other provisions	-650	-1,750
	15,668	12,853

24 Changes in working capital

Change in inventories	21,298	17,381
Change in receivables	-11,007	-21,554
Change in trade and other payables, prepayments from customers and deferred income	18,477	10,316
	28,768	6,143

25 Financial risks and financial instruments

The Company's risk management policy

The overall financial risk management framework is laid down in the Company's finance policy. The finance policy includes the Company's currency policy, investment policy and policies regarding credit risks vis-a-vis financial counterparties. Moreover, the policy includes a description of approved financial instruments and risk framework.

The Company's risk exposure or risk management has not changed relative to 2020.

The Company's finance function manages financial risks at centralised level. Every month, Management supervises the Company's risk concentration in areas such as currencies, interest, liquidity, etc.

The finance policy is updated annually.

It is the Company's policy not to engage in active speculation in financial risks. Thus, the Company's financial management is aimed solely at managing and reducing the financial risks directly associated with the Company's operations and financing.

The Company is exposed to a few financial risks. The disclosures in this note solely concern the most critical financial risks, which are:

- Market risks (currency and interest rate risks)
- Liquidity and financing risks.

Financial statement for the period 1 January – 31 December

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25 Financial risks and financial instruments (continued)

The Company's most critical risks are described in the sections below. Each section first provides a summary description of the financial risk, the relating business activity, impacts, risk management related to the financial risk and the effect in the financial year and the future.

Market risks

Currency risks

Related business activity	Impact	Risk management	Effect
The Company is exposed to currency movements primarily EUR and USD due to purchases that are settled in currencies other than the functional currency.	*Effect:* Moderate *Threat:* Low	It was group currency policy to hedge 60%-100% of the currency risks based on expected foreign currency transactions in the coming 6-12 months. Due to liquidity constraints in 2019, 2020 and 2021 no hedging was done. No hedging is planned for 2022 either yet. The EURO is not hedged due to Denmark's fixed exchange rate policy; however, the development in the Eurozone is monitored on an ongoing basis.	The primary effect following from currency risks relates to the Company's purchases in USD. USD was increase quite significantly during 2021, rising almost 9% from start to end of year. Since there hasn't been too many payments in USD the impact is not that big. No foreign exchange contracts were open on 31 December 2021.

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25 Financial risks and financial instruments (continued)

Exposure and sensitivity analysis

The Company's exposure and sensitivity to currency movements are summed up in the table below.

A reasonable change in the exchange rates vis-a-vis the exchange rates at the balance sheet date would all things being equal have the following hypothetical impact on profit for the year and the Company's equity at year end:

	2021					
	Nominal position			Sensitivity		
DKK'000	**Cash and receivables**	**Financial liabilities (non-derivative)**	**Derivative financial instruments held to hedge future cash flows**	**Increase in the exchange rate**	**Hypothetical impact on profit/loss for the year**	**Hypothetical impact on equity**
USD/DKK	337	13,998	0			

	2020					
	Nominal position			Sensitivity		
DKK'000	**Cash and receivables**	**Financial liabilities (non-derivative)**	**Derivative financial instruments held to hedge future cash flows**	**Increase in the exchange rate**	**Impact of profit/loss**	**Hypothetical impact on equity**
USD/DKK	145	2,333	0			

A corresponding negative change of the exchange rates would have a corresponding reverse impact on profit/loss for the year and equity.

Assumptions applied for the sensitivity analysis

► The sensitivities stated assume of unchanged sales, price level and interest level.

Financial statement for the period 1 January – 31 December

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25 Financial risks and financial instruments (continued)

Interest rate risks

Related business activity	Impact	Risk management	Effect
Following the financing of investments and the day-to-day operations, the Company is exposed to movements in the level of interest. The primary exposure relates to movements in CIBOR.	*Effect*: Moderate *Threat:* Low	After the debt reliefs in 2018 and 2019 and the maturity of the interest rate swaps in June 2019, the Company has only a loan to CITI Bank. No security for that loan has been provided by the company.	The Company is financed by a loan from the parent Company SPORTMASTER Operations PTE Ltd. Beside the group loan the Company has established a short-term working capital loan during 2021. The interest rate on the intercompany and CITI loan is 2.9% until maturity. The incremental borrowing rate used for amortizing the lease liability is 2.9%, cf. note 13.

Exposure

The Company's interest rate exposure is summed up as follows:

- ► The interest rate on the intercompany loan is floating and on 31 December at 2.9%
- ► The interest rate on the lease liabilities is ranging from 2.9%-3.4%
- ► The Company's cash is deposited on a drawing account.

Sensitivity analysis

A change of +/- 1% in the interest rate on the intercompany would result in profit/loss impact on DKK 1.254 thousand (2020: 1,355 thousand DKK) and for CITI Loan DKK 600 thousand (2020: 0 DKK)

A change of +/- 1% in the incremental borrowing rate used for the amortization of the lease liability would result in a profit/loss impact of DKK 2,333 thousand if all other parameters were unchanged (2020: DKK 2,384 thousand).

Financial statement for the period 1 January – 31 December

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25 Financial risks and financial instruments (continued)

Liquidity risks

Related business activity	Impact	Risk management	Impact
The Company is exposed to liquidity risks due to its ongoing activities. The Company's cash management in relation to the day-to-day operations and payment of financial liabilities is vital as insufficient liquidity may obstruct a steady supply of goods, and thereby income stream. The liquidity needed for the upcoming financial year, which extends from 1 January 2022 – 30 April 2023, is estimated to be MDKK 20 to finance daily operations. In addition, further investments in inventories are planned to support the sale, and other actions are planned to reduce external debt, etc. For further information reference are made to note 3 – Going Concern	*Effect:* Moderate *Threat:* Moderate	The Company's cash position is monitored on a day-to-day basis in addition to the overall liquidity forecasts.	The Company was at the balance date financed with short term intercompany loans from Sportmaster Operations Pte. LTD which has been paid out in several instalments upon request in 2020. The debt balance on 31 December 2021 DKK 125,374 thousand (31 December 2020 DKK 135,497 thousand). An agreement with Citibank with a credit line of DKK 100 million has been entered into during 2020 to further strengthen the Company's liquidity position. The loan facility has been used upon several request in beginning of 2021 totalling a debt of DKK 61,665 thousand on 31 December 2021 (DKK 0 thousand at 31 December 2020). Frasers Group plc has provided a letter of intent to Sportmaster ApS, confirming that it is their current intention to provide financial support to the Company by either capital increases, group grants or loans to the extent it is necessary to finance the Company's operations, investments and any other extraordinary costs. The letter of intent provided by the owner expires 11 July 2023.

Financial statement for the period 1 January – 31 December

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25 Financial risks and financial instruments (continued)

Analysis of term to maturity

The Company's financial liabilities fall due as follows:

2021 **DKK'000**	**Contractual cash flows**	**Within one year**	**1-3 years**	**3-5 years**	**After 5 years**
Non-derivative financial instruments					
Intercompany loan to the parent company	125,374	0	125,374	0	0
Trade payables	146,448	146,448	0	0	0
31 December 2021	271,822	146,4480	125,374	0	0

2020 **(DKK'000)**	**Contractual cash flows**	**Within one year**	**1-3 years**	**3-5 years**	**After 5 years**
Non-derivative financial instruments					
Intercompany loan to the parent company	139,592	0	139,592	0	0
Trade payables	145,631	145,631	0	0	0
31 December 2020	285,223	145,631	139,582	0	0

Assumptions underlying the analysis of term to maturity

- The analysis of term to maturity is based on all non-discounted cash flows, including estimated interest payments. Interest payments are estimated based on the existing market conditions and the interest rates within the agreements.
- Liabilities under leases are not included but are reflected in note 13.

Based on the Company's expectations as to its future operations and current cash resources, no other critical liquidity risks have been identified.

Financial statement for the period 1 January – 31 December

Notes

25 Financial risks and financial instruments (continued)

Financing risks

Related business activity	Impact	Risk management	Effect
The Company's operations depend on the future financing of the Company's operations and facilities.	*Effect:* Moderate *Threat:* Moderate	The financing risks are followed daily in order to ensure sufficient cash resources to the Company’s short-term operation and to be able to realize the long strategy. The term of gross debt is 1.0 years.	The average term of the Company's intercompany loans is 2.0 year and on 31 December 2022. As mentioned in the liquidity risks section, a facility agreement with Citibank was entered into in 2020 with a credit limit of DKK 100 million with a utilization of DKK 60 million on 31 December 2021 In Management's opinion, the Company's cash resources, and earnings expectations suffice for the realisation of the Company's long-term strategy.

Credit risks

Risk management	Effect
The Company's credit risks are partly linked to receivables and cash at bank and in hand and partly to derivative financial instruments with positive fair value. The maximum credit risk linked to financial assets corresponds to the values recognised in the balance sheet.	The Company has no significant risks regarding one individual customer or partner. Thus, there is no insurance of trade receivables from sales.

Trade receivables

At 31 December 2021, the terms of payment were exceeded by 40% (2020: 51%) of the Company's receivables.

The maximum credit risk associated with financial assets is reflected in the carrying amounts in the balance sheet.

Credit risks associated with the individual receivables are considered high quality with a low loss risk.
On 31 December 2021, trade receivables have been written down by DKK 232 thousand (2020: DKK 418 thousand), which is based on the expected credit loss model.

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25 Financial risks and financial instruments (continued)

Breakdown of trade receivables including Expected Credit Loss rate (ECL rate):

DKK'000	ECL rate	Nom. amount	ECL amount	2021	2020
Ageing of trade receivables					
Not due	0%	13,269	0	13,269	8,909
0-30 days overdue	0%	3,386	10	3,375	1,092
31-90 days overdue	1%	3,505	40	3,465	382
> 90 days overdue	12%	1,951	182	1,770	3,771
		22,111	232	21,879	14,154

Categories of financial instruments

	2021		2020	
DKK'000	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
Deposits	32,737	32,737	40,457	40,457
Trade receivables	21,879	21,879	14,154	14,154
Other receivables	47,892	47,892	40,787	40,787
Cash at bank and in hand	80,295	80,295	40,851	40,851
Receivables and cash at bank and in hand	182,803	182,803	136,249	136,249
Financial liabilities measured at fair value over the income statement	0	0	0	0
Bank loans	61,665	61,665	0	0
Intercompany loans	125,374	125,374	135,497	135,497
Lease liabilities	233,361	233,361	304,640	304,640
Financial liabilities measured at amortised cost	420,400	420,400	440,137	440,137

Reference is made to the section "Methods and assumptions underlying the fair value determination" below.

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25 Financial risks and financial instruments (continued)

Fair value hierarchy for financial instruments which are measured at fair value in the balance sheet or whose fair value is disclosed

DKK'000	Quoted prices (Level 1)	Observable input (Level 2)	Non observable input (Level 3)	Total
2021				
Intercompany loans	0	125,374	0	125,374
Financial liabilities, where fair value is presented	0	125,374	0	125,374

DKK'000	Quoted prices (Level 1)	Observable input (Level 2)	Non observable input (Level 3)	Total
2020				
Intercompany loans	0	135,497	0	135,497
Financial liabilities, where fair value is presented	0	135,497	0	135,497

Methods and assumptions underlying the fair value determination

The methods and assumptions applied to determine the fair value of financial instruments are described per class of financial instruments. The methods applied are unchanged compared to 2020.

Bank loans (measured at amortised cost in the balance sheet)

As the loans carry floating interest, the nominal residual liability is deemed to correspond to fair value.

Intercompany loans (measured at amortised cost in the balance sheet)

As the loans carry floating interest, the nominal residual liability is deemed to correspond to fair value.

Other (measured at amortised cost in the balance sheet)
Trade receivables, deposits, cash, and trade payables are measured at amortised cost in the balance sheet. The fair value of trade receivables, deposits, cash, and trade payables with a short period of credit are deemed to be equal to the carrying amount.

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26 Related party disclosures

Sportmaster Danmark ApS' related parties comprise the following:

Parties exercising control

Sportmaster Operations PTE Ltd., Singapore, which controls the Company.

Other related parties

The member of the Executive Board and the members of the Board of Directors.

Transactions with related parties

As disclosed in note 24, the Company has a loan to the parent company, which carries interests.

The company has had transaction with other related parties within the Group. The transactions have been carried out according to armlengths principle.

27 Events after the balance sheet date

The first two months of 2022 started with historically high contamination numbers of Covid-19. The impact of retail was less direct than previous years, but the costumer flow was prohibited by daily new cases of up towards 50.000 infected, effectively putting a large proportion of the customer base in quarantine any given day. The high exposure level of Corona also meant that we had to take extra precautions for our staff, in order to protect them and ensure operation in all stores. This was effectively done, and the company did not experience any forced-closed days, and in general successfully prevented larger outbreaks in the staff group, protecting their health and wellbeing.

The high inflation rate and increased interests we currently see in the Danish market, has a negative impact on the customers buying behaviour and can explain that sales performance runs behind budget. Furthermore, performance was impacted from delivery/production problems from the big brands.

In March the company was put in public interest, due to speculation of ownership structure, and in relation to the war in Ukraine. Ultimately the situation resulted in the board and owners deciding to put SPORTMASTER up for sale. A sale that was carried through on the 20th of May, where Sportmaster Danmark ApS was acquired by Fraser Group (European Holding) Ltd. During that period there was some restriction and prioritization which impacted the business.

Following a turmoil start to the year, the new ownership gives stability to the company going forward and includes SPORTMASTER into Fraser Group’s strategy of becoming the number 1 retailer in EMEA within sports and sporting goods.

The strategy for the Danish market will be developed along with the Danish management and the new owners during the second half of 2022 and through 2023.

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28 New financial reporting regulations

There is none of the new implemented standards and interpretations for 2021 which has relevance for the Company.